

BANCORPSOUTH INC
Form 11-K
June 27, 2003

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

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

(Mark one)

- x **Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934**
(No fee required)

For the fiscal year ended December 31, 2002

OR

- o **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 : 1-12991

**BancorpSouth, Inc. Amended and Restated Salary Deferral-Profit Sharing Employee
Stock Ownership Plan**

(Full title of the plan and the address of the plan,
if different from that of the issuer listed below)

**BancorpSouth, Inc.
One Mississippi Plaza
201 South Spring Street
Tupelo, Mississippi 38804**

(Name of the issuer of the securities held
pursuant to the plan and the address of
its principal executive office)

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Independent Auditors Report

The Retirement Committee
BancorpSouth, Inc.:

We have audited the accompanying statements of net assets available for plan benefits of BancorpSouth, Inc. Amended and Restated Salary Deferral Profit Sharing Employee Stock Ownership Plan as of December 31, 2002 and 2001, and the related statements of changes in net assets available for plan benefits for each of the years in the three-year period ended December 31, 2002. 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 plan benefits of BancorpSouth, Inc. Amended and Restated Salary Deferral Profit Sharing Employee Stock Ownership Plan at December 31, 2002 and 2001, and the changes in net assets available for plan benefits for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the accompanying schedules is presented for purposes of additional analysis and complying with the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic 2002 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2002 financial statements taken as a whole.

/s/ KPMG LLP

May 30, 2003

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PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Statements of Net Assets Available for Plan Benefits

December 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|--|--------------------|-----------------------|
| Investments, at fair value: | | |
| Investment in mutual funds: | | |
| Algers Mid Cap Growth Fund | \$ 440,178 | \$ 274,486 |
| American Century Income and Growth Fund | 103,731 | 118,545 |
| Montag and Caldwell Growth Fund | 4,759,996 | 7,725,209 |
| Federated Investments: | | |
| Capital Preserve Fund | 3,117,665 | 2,313,094 |
| Stock Trust | 831,558 | 984,148 |
| Kaufmann Fund Class A | 253,606 | 81,287 |
| Capital Appreciation Fund | 1,263,438 | 1,556,270 |
| Max Cap Fund | 585,527 | 680,865 |
| International Equity Fund | 28,338 | 45,494 |
| Managed Growth Fund | 366,525 | 426,340 |
| Managed Conservative Growth Fund | 5,777,160 | 7,821,156 |
| Managed Moderate Growth Fund | 41,811 | 38,941 |
| Managed Income Portfolio | 2,086,254 | 1,191,970 |
| Total Return Bond Fund | 385,189 | 136,768 |
| Total Return Government Bond Fund | 4,069,368 | 2,188,535 |
| Janus Fund | 389,132 | 512,628 |
| Common stock of BancorpSouth, Inc. | 118,911,320 | 99,589,243 |
| Participant loans | 183,136 | 146,481 |
| | <u>143,593,932</u> | <u>125,831,460</u> |
| Accrued interest and dividends receivable | 1,015,764 | 923,328 |
| Cash in deposit accounts and money market accounts | 375,342 | 577,305 |
| | <u>144,985,038</u> | <u>\$ 127,332,093</u> |

See accompanying notes to financial statements.

Table of Contents**BANCORPSOUTH, INC. AMENDED AND RESTATED SALARY DEFERRAL -
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Statements of Changes in Net Assets Available for Plan Benefits

Years ended December 31, 2002, 2001 and 2000

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|---|-----------------------|-----------------------|----------------------|
| Investment income (loss): | | | |
| Net appreciation (depreciation) in fair value of investments (note 3) | \$ 12,081,535 | \$ 23,417,582 | \$ (22,795,579) |
| Interest | 9,382 | 31,362 | 148,002 |
| Dividends | 4,411,883 | 3,867,991 | 4,459,331 |
| Total investment income (loss) | 16,502,800 | 27,316,935 | (18,188,246) |
| Assets of merged plans (note 4) | | | 16,352,064 |
| Contributions: | | | |
| Employer | 4,566,230 | 4,212,582 | 3,490,888 |
| Employee salary deferral | 6,944,160 | 6,549,966 | 4,463,083 |
| Total contributions | 11,510,390 | 10,762,548 | 7,953,971 |
| Benefits paid to participants | 10,360,245 | 9,476,083 | 6,209,699 |
| Net increase (decrease) | 17,652,945 | 28,603,400 | (91,910) |
| Net assets available for plan benefits: | | | |
| Beginning of year | 127,332,093 | 98,728,693 | 98,820,603 |
| End of year | \$ 144,985,038 | \$ 127,332,093 | \$ 98,728,693 |

See accompanying notes to financial statements.

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**BANCORPSOUTH, INC. AMENDED AND RESTATED SALARY DEFERRAL -
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Notes to Financial Statements and Schedules

December 31, 2002 and 2001

(1) Description of Plan

The following description of BancorpSouth, Inc. Amended and Restated Salary Deferral Profit Sharing Employee Stock Ownership Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

(a) General

The Plan was adopted by BancorpSouth, Inc. (the Company) effective January 1, 1984. It is a defined contribution plan covering substantially all full-time employees who have one year of service and who have attained age eighteen. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

(b) Contributions

Plan participants contribute to the Plan by electing to defer 1% or more of their current compensation, in whole percentages, up to the maximum allowable by law. The Company matches amounts contributed by the participants to the Plan up to 5% of annual compensation.

