PAC-WEST TELECOMM INC
Form 8-K
April 29, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

April 28, 2004

Date of Report (Date of earliest event reported)

Commission File Number: 000-27743

PAC-WEST TELECOMM, INC.

(Exact name of registrant as specified in its charter)

California

68-0383568

(State or other jurisdiction of

incorporation or organization)

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

1776 W. March Lane, Suite 250

95207

Stockton, California

(Zip Code)

(Address of principal executive offices)

(209) 926-3300

(Registrant's telephone number, including area code)

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

99.1

Press Release, dated as of April 28, 2004.

Item 12. Results of Operations and Financial Condition.

On April 28, 2004, Pac-West Telecomm, Inc. issued a press release announcing preliminary results for the quarter ended March 31, 2004. A copy of the press release is attached hereto as Exhibit 99.1.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

PAC-WEST TELECOMM, INC.

(Registrant)

Dated: April 28, 2004

By: /s/ Peggy Mc Gaw

Peggy Mc Gaw

Vice President Finance

INDEX TO EXHIBITS

99.1

Press Release, dated April 28, 2004.

imes New Roman" SIZE="2">Concentration of Credit Risk

The Bank grants a majority of its commercial, financial, agricultural, real estate and installment loans to customers throughout Marion County, West Virginia and adjacent counties. Collateral for loans is primarily residential and commercial real estate, personal property, and business equipment. The Bank evaluates the credit worthiness of each of its customers on a case-by-case basis, and the amount of collateral it obtains is based upon management s credit evaluation.

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THE MONONGAHELA VALLEY BANK, INC.

December 31, 2003

NOTE 8. INCOME TAXES

The Bank records income taxes in accordance with Statement of Financial Accounting Standards No. 109 (FAS 109), Accounting for Income Taxes. FASB 109 is an asset and liability approach that requires the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of other assets and liabilities.

The amount reflected as income taxes represents federal and state income taxes on financial statement income. Certain items of income and expense, primarily the provision for possible loan losses, allowance for losses on foreclosed assets held for resale, depreciation, and accretion of discounts on investment securities are reported in different accounting periods for income tax purposes.

The provisions for income taxes for the years ended December 31, were as follows:

	2003	2002
Current:		
Federal	$ 392,000	$ 42,000
State	2,000	6,000
	$ 394,000	$ 48,000
Deferred expense		
Federal	$ 1,500	$ 102,000
State	380	25,400
	1,880	127,400
Income Tax expense	$ 395,880	$ 175,400

Following is a reconciliation of income taxes at federal statutory rates to recorded income taxes for the year ended December, 31:

	2003		2002	
	Amount	%	Amount	%

Tax at Federal tax rate	$ 400,300	34.0%	$ 195,700	34.0%
Tax effect of:				
State income tax	670	0.6%	3,500	0.6%
Surtax exemption/rate difference	21,600	1.8%	(10,600)	-1.8%
Tax exempt earnings	(48,100)	-4.1%	(14,100)	-2.5%
Other	21,410	1.3%	900	0.1%
	$ 395,880	33.6%	$ 175,400	30.4%

Deferred tax assets and liabilities are the result of timing differences in recognition of revenue and expense for income tax and financial statement purposes.

Deferred income tax liabilities and (assets) were comprised of the following at December 31:

	2003	**2002**
Depreciation	$ 100,000	$ 68,000
Unrealized gain on securities available-for-sale		89,255
Pension	9,000	
Gross deferred tax liabilities	109,000	157,255
Unrealized loss on securities available-for-sale	(69,095)	
Provision for loan loss	(175,955)	(122,300)
Minimum pension liability	(12,735)	(31,800)
Section 179 expense carryover		(4,150)
Gross deferred tax (assets)	(257,785)	(158,250)
Net deferred tax (asset)	$ (148,785)	$ (995)

No deferred income tax valuation allowance is provided since it is more likely than not that realization of the deferred income tax asset will occur in future years.

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THE MONONGAHELA VALLEY BANK, INC.

