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PEOPLES HOLDING CO
Form 11-K
June 19, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED].

For the transition period from _____ to _____.

Commission file number: 001-13253

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

THE PEOPLES BANK & TRUST COMPANY 401(K) PLAN

- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

THE PEOPLES HOLDING COMPANY
209 Troy Street
Tupelo, MS 38802

FINANCIAL REPORT

THE PEOPLES BANK
AND TRUST COMPANY

401(k) PLAN

Tupelo, Mississippi
December 31, 2002

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INDEPENDENT AUDITORS' REPORT

To the Administrative Committee
The Peoples Bank and Trust Company
401(k) Plan
Tupelo, Mississippi

We have audited the accompanying statement of net assets available for benefits of The Peoples Bank and Trust Company 401(k) Plan as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of The Peoples Bank and Trust Company 401(k) Plan as of December 31, 2002 and 2001, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes at end of year, and reportable transactions, together referred to as "supplemental information", are presented for the

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purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Plan's management. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Nail McKinney Professional Association

April 23, 2003

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STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

THE PEOPLES BANK AND TRUST COMPANY
401(k) PLAN

December 31, 2002 and 2001

	2002	2001
	-----	-----
ASSETS		
INVESTMENTS AT FAIR VALUE (Note 5)		
Mutual funds	\$ 4,505,811	\$ 3,851,058
Common stock	1,941,982	1,566,136
Trust for U.S. Treasury Obligations	9,001	32,423
Participant note receivable	1,424	-
	-----	-----
Total investments	6,458,218	5,449,617
RECEIVABLES		
Employer contribution	644,644	440,214
Dividends	13,446	11,247
	-----	-----
Total receivables	658,090	451,461
	-----	-----
Total assets	7,116,308	5,901,078
	-----	-----
LIABILITIES		
Cash overdraft	1,182	-
Due to participants	-	474
	-----	-----
Total liabilities	1,182	474
	-----	-----
Net assets available for benefits	\$ 7,115,126	\$ 5,900,604
	=====	=====

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The notes to financial statements are an integral part of these statements.

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STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

THE PEOPLES BANK AND TRUST COMPANY
401(k) PLAN

Years ended December 31, 2002 and 2001

	2002	2001
	-----	-----
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Investment income:		
Net appreciation (depreciation) in fair value of investments (Note 5)	\$ (498,999)	\$ 533,399
Interest	4,154	4,398
Dividends	155,790	126,531
	-----	-----
	(339,055)	664,328
Contributions		
Employer	644,644	440,347
Participant deferrals	1,217,956	891,413
	-----	-----
	1,862,600	1,331,760
	-----	-----
Total additions	1,523,545	1,996,088
	-----	-----
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefits paid to participants	309,023	254,656
	-----	-----
Total deductions	309,023	254,656
	-----	-----
Net increase	1,214,522	1,741,432
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	5,900,604	4,159,172
	-----	-----
End of year	\$ 7,115,126	\$ 5,900,604
	=====	=====

The notes to financial statements are an integral part of these statements.

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NOTES TO FINANCIAL STATEMENTS

THE PEOPLES BANK AND TRUST COMPANY
401(k) PLAN

December 31, 2002

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NOTE 1. DESCRIPTION OF PLAN

The following brief description of The Peoples Bank and Trust Company 401(k) Plan (Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

- A. General. The Plan is a defined contribution plan covering substantially all employees of The Peoples Bank and Trust Company. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).
- B. Contributions . Each year, participants may contribute up to 10% of pretax annual compensation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. The employer matches 100% of the employee's salary deferral contribution up to four percent of the employee's compensation. The employer may make a discretionary profit sharing contribution. Contributions are subject to certain limitations.
- C. Participant Accounts. Each participant's account is credited with the participant's contribution and allocations of the employer contribution and plan earnings/losses. Each participant's account is also charged with an allocation of administrative expenses, when applicable. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.
- D. Vesting. Participants are immediately 100% vested in salary deferral contribution and earnings allocated to those accounts. Vesting in matching employer contributions and profit sharing contributions is based on a six year graduated schedule. Forfeitures of non-vested employer match contributions will reduce employer match contribution or reduce expenses of the plan. Forfeitures of non-vested employer profit sharing contributions will be allocated to other participants based on compensation.
- E. Investment Options. Upon enrollment in the Plan, a participant may direct contributions in any of six investment options.
 - Peoples Holding Company Common Stock
 - Money Market Obligation Trust
 - Federated Index Trust
 - Federated U.S. Government Securities Fund
 - Vanguard/Wellington Fund, Inc.
 - Vanguard/Wellesley Income Fund

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NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 1. DESCRIPTION OF PLAN - (Continued)

- F. Payment of Benefits. Upon termination of service with the employer, a participant may elect to receive a lump-sum distribution of his or her entire vested account balance.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting . The financial statements of the Plan are prepared under the accrual method of accounting.
- B. Valuation of Investments. The Plan's investments are stated at market

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value. If available, quoted market prices are used to value investments. If quoted market prices are not available, the trustee estimates the fair value of the asset.

