

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

ZACHARY BANCSHARES INC

CIK: **740875** | IRS No.: **720981148** | State of Incorporation: **LA** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-13397** | Film No.: **95536214**
SIC: **6022** State commercial banks

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10 - QSB

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the Quarter ended March 31, 1995 Commission File Number
0-13397

Zachary Bancshares, Inc.

(Exact name of registrant as specified in its charter)

Louisiana

72-0981148

(State of or other jurisdiction
Incorporation
of organization
No.)

(I.R.S. Employer
or Identification

4700 Main Street
Post Office Box 497
Zachary, LA

70791-0497

(Address of principal executive office)

(Zipcode)

Registrant's telephone number, including area code 504 654 2701

NONE

(Former name, former address and former fiscal
year of change since last report)

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 X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$10 par value, 193,667 shares outstanding as of March 31, 1995.

I N D E X

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Zachary Bancshares, Inc. and Subsidiary
CONSOLIDATED BALANCE SHEETS
March 31, 1995, December 31, 1994 and March 31, 1994

ASSETS

(UNAUDITED)	(UNAUDITED)	
MARCH 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994
Cash and Due from Banks 3,249,258	\$ 2,897,855	\$ 2,592,065
Reserve Funds Sold 4,100,000	4,300,000	2,100,000
Securities:		
Held for Investment (Fair Value \$-0-, \$-0- and \$18,116,000)	\$ -	\$ -
Held for Sale (Fair Value \$29,962,977, \$31,162,869 and \$17,390,812)	29,225,343	29,685,000
Loans \$21,748,183	\$29,908,522	\$28,241,397
Less: Allowance for Loan Losses (829,855)	(828,579)	(820,000)
Bank Premises and Equipment 974,878	\$29,079,943	\$27,421,397
Other Real Estate 710,880	915,496	909,465
Accrued Interest Receivable 501,244	563,369	563,369
Other Assets 248,461	448,659	553,417
Total Assets	377,296	583,333
	\$67,807,961	\$64,408,046
	\$66,034,762	

LIABILITIES

Deposits:

Noninterest Bearing	\$11,836,607	\$12,192,031
\$10,672,064		
Interest Bearing	49,179,263	46,212,790
48,732,594		
	\$61,015,870	\$58,404,821
\$59,404,658		
Accrued Interest Payable	143,051	125,111
109,093		
Other Liabilities	303,994	199,643
310,352		
Total Liabilities	\$61,462,915	\$58,729,575
\$59,824,103		

STOCKHOLDERS' EQUITY

Common Stock - \$10 Par Value;			
Authorized 2,000,000 Shares;			
Issued 216,000 Shares,			
Respectively	\$ 2,160,000	\$ 2,160,000	\$
2,160,000			
Surplus	1,480,000	1,480,000	
1,480,000			
Retained Earnings	3,638,545	3,460,525	
3,155,355			
Unrealized Gain (Loss) on Securities			
Available for Sale, Net	(486,839)	(975,394)	
(138,036)			
Treasury Stock - 22,333 Shares,			
at Cost	(446,660)	(446,660)	
(446,660)			
Total Stockholders' Equity	\$ 6,345,046	\$ 5,678,471	\$
6,210,659			

Total Liabilities and		
Stockholders' Equity	\$67,807,961	\$64,408,046
\$66,034,762		

See accountant's report and accompanying notes.

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Zachary Bancshares, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME

for the three months ended March 31, 1995 and 1994

(UNAUDITED)

MARCH 31,

	1995	1994
Interest Income:		
Interest and Fees on Loans	\$ 608,464	\$
463,780		
Interest on Securities	474,091	
479,959		
Other Interest Income	64,347	
35,261		
Total Interest Income	\$1,146,902	\$
979,000		
Interest Expense on Deposits	424,187	
324,287		
Net Interest Income	\$ 722,715	\$
654,713		
Provision for Loan Losses	-	-
Net Interest Income after Provision for Loan Losses	\$ 722,715	\$
654,713		
Other Income:		
Service Charges on Deposit Accounts	\$ 128,764	\$
130,282		
Gain on Securities	(11,537)	
17,813		
Other Operating Income	16,745	
16,718		
Total Other Income	\$ 133,972	\$
164,813		
Income before Other Expenses	\$ 856,687	\$
819,526		
Other Expenses:		
Salaries and Employee Benefits	\$ 320,197	\$
310,536		
Occupancy Expense	38,962	
38,971		
Net Other Real Estate Expense	5,693	
2,580		
Other Operating Expenses	226,403	
215,823		
Total Other Expenses	\$ 591,255	\$
567,910		

Income before Income Taxes	\$ 265,432	\$
251,616		
Applicable Income Taxes	87,412	
93,000		
Net Income	\$ 178,020	\$
158,616		

Per Share:

Net Income	\$.92	\$
.82		

See accountant's report and accompanying notes.

