

PEOPLES FINANCIAL CORP /MS/

Form 10-Q

November 09, 2006

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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 September 30, 2006**

**or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number 0 30050  
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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated filer  Accelerated filer  Non-accelerated filer

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 November 1, 2006, there were 15,000,000 shares of \$1 par value common stock authorized, and 5,548,199 shares issued and outstanding.

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Certification of CEO Pursuant to Section 302

Certification of CFO Pursuant to Section 302

Certification of CEO Pursuant to 18 U.S.C Section 1350

Certification of CFO Pursuant to 18 U.S.C. Section 1350

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PART I  
FINANCIAL INFORMATION  
PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

September 30, December 31, and September 30,	(Unaudited) 2006	(Audited) 2005	(Unaudited) 2005
<b>Assets</b>			
Cash and due from banks	\$ 64,824,795	\$ 52,277,524	\$ 58,454,381
Federal funds sold	6,442,000	100,340,000	97,000,000
Held to maturity securities, market value of \$107,754,000 - September 30, 2006; \$134,008,000 - December 31, 2005; \$41,920,000 - September 30, 2005	107,845,418	134,046,959	41,804,453
Available for sale securities, at market value	373,505,852	178,393,652	191,961,031
Federal Home Loan Bank Stock, at cost	1,115,100	1,076,600	1,432,800
Loans	403,182,940	349,346,340	347,081,539
Less: Allowance for loan losses	10,928,307	10,966,022	11,015,042
Loans, net	392,254,633	338,380,318	336,066,497
Bank premises and equipment, net of accumulated depreciation of \$19,203,000 - September 30, 2006; \$18,025,000 - December 31, 2005; and \$18,304,000 - September 30, 2005	18,148,828	17,887,907	17,749,847
Other real estate	56,317	106,046	120,956
Accrued interest receivable	7,449,079	4,315,358	3,982,223
Other assets	19,072,847	18,500,668	18,736,639
<b>Total assets</b>	<b>\$ 990,714,869</b>	<b>\$ 845,325,032</b>	<b>\$ 767,308,827</b>

**Table of Contents**PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (Continued)

September 30, December 31, and September 30,	(Unaudited) 2006	(Audited) 2005	(Unaudited) 2005
<b>Liabilities &amp; Shareholders Equity</b>			
<b>Liabilities:</b>			
Deposits:			
Demand, non-interest bearing	\$ 173,023,256	\$ 176,627,048	\$ 147,796,135
Savings and demand, interest bearing	298,054,632	301,052,887	248,024,104
Time, \$100,000 or more	131,172,939	51,292,708	49,598,212
Other time deposits	61,279,315	63,244,699	60,753,503
<b>Total deposits</b>	<b>663,530,142</b>	<b>592,217,342</b>	<b>506,171,954</b>
Federal funds purchased and securities sold under agreements to repurchase	212,157,926	149,267,750	159,090,166
Borrowings from Federal Home Loan Bank	10,609,371	7,352,005	7,359,080
Other liabilities	9,489,636	8,984,804	7,465,071
<b>Total liabilities</b>	<b>895,787,075</b>	<b>757,821,901</b>	<b>680,086,271</b>
<b>Shareholders Equity:</b>			
Common Stock, \$1 par value, 15,000,000 shares authorized, 5,548,199 shares issued and outstanding at September 30, 2006, 5,549,128 shares issued and outstanding at December 31, 2005 and 5,549,128 shares issued and outstanding at September 30, 2005	5,548,199	5,549,128	5,549,128
Surplus	65,780,254	65,780,254	65,780,254
Undivided profits	25,536,642	18,942,855	17,522,402
Accumulated other comprehensive income	(1,937,301)	(2,769,106)	(1,629,228)
<b>Total shareholders equity</b>	<b>94,927,794</b>	<b>87,503,131</b>	<b>87,222,556</b>

<b>Total liabilities and shareholders equity</b>	\$ 990,714,869	\$ 845,325,032	\$ 767,308,827
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See Selected Notes to Consolidated Financial Statements.

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PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	For The Quarter Ended September 30,		For The Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>Interest income:</b>				
Interest and fees on loans	\$ 7,847,283	\$ 5,661,300	\$ 20,901,766	\$ 16,742,141
Interest and dividends on securities:				
U. S. Treasury	1,127,800	702,176	4,451,151	1,755,843
U. S. Government agencies and corporations	3,717,040	1,170,691	8,250,066	3,266,360
States and political subdivisions	216,430	214,543	633,821	624,012
Other investments	21,730	16,061	147,549	151,344
Interest on federal funds sold	220,691	220,318	760,047	393,254
<b>Total interest income</b>	<b>13,150,974</b>	<b>7,985,089</b>	<b>35,144,400</b>	<b>22,932,954</b>
<b>Interest expense:</b>				
Time deposits of \$100,000 or more	1,204,460	370,665	2,430,204	879,204
Other deposits	1,934,321	1,084,360	5,546,505	2,831,473
Borrowing from Federal Home Loan Bank	120,014	109,336	362,405	330,276
Federal funds purchased and securities sold under agreements to repurchase	2,285,413	519,107	4,186,418	1,268,989
<b>Total interest expense</b>	<b>5,544,208</b>	<b>2,083,468</b>	<b>12,525,532</b>	<b>5,309,942</b>
<b>Net interest income</b>	<b>7,606,766</b>	<b>5,901,621</b>	<b>22,618,868</b>	<b>17,623,012</b>
Provision for losses on loans	48,000	5,103,000	125,000	3,590,000

