

PEOPLES FINANCIAL CORP /MS/

Form 10-Q

August 07, 2009

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-12103
PEOPLES FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Mississippi

64-0709834

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

Lameuse and Howard Avenues, Biloxi, Mississippi

39533

(Address of principal executive offices)

(Zip Code)

(228) 435-5511

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date. Peoples Financial Corporation has only one class of common stock authorized. At July 31, 2009, there were 15,000,000 shares of \$1 par value common stock authorized, and 5,151,697 shares issued and outstanding.

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Consolidated Statements of Condition**

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Assets		
Cash and due from banks	\$ 39,282,683	\$ 34,015,590
Federal funds sold		4,000
Available for sale securities	380,914,975	340,462,072
Held to maturity securities, fair value of \$3,291,335 at June 30, 2009; \$3,438,108 at December 31, 2008	3,200,564	3,394,212
Other investments	3,999,662	3,889,324
Federal Home Loan Bank Stock, at cost	3,522,900	2,070,700
Loans	467,165,116	467,377,039
Less: Allowance for loan losses	9,797,881	11,113,575
Loans, net	457,367,235	456,263,464
Bank premises and equipment, net of accumulated depreciation	32,649,301	33,600,170
Accrued interest receivable	4,994,317	5,444,767
Cash surrender value of life insurance	15,025,084	14,688,160
Other real estate	2,451,468	397,182
Other assets	2,915,901	2,177,860
Total assets	\$946,324,090	\$ 896,407,501

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Peoples Financial Corporation and Subsidiaries
Consolidated Statements of Condition (continued)

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Liabilities & Shareholders Equity		
Liabilities:		
Deposits:		
Demand, non-interest bearing	\$ 94,332,584	\$ 109,033,184
Savings and demand, interest bearing	214,036,852	239,990,238
Time, \$100,000 or more	155,291,859	104,540,112
Other time deposits	54,632,268	56,912,002
Total deposits	518,293,563	510,475,536
Federal funds purchased and securities sold under agreements to repurchase	236,970,971	226,609,231
Borrowings from Federal Home Loan Bank	72,857,135	36,937,686
Other liabilities	15,641,593	15,384,934
Total liabilities	843,763,262	789,407,387
Shareholders Equity:		
Common stock, \$1 par value, 15,000,000 shares authorized, 5,151,697 and 5,279,268 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	5,151,697	5,279,268
Surplus	65,780,254	65,780,254
Undivided profits	32,051,717	33,412,596
Accumulated other comprehensive income (loss), net of tax	(422,840)	2,527,996
Total shareholders equity	102,560,828	107,000,114
Total liabilities & shareholders equity	\$946,324,090	\$ 896,407,501

See selected notes to consolidated financial statements.

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Peoples Financial Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	Three Months Ended		Six Months Ended June 30,	
	June 30,		2009	2008
	2009	2008	2009	2008
Interest income:				
Interest and fees on loans	\$5,086,063	\$ 6,675,902	\$10,204,455	\$14,108,247
Interest and dividends on securities:				
U. S. Treasury	322,981	776,286	776,319	1,590,226
U.S. Government agencies	2,494,405	2,700,844	4,769,764	5,714,331
Mortgage-backed securities	387,501	435,554	791,654	896,926
States and political subdivisions	301,314	249,196	612,423	509,246
Other investments	1,953	38,063	6,894	100,980
Interest on federal funds sold	544	25,258	1,437	62,070
Total interest income	8,594,761	10,901,103	17,162,946	22,982,026
Interest expense:				
Deposits	1,396,989	2,618,729	2,953,687	5,837,741
Long-term borrowings	110,985	117,531	271,777	239,765
Federal funds purchased and securities sold under agreements to repurchase	517,320	1,081,298	1,093,672	2,619,692
Total interest expense	2,025,294	3,817,558	4,319,136	8,697,198
Net interest income	6,569,467	7,083,545	12,843,810	14,284,828
Provision for allowance for losses on loans	1,502,000	48,000	1,850,000	94,000

Net interest income after provision for allowance for losses on loans	\$5,067,467	\$ 7,035,545	\$10,993,810	\$14,190,828
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Peoples Financial Corporation and Subsidiaries
Consolidated Statements of Income (continued)
(Unaudited)

	Three Months Ended		Six Months Ended June 30,	
	June 30,		2009	2008
	2009	2008	2009	2008
Non-interest income:				
Trust department income and fees	\$ 325,750	\$ 434,025	\$ 662,016	\$ 829,115
Service charges on deposit accounts	1,702,090	1,729,375	3,365,397	3,421,835
Gain on sales or calls of securities	2	27,629	136,799	115,277
Other income	138,534	439,686	624,585	802,280
Total non-interest income	2,166,376	2,630,715	4,788,797	5,168,507
Non-interest expense:				
Salaries and employee benefits	3,694,321	3,611,848	7,074,699	7,077,246
Net occupancy	641,242	467,333	1,193,103	1,007,158
Rentals, depreciation and maintenance	954,189	872,248	1,904,556	1,794,301
Other expense	1,793,384	1,452,833	3,466,575	3,090,232
Total non-interest expense	7,083,136	6,404,262	13,638,933	12,968,937
Income before income taxes	150,707	3,261,998	2,143,674	6,390,398
Income taxes	(50,000)	1,084,000	240,000	2,123,000
Net Income	\$ 200,707	\$ 2,177,998	\$ 1,903,674	\$ 4,267,398
Basic and diluted earnings per share	\$.04	\$.41	\$.37	\$.79

See selected notes to consolidated financial statements.