(c) Investment Programs

The investment programs of the Plan are as follows: Algiers Mid Cap Growth Fund; American Century Income and Growth Fund; Montag and Caldwell Growth Fund; Federated Capital Preserve Fund; Federated Stock Trust; Federated Kaufmann Fund Class A; Federated Capital Appreciation Fund; Federated Max Cap Fund; Federated International Equity Fund; Federated Managed Growth Fund; Federated Managed Conservative Growth Fund; Federated Managed Moderate Growth Fund; Federated Managed Income Portfolio; Federated Total Return Bond Fund; Federated Total Return Government Bond Fund; Janus Fund; and common stock of BancorpSouth, Inc.

Prior to August 1, 2002, the first 5% of compensation contributed by participants and all Company contributions were required to be invested in common stock of the Company, while participant contributions in excess of 5% of compensation contributed could have been invested in the common stock of the Company or in any of the other investment funds. Subsequent to August 1, 2002, only Company contributions were required to be invested in common stock of the Company, while any participant contributions could have been invested in the common stock of the Company or in any of the other investment funds.

(d) Administration

The Plan is administered by a committee appointed by the Board of Directors of the Company. The committee is responsible for general administration of the Plan and interpretation and execution of the Plan's provisions.

(e) Participants Accounts

Two separate accounts are maintained for each participant. All amounts contributed by the participant, together with earnings or losses thereon, are maintained in an employee deferral account. Matching amounts contributed by the Company are maintained in a separate employer contribution account, together with earnings or losses thereon.

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**BANCORPSOUTH, INC. AMENDED AND RESTATED SALARY DEFERRAL -
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Notes to Financial Statements and Schedules (cont.)

December 31, 2002 and 2001

(f) Vesting

Both employee and employer contributions and the earnings or losses thereon are 100% vested and nonforfeitable at all times.

(g) Payment of Benefits

Upon termination of service, death or permanent disability, a participant may elect to receive either a lump-sum amount equal to the value of his account, or monthly installments over a 5 to 15-year period. The monthly benefits cannot be paid over a period longer than a participant's life expectancy or for more than 5 years following his death. For distributions from a participant's holdings of BancorpSouth, Inc. common stock, the participant may elect to receive common stock of the Company or an amount of cash equal to the fair value of the common stock that otherwise would have been distributed.

(h) Plan Termination

Although the Company has not expressed any intent to do so, it has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

(i) Expenses

Administrative expenses of the Plan were paid directly by BancorpSouth, Inc., which is the plan sponsor.

(2) Summary of Accounting Policies

(a) Basis of Presentation

The financial statements of the Plan are prepared under the accrual method of accounting.

(b) Investments

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Quoted market prices are used to value investments. Participant loans are recorded at their outstanding loan balance, which approximates fair value.

(c) Payment of Benefits

Benefits are recorded when paid.

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PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Notes to Financial Statements and Schedules (cont.)

December 31, 2002 and 2001

(d) Income Taxes

The Plan is exempt from federal income taxes in accordance with the provisions of the Internal Revenue Code (IRC). A favorable determination letter, dated August 12, 1985, was received from the Internal Revenue Service. The Plan has been amended since receiving the determination letter. Subsequent to year end, a favorable determination letter, dated May 6, 2003, was received from the Internal Revenue Service. The Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Amounts contributed by the Company are not taxed to the employee until a distribution from the Plan is received.

(e) 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 financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

(3) Investments

The Plan's investments, including investments bought, sold and held during the year appreciated (depreciated) in fair value during the years ended December 31, 2002, 2001 and 2000, respectively, as follows:

| | 2002 | 2001 | 2000 |
|--|----------------|----------------|-----------------|
| Net appreciation (depreciation) in fair value: | | | |
| Common trust and mutual funds | \$ (3,260,318) | \$ (1,612,392) | \$ (2,016,852) |
| Common stock of BancorpSouth, Inc | 15,341,853 | 25,019,270 | (20,864,219) |
| U.S. Government and agency obligations | | 10,704 | 85,492 |
| Net appreciation (depreciation) in fair value | \$ 12,081,535 | \$ 23,417,582 | \$ (22,795,579) |

Investments that represent 5% or more of the Plan's net assets consist of BancorpSouth, Inc. common stock which totaled \$118,911,320 and \$99,589,243 at December 31, 2002 and 2001, respectively.

Dividend income earned from the investment in common stock of BancorpSouth, Inc., a related party, was \$3,728,981, \$3,071,707 and \$2,549,957 in 2002, 2001 and 2000, respectively.

(4) Plan Merger

During 2000, the Plan merged with two employee benefit plans of First United Bancshares, Inc., a company that was merged into the Company during 2000.

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PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Notes to Financial Statements and Schedules (cont.)