- C. Payment of Benefits. Benefits are recorded when paid.
- D. Plan Termination. Although it has not expressed any intent to do so, the Employer has the right to terminate the Plan at any time subject to the provisions of ERISA.
- E. Operating Expenses. The Plan sponsor absorbs all of the administrative expenses of the Plan.
- F. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3. PLAN TERMINATION

Although it has not expressed any intent to do so, The Peoples Bank and Trust Company has the right at any time to terminate the Plan. In the event of plan termination, all employees will become 100% vested in their accounts

NOTE 4. INCOME TAX STATUS

The Plan's most recent favorable determination letter received from the Internal Revenue Service is dated February 12, 1998. The plan administrator believes that the plan is designed and has been operated in compliance with the applicable requirements of the Internal Revenue Code (the "Code"). In April 2003, the plan sponsor amended and restated the plan to comply with recent tax law requirements (commonly referred to as "GUST") and to make other plan design changes. The amended and restated plan is in the form of a prototype plan sponsored by Southeastern Employee Benefit Services, Inc. It consists of a basic plan document and a nonstandardized adoption agreement. The prototype plan sponsor received a favorable determination letter from the Internal Revenue Service dated November 27, 2001 for the prototype plan. Recently, the plan administrator submitted the amended and restated plan to the Internal Revenue Service to request a favorable determination that the plan is qualified under Sections 401 (a) and 401 (k) of the Code. The plan administrator believes that the Plan is currently being operated in compliance with the applicable requirements of the Code.

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 5. INVESTMENTS

All of the Plan's investments are held by a bank-administered trust fund. The following table presents the fair value of investments at December 31, 2002 and 2001.

	2002	2001
	-----	-----
Investments at fair value as determined by quoted market price		
Mutual funds:		
Money Market Obligation Trust	\$ 193,324	\$ 151,529
Federated Index Trust	1,725,553	1,839,451

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Federated U.S. Government Securities Index...	215,896	121,809
Vanguard / Wellington Fund Inc.	1,469,155	1,346,267
Vanguard / Wellesley Income Fund	901,883	392,002
Common stock:		
Peoples Holding Company	1,941,982	1,566,136
Trust for U.S. Treasury Obligations	9,001	32,423
Participant note receivable	1,424	-
	-----	-----
	\$ 6,458,218	\$ 5,449,617
	=====	=====

During 2002 and 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	2002	2001
	-----	-----
Appreciation (depreciation) in fair value		
Mutual funds	\$ (667,325)	\$ (260,489)
Common stock	168,326	793,888
	-----	-----
	\$ (498,999)	\$ 533,399
	=====	=====

NOTE 6. INVESTMENT IN PEOPLES HOLDING COMPANY STOCK

The Plan's trust held investments in the bank's parent, The Peoples Holding Company, as follows:

	12/31/2002	12/31/2001
	-----	-----
Number of shares held	47,656	42,328
Market value of shares	\$ 1,941,982	\$ 1,566,136
As a percentage of total market		
value of plan assets	27.29%	26.54%
As a percentage of the outstanding common		
shares of The Peoples Holding Company	0.85%	0.74%

SUPPLEMENTAL SCHEDULES

SCHEDULE OF ASSETS HELD FOR INVESTMENT
PURPOSES AT END OF YEAR

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THE PEOPLES BANK AND TRUST COMPANY
401(k) PLAN

Year ended December 31, 2002

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current Value
	Trust for U.S. Treasury Obligations	Mutual Fund	\$ 9,001	\$ 9,001
	Money Market Obligations Trust	Mutual Fund	193,324	193,324
	Federated Index Trust Max-Cap. Inst.	Mutual Fund	2,327,183	1,725,553
	Federated U.S. Govt. Securities	Mutual Fund	212,126	215,896
	Vanguard Wellington Fund	Mutual Fund	1,665,839	1,469,155
	Vanguard Wellesley Fund	Mutual Fund	904,214	901,883
	Peoples Holding Company	Common stock	1,402,759	1,941,982
	Participant notes receivable	Notes receivable	1,424	1,424
			----- \$ 6,715,870	----- \$ 6,458,218 =====

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SCHEDULE OF REPORTABLE TRANSACTIONS

THE PEOPLES BANK & TRUST COMPANY
401(k) PLAN

Year ended December 31, 2002

(a) Identity of of party involved	(b) Description of asset (include interest rate and maturity in case of a loan)	(c) Purchase Price	(d) Selling Price	(e) Lease rental	(f) Expense incurred w/transaction	(g) C of as
Trust for U.S. Treasury Ob- ligations	Mutual Fund Multiple Purchases	\$ 432,812	\$	\$	\$	\$

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Trust for U.S. Treasury Obligations	Mutual Fund Multiple Sales	456,234	456
Federated Index Trust Max-Cap Inst.	Mutual Fund Multiple Purchases	694,536	694
Federated Index Trust Max-Cap Inst.	Mutual Fund Multiple Purchases	289,302	376
Vanguard Wellington Fund	Mutual Fund Multiple Purchases	493,436	493
Vanguard Wellington Fund	Mutual Fund Multiple Purchases	553,374	553

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this Annual Report on Form 11-K to be signed on its behalf by the undersigned hereunto duly authorized.

THE PEOPLES BANK & TRUST
COMPANY 401(K) PLAN

Date: June 19, 2003

/s/ Hollis Ray Smith

Hollis Ray Smith
Senior Vice President
Human Resources Department

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