<b>Net interest income after provision for losses on loans</b>	7,558,766	798,621	22,493,868	14,033,012
<b>Other operating income:</b>				
Trust department income and fees	498,627	343,613	1,228,865	1,057,904
Service charges on deposit accounts	1,391,013	1,136,682	3,696,281	3,862,791
Other service charges, commissions and fees	64,015	55,263	214,889	219,630
Loss on sale of securities				(442,539)
Other income	354,212	205,619	986,323	680,188
<b>Total other operating income</b>	<b>\$ 2,307,867</b>	<b>\$ 1,741,177</b>	<b>\$ 6,126,358</b>	<b>\$ 5,377,974</b>



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PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME (Continued)  
 (Unaudited)

	For The Quarter Ended September 30,		For The Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>Other operating expense:</b>				
Salaries and employee benefits	\$ 3,295,811	\$ 2,910,696	\$ 9,434,025	\$ 8,566,547
Net occupancy	370,838	377,987	1,476,070	1,073,967
Equipment rentals, depreciation and maintenance	726,905	598,857	2,077,174	1,940,465
Other expense	1,358,319	1,327,683	3,718,326	3,836,066
<b>Total other operating expense</b>	<b>5,751,873</b>	<b>5,215,223</b>	<b>16,705,595</b>	<b>15,417,045</b>
<b>Income (loss) before income taxes and extraordinary gain</b>	<b>4,114,760</b>	<b>(2,675,425)</b>	<b>11,914,631</b>	<b>3,993,941</b>
Income taxes (benefit)	1,430,000	(908,020)	4,140,000	1,180,000
<b>Income (loss) before extraordinary gain</b>	<b>2,684,760</b>	<b>(1,767,405)</b>	<b>7,774,631</b>	<b>2,813,941</b>
Extraordinary gain, net of taxes				538,000
<b>Net Income (Loss)</b>	<b>\$ 2,684,760</b>	<b>\$ (1,767,405)</b>	<b>\$ 7,774,631</b>	<b>\$ 3,351,941</b>
<b>Basic and diluted earnings per share</b>	<b>\$ .48</b>	<b>\$ (.32)</b>	<b>\$ 1.40</b>	<b>\$ .60</b>
<b>Basic and diluted earnings per share before extraordinary gain</b>	<b>\$ .48</b>	<b>\$ (.32)</b>	<b>\$ 1.40</b>	<b>\$ .51</b>

See Selected Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	# of Shares	Common Stock	Surplus	Undivided Profits	Accumulated Other Comprehen- sive Income	Compre- hensive Income	Total
Balance, January 1, 2005	5,555,419	\$ 5,555,419	\$ 65,780,254	\$ 15,391,524	\$ (925,764)		\$ 85,801,433
Comprehensive Income:							
Net income				3,351,941		\$ 3,351,941	3,351,941
Net unrealized loss on available for sale securities, net of tax					(937,779)	(937,779)	(937,779)
Reclassification adjustment for available for sale securities sold in current year, net of tax					234,315	234,315	234,315
Total comprehensive income						\$ 2,648,477	
Retirement of stock	(6,291)	(6,291)		(111,636)			(117,927)
Effect of stock retirement on accrued dividends				399			399
Cash dividends, (\$ ..17 per share)				(1,109,826)			(1,109,826)
	5,549,128	\$ 5,549,128	\$ 65,780,254	\$ 17,522,402	\$ (1,629,228)		\$ 87,222,556

Balance,  
September 30,  
2005

Note: Balances as of January 1, 2005 were audited.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (continued)

	# of Shares	Common Stock	Surplus	Undivided Profits	Accumulated Other Comprehen- sive Income	Compre- Hensive Income	Total
Balance, January 1, 2006	5,549,128	\$ 5,549,128	\$ 65,780,254	\$ 18,942,855	\$ (2,769,106)		\$ 87,503,131
Comprehensive Income:							
Net income				7,774,631		\$ 7,774,631	7,774,631
Net unrealized gain on available for sale securities, net of tax					831,805	831,805	831,805
Total comprehensive income						\$ 8,606,436	
Retirement of stock	(929)	(929)		(15,722)			(16,651)
Cash dividends, (\$ ..21 per share)				(1,165,122)			(1,165,122)
Balance, September 30, 2006	5,548,199	\$ 5,548,199	\$ 65,780,254	\$ 25,536,642	\$ (1,937,301)		\$ 94,927,794

Note: Balances as of January 1, 2006 were audited.  
See Selected Notes to Consolidated Financial Statements.

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PEOPLES FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

For The Nine Months Ended September 30,	2006	2005
<b>Cash flows from operating activities:</b>		
Net income	\$ 7,774,631	\$ 3,351,941
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,177,000	1,173,148
Provision for losses on loans	125,000	3,590,000
Provision for losses on other real estate	3,129	7,000
Loss on sale of available for sale securities		442,539
Gain on sales of other real estate	(150,000)	(366,865)
Gain on sale of bank premises	(159,669)	
Changes in assets and liabilities:		
Accrued interest receivable	(3,133,721)	(1,236,988)
Other assets	(370,722)	(1,340,944)
Other liabilities	1,393,290	(1,033,093)
<b>Net cash provided by operating activities</b>	<b>6,658,938</b>	<b>4,586,738</b>
<b>Cash flows from investing activities:</b>		
Proceeds from maturities and calls of held to maturity securities	212,720,000	4,435,000
Investment in held to maturity securities	(186,518,459)	(39,652,078)
Proceeds from maturities, sales and calls of available for sale securities	18,250,292	129,641,255
Investment in available for sale securities		