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Zachary Bancshares, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

for the three months ended March 31, 1995 and 1994

(UNAUDITED)
MARCH 31,

1995 1994

Common Stock:

Balance - Beginning and End of Period	\$2,160,000
\$2,160,000	

Surplus:

Balance - Beginning and End of Period	\$1,480,000
\$1,480,000	

Retained Earnings:

Balance - Beginning of Period	\$3,460,525
\$2,996,739	
Net Income	178,020
158,616	
Balance - End of Period	\$3,638,545
\$3,155,355	

Net Unrealized Gain (Loss) on Securities

Available for Sale:	
Balance - Beginning of Period	\$ (975,394) \$
128,363	
Net Change in Unrealized Gain (Loss) on Securities Available for Sale	488,555
(266,399)	
Balance - End of Period	\$ (486,839) \$
(138,036)	

Treasury Stock:

Balance - Beginning and End of Period	\$ (446,660) \$
(446,660)	

See accountant's report and accompanying notes.

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Zachary Bancshares, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the three months ended March 31, 1995 and 1994

(UNAUDITED)

MARCH 31,

	1995	1994
Cash Flows From Operating Activities:		
Net Income	\$ 178,020	\$
158,616		
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loss on Other Real Estate	-	
3,300		
Provision for Depreciation and Amortization	29,355	
30,830		
Amortization (Accretion) of Securities Premiums (Discounts)	17,578	
55,688		
Gain on Sale of Securities	11,537	
(17,813)		
Gain on Sale of Other Real Estate	-	
(720)		
(Increase) Decrease in Interest Receivable	104,758	
(25,854)		
(Increase) Decrease in Other Assets	(45,643)	
135,024		
Increase (Decrease) in Interest Payable	17,940	
2,470		
Increase (Decrease) in Other Liabilities	104,351	
77,284		
Net Cash Provided by Operating Activities	\$ 417,896	\$
418,825		
Cash Flows From Investing Activities:		
Net Decrease in Reserve Funds Sold	\$ (2,200,000)	\$
(600,000)		
Purchases of Securities	-	
(3,041,875)		
Proceeds from Maturities of Securities	153,277	
2,279,968		
Proceeds from Sales of Securities	1,017,500	
1,017,813		

Net Decrease in Loans (887,003)	(1,658,546)
Purchases of Premises and Equipment (48,664)	(35,386)
Proceeds from Sales of Other Real Estate 56,066	-
Net Cash Used in Investing Activities	\$ (2,723,155)
\$ (1,223,695)	

(CONTINUED)

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(UNAUDITED)
MARCH 31,

	1995	1994
Cash Flows From Financing Activities:		
Net Increase in Demand Deposits, NOW Accounts and Savings Accounts 1,613,300	\$ 1,009,953	\$
Net Increase (Decrease) in Certificates of Deposit (5,238)	1,601,096	
Net Cash Provided by Financing Activities 1,608,062	\$ 2,611,049	\$
Increase in Cash and Due from Banks 803,192	\$ 305,790	\$
Cash and Due from Banks - Beginning of Period 2,446,066	2,592,065	
Cash and Due from Banks - End of Period 3,249,258	\$ 2,897,855	\$

Supplemental Disclosures of Cash Flow
Information:

Noncash Investing Activities:

Other Real Estate Acquired in
Settlement of Loans

\$ - \$ -

Increase (Decrease) in Unrealized
Gain (Loss) on Securities Available
for Sale

(403,634)

\$ 740,235 \$

Increase (Decrease) in Deferred Tax
Effect on Unrealized Gain on
Securities Available for Sale

(137,235)

\$ 251,680 \$

Cash Payments for:

Interest Paid on Deposits

321,818

\$ 406,247 \$

See accountant's report and accompanying notes.

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Zachary Bancshares, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

March 31, 1995 and 1994

Note A - Summary of Significant Accounting Policies -

The accounting principles followed by Zachary Bancshares, Inc. and its wholly-owned Subsidiary, Bank of Zachary, are those which are generally practiced within the banking industry. The methods of applying those principles conform with generally accepted accounting principles and have been applied on a consistent basis. The principles which significantly affect the determination of financial position, results of operations, changes in stockholders' equity and cash flows are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of Zachary Bancshares, Inc. (the Company), and its wholly-owned subsidiary, Bank of Zachary (the Bank). All material intercompany accounts and transactions have been eliminated. Certain reclassifications to previously published financial statements have been made to comply with current reporting requirements.