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Peoples Financial Corporation and Subsidiaries
Consolidated Statement of Shareholders Equity

	Number of Common Shares	Common Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income	Comprehensive Income	Total
Balance, January 1, 2009	5,279,268	\$ 5,279,268	\$ 65,780,254	\$ 33,412,596	\$ 2,527,996		\$ 107,000,114
Comprehensive Income:							
Net income				1,903,674		\$ 1,903,674	1,903,674
Net unrealized loss on available for sale securities, net of tax					(2,860,550)	(2,860,550)	(2,860,550)
Reclassification adjustment for available for sale securities called or sold in current year, net of tax					(90,286)	(90,286)	(90,286)
Total comprehensive loss						\$ (1,047,162)	
Effect of stock retirement on accrued dividends				4,774			4,774
Dividend declared, (\$.20 per share)				(1,030,339)			(1,030,339)
Retirement of stock	(127,571)	(127,571)		(2,238,988)			(2,366,559)
	5,151,697	\$ 5,151,697	\$ 65,780,254	\$ 32,051,717	\$ (422,840)		\$ 102,560,828

Balance,
June 30, 2009

Note: Balances as of January 1, 2009 were audited.
See selected notes to consolidated financial statements.

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Peoples Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	2009	2008
Cash flows from operating activities:			
Net income	\$	1,903,674	\$ 4,267,398
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation		1,212,000	1,097,500
Provision for allowance for loan losses		1,850,000	94,000
Gain on sale of bank premises			(142,607)
Gain on other investments		(110,338)	
Gain on sales and calls of securities		(136,799)	(115,277)
Loss on impairment of equity securities		149,517	
Change in accrued interest receivable		450,450	959,555
Change in other assets		100,299	776,622
Change in other liabilities		1,504,614	776,346
Net cash provided by operating activities		6,923,417	7,713,537
Cash flows from investing activities:			
Proceeds from maturities, sales and calls of available for sale securities		145,473,727	138,371,132
Investment in available for sale securities		(190,412,284)	(82,129,694)
Proceeds from maturities of held to maturity securities		195,000	1,240,000
Investment in held to maturity securities		(1,352)	(2,889)
Purchases of other investments			(3,160,000)
(Investment in) redemption of Federal Home Loan Bank Stock		(1,452,200)	8,100
Proceeds from sales of other real estate		326,076	19,500
Loans, net change		(5,337,134)	(22,264,844)
Proceeds from sale of bank premises			266,812
Acquisition of premises and equipment		(261,131)	(1,672,367)
Other assets		(339,903)	(814,423)
Net cash provided by (used in) investing activities	\$	(51,809,201)	\$ 29,861,327

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Peoples Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows (continued)
(Unaudited)

	Six Months Ended June 30,	
	2009	2008
Cash flows from financing activities:		
Demand and savings deposits, net change	\$ (40,653,986)	\$ 40,578,887
Time deposits, net change	48,472,013	(45,086,893)
Cash dividends	(1,583,780)	(1,457,587)
Retirement of common stock	(2,366,559)	(1,759,801)
Borrowings from Federal Home Loan Bank	136,000,000	12,000,000
Repayments to Federal Home Loan Bank	(100,080,551)	(12,082,063)
Federal funds purchased and securities sold under agreements to repurchase, net change	10,361,740	(25,868,988)
Net cash provided by (used in) financing activities	50,148,877	(33,676,445)
Net increase in cash and cash equivalents	5,263,093	3,898,419
Cash and cash equivalents, beginning of year	34,019,590	34,935,370
Cash and cash equivalents, end of year	\$ 39,282,683	\$ 38,833,789

See selected notes to consolidated financial statements.

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PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009 and 2008

1. Basis of Presentation:

The accompanying unaudited consolidated financial statements and notes thereto contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Peoples Financial Corporation and its subsidiaries (the Company) as of June 30, 2009 and the results of their operations and their cash flows for the periods presented. The interim financial information should be read in conjunction with the annual consolidated financial statements and the notes thereto included in the Company's 2008 Annual Report and Form 10-K.

The results of operations for the six months ended June 30, 2009, are not necessarily indicative of the results to be expected for the full year.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Summary of Significant Accounting Policies The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America and general practices within the banking industry. There have been no material changes or developments in the application of principles or in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies as disclosed in our Form 10-K for the year ended December 31, 2008.

Subsequent Events The Company has performed an evaluation of subsequent events through August 7, 2009, which is the date the financial statements were issued.

2. Earnings Per Share:

Per share data is based on the weighted average shares of common stock outstanding of 5,189,474 and 5,379,112 for the six months ended June 30, 2009 and 2008, respectively, and 5,157,356 and 5,361,327 for the quarters ended June 30, 2009 and 2008, respectively.

3. Statements of Cash Flows:

The Company has defined cash and cash equivalents to include cash and due from banks and federal funds sold. The Company paid \$4,442,281 and \$9,007,014 for the six months ended June 30, 2009 and 2008, respectively, for interest on deposits and borrowings. Income tax payments of \$520,000 and \$500,000 were made during the six months ended June 30, 2009 and 2008, respectively. Loans in the amount of \$2,383,363 and \$148,000 were transferred to other real estate during the six months ended June 30, 2009 and 2008, respectively.

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4. Investments:

The amortized cost and estimated fair value of securities at June 30, 2009 and December 31, 2008, respectively, were as follows:

June 30, 2009	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available for sale securities:				
Debt securities:				
U.S. Treasury	\$ 40,974,676	\$1,064,114	\$	\$ 42,038,790
U.S. Government agencies	274,347,228	1,773,051	(2,399,289)	273,720,990
Mortgage-backed securities	29,288,304	828,801	(54,746)	30,062,359
States and political subdivisions	34,782,885	592,009	(932,041)	34,442,853