December 31, 2002 and 2001

(5) Reconciliation between Financial Statement Amounts and Form 5500

The following is a reconciliation of net assets available for Plan benefits per the financial statements to the Form 5500:

| | December 31, | |
|--|-----------------------|-----------------------|
| | 2002 | 2001 |
| Net assets available for benefits per the financial statements | \$ 144,985,038 | \$ 127,332,093 |
| Amounts allocated to withdrawing participants | 1,667,266 | 1,159,119 |
| Net assets available for benefits as filed in Form 5500 | <u>\$ 143,317,772</u> | <u>\$ 126,172,974</u> |

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

| | 2002 | 2001 | 2000 |
|---|----------------------|---------------------|---------------------|
| Benefits paid to participants per the financial statements | \$ 10,360,245 | \$ 9,476,083 | \$ 6,209,699 |
| Add: Amounts allocated to withdrawing participants at December 31, 2002, 2001 and 2000 | 1,667,266 | 1,159,119 | 1,503,793 |
| Less: Amounts allocated to withdrawing participants at December 31, 2001, 2000 and 1999 | (1,159,119) | (1,503,793) | (987,544) |
| Benefits paid to participants per the Form 5500 | <u>\$ 10,868,392</u> | <u>\$ 9,131,409</u> | <u>\$ 6,725,948</u> |

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PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2002

| <u>Issuer</u> | <u>Description</u> | <u>Par/Number of shares</u> | <u>Coupon</u> | <u>Maturity</u> | <u>Cost</u> | <u>Current value</u> |
|--|--------------------|---------------------------------|---------------|---|---------------------|----------------------|
| BancorpSouth, Inc.* | Common Stock | 6,123,137 | | | \$69,578,442 | \$118,911,320 |
| Participant Loans | Loans | | 5.25-10.50% | April 28, 2003 - December 16, 2007 | | 183,136 |
| Algers Mid Cap Growth Fund | Mutual Fund | 41,962 | | | 546,251 | 440,178 |
| American Century Income and Growth Fund | Mutual Fund | 4,776 | | | 124,845 | 103,731 |
| Montag & Caldwell Growth Fund | Mutual Fund | 255,914 | | | 6,220,448 | 4,759,996 |
| Federated Capital Preserve Fund | Mutual Fund | 311,766 | | | 3,117,665 | 3,117,665 |
| Federated Stock Trust | Mutual Fund | 30,504 | | | 992,759 | 831,558 |
| Federated Kaufmann Fund Class A | Mutual Fund | 73,509 | | | 301,712 | 253,606 |
| Federated Capital Appreciation Fund | Mutual Fund | 66,227 | | | 1,520,918 | 1,263,438 |
| Federated Max Cap Fund | Mutual Fund | 32,913 | | | 719,835 | 585,527 |
| Federated International Equity Fund | Mutual Fund | 2,462 | | | 37,588 | 28,338 |
| Federated Managed Growth Fund | Mutual Fund | 38,868 | | | 447,310 | 366,525 |
| Federated Managed Conservative Growth Fund | Mutual Fund | 607,483 | | | 6,221,069 | 5,777,160 |
| Federated Managed Moderate Growth Fund | Mutual Fund | 4,333 | | | 46,348 | 41,811 |
| Federated Managed Income Portfolio | Mutual Fund | 205,948 | | | 2,236,311 | 2,086,254 |
| Federated Total Return Bond Fund | Mutual Fund | 35,699 | | | 377,241 | 385,189 |
| Federated Total Return Government Bond Fund | Mutual Fund | 364,639 | | | 3,889,322 | 4,069,368 |
| Janus Fund | Mutual Fund | 21,837 | | | 533,386 | 389,132 |
| | | | | | <u>\$96,911,450</u> | <u>\$143,593,932</u> |

* Both BancorpSouth, Inc. and BancorpSouth Bank are parties-in-interest to the Plan.
See accompanying independent auditors' report.

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**BANCORPSOUTH, INC. AMENDED AND RESTATED SALARY DEFERRAL -
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Schedule H, Line 4j Schedule of Reportable Transactions

Year ended December 31, 2002

| Identity of party involved | Description of asset | Purchase price | Selling price | Lease rental | Expense incurred with transaction | Cost of asset | Current value of asset on transaction date | Net gain |
|-----------------------------------|-----------------------------|-----------------------|----------------------|---------------------|--|----------------------|---|-----------------|
| BancorpSouth, Inc.* | Common stock | \$14,421,309 | \$ | | | \$14,421,309 | \$ | \$ |
| BancorpSouth, Inc.* | Common stock | | 8,385,449 | | | 4,662,451 | 8,385,449 | 3,722,998 |

* Both BancorpSouth, Inc. and BancorpSouth Bank are parties-in-interest to the Plan.
See accompanying independent auditors report.

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**BancorpSouth, Inc.
Amended and Restated Salary
Deferral-Profit Sharing Employee
Stock Ownership Plan**

BANCORPSOUTH BANK, as Trustee

By: /s/ William Malone

William Malone, First Vice
President and Trust Officer

June 26, 2003

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EXHIBIT INDEX

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