Securities

Securities classified as held to maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for amortization of premium and accretion of discount, computed by various methods approximating the interest method over their contractual lives.

Securities classified as available for sale are those debt securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various

factors,
including significant movements in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs,
regulatory capital considerations, and other similar factors.

Securities available for sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in stockholders' equity, net of the related deferred tax effect.

Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings. The Bank does not engage in trading activities.

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Loans

Loans are stated at principal amounts outstanding, less unearned income and allowance for loan losses. Interest on commercial loans is accrued daily based on the principal outstanding. Interest on installment loans is recognized and included in interest income using the sum-of-the-digits method, which does not differ materially from the interest method.

The Bank discontinues the accrual of interest income when a loan becomes 90 days past due as to principal or interest. When a loan is placed on non-accrual status, previously recognized but uncollected interest is reversed to income or charged to the allowance for loan losses. If the underlying collateral value is sufficient to cover the principal balance and accrued interest, the Bank may decide to continue the accrual of interest.

The Financial Accounting Standards Board has issued Statement No. 114, "Accounting by Creditors for Impairment of a Loan", which was

adopted by the Bank on January 1, 1995. The Statement generally requires impaired loans to be measured on the present value of expected future cash flows discounted at the loan's effective interest rate, or as an expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

A loan is impaired when it is probable the creditor will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. The effect of this statement on the financial statements of the Bank is immaterial.

Allowance for Loan Losses

The allowance for loan losses is an amount which in management's judgment is adequate to absorb potential losses in the loan portfolio. The allowance for loan losses is based upon management's review and evaluation of the loan portfolio. Factors considered in the establishment of the allowance for loan losses include management's evaluation of specific loans; the level and composition of classified loans; historical loss experience; results of examinations by regulatory agencies; an internal asset review process; expectations of future economic conditions and their impact on particular borrowers; and other judgmental factors.

The allowance for loan losses is based on estimates of potential future losses, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and as adjustments become necessary, the effect of the change in estimate is charged to operating expenses in the period incurred. All losses are charged to the allowance for loan losses when the loss actually occurs or when management believes that the collectibility of the principal is unlikely. Recoveries are credited to the allowance at the time of recovery.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided at rates based upon estimated useful service lives using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in current operations.

Expenditures for maintenance and repairs are charged to operations as incurred. Cost of major additions and improvements are capitalized.

Other Real Estate

Other real estate is comprised of properties acquired through foreclosure or negotiated settlement. The carrying value of these properties is lower of cost or fair market value. Loan losses arising from the acquisition of these properties are charged against the allowance for loan losses. Any subsequent market reductions required are charged to Net Other Real Estate Expense. Revenues and expenses associated with maintaining or disposing of foreclosed properties are recorded during the period in which they are incurred.

Income Taxes

The provision for income taxes is based on income as reported in the financial statements after interest income from state and municipal securities is excluded. Also certain items of income and

expenses are recognized in different time periods for financial statement purposes than for income tax purposes. Thus provisions for deferred taxes are recorded in recognition of such timing differences.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The corporation and its subsidiary file a consolidated federal income tax return. In addition, state income tax returns are filed individually by Company in accordance with state statutes.

Earnings per Common Share

The computation of earnings per share and other per share amounts of common stock is based on the weighted average number of shares of common stock outstanding during each year, which is 193,667 in 1995 and 1994.

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Statements of Cash Flows

For purposes of reporting cash flows, cash and due from banks includes cash on hand and amounts due from banks (including cash items in process of clearing).

Current Accounting Developments

In December, 1991, the Financial Accounting Standards Board issued Statement No. 107, "Disclosures about Fair Value of Financial Instruments." This statement requires disclosure of the fair value of financial instruments, both assets and liabilities, whether or not such instruments are recognized in the balance sheet. As it relates to the Company, financial instruments include primarily cash equivalents, securities, loans, and deposits. SFAS No. 107 must be adopted by the Company no later than July 1, 1995.

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Zachary Bancshares, Inc. and Subsidiary

MANAGEMENT'S DISCUSSION

March 31, 1995

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of the significant changes in income and expenses in relation to the changes in financial position for the three months ended March 31, 1995 and 1994.

This information should be read in conjunction with the financial statements and the notes relating thereto. The Company is unaware of any trends, uncertainties or events which would or could have a material impact on future operating results, liquidity or capital.

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1995 OVER 1994

NET INCOME

Net Income for the three month period ended March 31, 1995 as compared to the respective period in 1994 increased \$19,404 or 12% to \$178,020

from \$158,616. The increase is attributable to increased interest rate income.

INTEREST INCOME

Interest Income for the three month period ended March 31, 1995 is \$1,146,902, a 17% increase over the same period in 1994. The interest income increase resulted from the Corporation's asset mix reallocation from lower yielding securities to higher rate loans. The subsidiary's loan portfolio increased 37% and the investment portfolio decreased 17% in the time period under consideration.

INTEREST EXPENSE

Interest Expense for the quarter ended March 31, 1995 was \$424,187, a 34% increase over the same quarter in 1994. Interest bearing deposits increased 9% from March 1994; therefore, interest rates are responsible for the interest expense change.

PROVISION FOR LOSSES

The Corporation did not make a first quarter provision for loss in 1995 or 1994. The Corporation's Watch List volumes was stable in the last half of 1994 and to date in 1995. Management does not anticipate any unusual Watch List changes. Management remains committed to providing for losses in a timely manner.

TOTAL OTHER INCOME

Total Other Income for the time period under consideration decreased \$30,841. The Corporation's income decreased \$29,350 from Gain or Loss on Securities Sales transactions in 1995 as compared to the similar period in 1994. The 1995 loss on Security Sales allowed the Corporation to reinvest in assets that will improve future earnings. Service Charge Income remains constant.

TOTAL OTHER EXPENSES

Expenses increased 4.1% to \$591,255 from \$567,910 in 1994. Employee benefits increased 3.1% from March 1994 to 1995. Advertising and consultant expenses have modestly increased in 1995.

INCOME TAXES

The Corporation is fully taxable at the maximum rate (34%) in both 1995 and 1994 and expect to remain taxable at the current rate throughout 1995.

PART II

Item 6. EXHIBITS AND REPORT

- a. The following exhibit is filed as a part of this report.

Exhibit 15 - Report of Independent Accountants

SIGNATURES

Pursuant to the requirement of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ZACHARY BANCSHARES, INC.

Date: May 8, 1995

Harry S. Morris, Jr.
President

Mark Thompson
Treasurer

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May 2, 1995

Independent Accountant's Report

To the Board of Directors
Zachary Bancshares, Inc. and Subsidiary
Zachary, Louisiana

We have reviewed the accompanying Consolidated Balance Sheets of Zachary Bancshares, Inc. and Subsidiary as of March 31, 1995 and 1994, and the related Consolidated Statements of Income and Cash Flows for the three month periods then ended all in accordance with standards established by the American Institute of Certified Public Accountants.

We previously audited and expressed our unqualified opinion in our report dated January 13, 1995, on the Consolidated Balance Sheet of Zachary Bancshares, Inc. and Subsidiary as of December 31, 1994.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with generally accepted accounting principles.

Respectfully submitted,

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Management's Responsibility for Financial Reporting

The management of Zachary Bancshares, Inc. is responsible for the preparation of the financial statements, related financial data and other information in this quarterly report. The financial

statements

are prepared in accordance with generally accepted accounting principles and include some amounts that are necessarily based on management's informed estimates and judgments, with consideration given to materiality. All financial information contained in this quarterly report is consistent with that in the financial statements.

Management fulfills its responsibility for the integrity, objectivity, consistency and fair presentation of the financial statements and financial information through an accounting system and related internal accounting controls that are designed to provide reasonable assurance that assets are safeguarded and that transactions are authorized and recorded in accordance with established policies and procedures. The concept of reasonable assurance is based on the recognition that the cost of a system of internal accounting controls should not exceed the related benefits. As an integral part of the system of internal accounting controls, Zachary Bancshares, Inc. has a professional staff who monitors compliance with and assesses the effectiveness of the system of internal accounting controls and coordinates audit coverage with the independent public accountants.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with management, and the independent public accountants to review matters relating to financial reporting, internal accounting control and the nature, extent and results of the audit effort. The independent public accountants have direct access to the Audit Committee with or without management present.

The financial statements as of December 31, 1994 were examined by Hannis T. Bourgeois & Co., L.L.P., independent public accountants, who rendered an independent professional opinion on the financial statements prepared by management. The financial statements as of March 31,

1995 have been reviewed by Hannis T. Bourgeois & Co., L.L.P. in accordance with standards established by the American Institute of Certified Public Accountants.

Mark Thompson, Treasurer and
Chief Financial Officer