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NOTE 9. RELATED PARTY TRANSACTIONS

The Bank has granted loans to officers and directors of the Bank and to their associates. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk of collectibility. Set forth below is a summary of the related loan activity.

	Balance at Beginning of Year	Borrowings	Repayments	Balance at end of Year
December 31, 2003	$ 3,176,754	$ 4,017,298	$ (2,296,157)	$ 4,897,895
December 31, 2002	$ 3,303,519	$ 4,007,423	$ (4,134,188)	$ 3,176,754

The Bank held related party deposits of $3,616,804 and $3,731,313 at December 31, 2003 and December 31, 2002, respectively.

The Bank held related party repurchase agreements of $879,957 and $976,662 at December 31, 2003 and December 31, 2002, respectively.

NOTE 10. PENSION PLAN

The Bank participates in a trusteed pension plan known as the West Virginia Bankers Association Retirement Plan covering virtually all full-time employees. Benefits are based on years of service and the employee s compensation. The Bank s funding policy is to fund normal costs of the plan as accrued. Contributions are intended to provide not only for benefits attributed to service to date, but also for those benefits expected to be earned in the future. The Bank participated in the pension plan beginning January 1, 1999. The Bank has recognized estimated pension expense of $69,536 and $79,630 for the years ended December 31, 2003 and 2002.

The following table sets forth the pension plan s funded status as of the latest available actuarial valuations dated October 1, 2002 and 2001:

	2003	2002

Actuarial present value of benefit obligations:		
Accumulated benefit obligation	$ (242,948)	$ (160,091)
Projected benefit obligation for service rendered to date	$ (307,110)	$ (212,421)
Plan assets at fair value, primarily listed stocks and U. S. Bonds	205,493	106,600
Projected benefit obligations (greater)/less than plan assets	(101,617)	(105,821)
Unrecognized net gain from past experience different from that assumed and effects of changes in assumptions		
Prior service cost not yet recognized in net periodic pension cost	24,137	26,551
Unrecognized net (assets) at transition	108,113	87,439
(Accrued) pension cost	$ 30,633	$ 8,169
Net pension cost includes the following components:		
Service cost-benefit earned during period	$ 61,318	$ 51,745
Interest cost on projected benefit obligation	15,201	10,441
Actual return on plan assets	(9,397)	(4,022)
Net amortization and deferral	2,414	2,414
Net periodic pension cost	$ 69,536	$ 60,578

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 4.00% for 2003 and 4.25% for 2002. The expected long-term rate of return on plan assets was 8.5% in 2003 and 2002.

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The expected employer contribution for the pension plan year ending October 31, 2004 is $59,373.

The following actuarial assumptions were used for the pension plan years ending as indicated:

	October 31	
	2003	**2002**
Discount rate	6.50%	7.00%
Rate of return on plan assets	8.50%	8.50%
Salary increase	3.50%	4.00%
Increase rate for maximum benefit and compensation limit	3.00%	3.00%

An analysis of plan assets and the investment policy follows.

	Target Allocation	Allowable Allocation	Percentage of Plan Assets at October 31	
	2004	**Range**	**2003**	**2002**
(1) Plan Assets				
(a) Equity Securities	70%	40-80%	70%	62%
(b) Debt Securities	25%	20-40%	26%	33%
(c) Real Estate	0%	0%	0%	0%
(d) Other	5%	3-10%	4%	5%
(e) Total			100%	100%

Investment Policy and Strategy

The policy, as established by the Pension Committee of the West Virginia Bankers Association Retirement Plan, is to invest assets per the target allocations stated above. The assets will be reallocated periodically to meet the above target allocations. The investment policy will be reviewed periodically, under the advisement of a certified investment advisor, to determine if the policy should be changed.

The overall investment return goal is to achieve a return greater than a blended mix of stated indices tailored to the same asset mix of the plan assets by 0.5% after fees over a rolling 5-year moving average basis.

Allowable assets include cash equivalents, fixed income securities, equity securities, exchange traded index funds and GICs. Prohibited investments include, but are not limited to, commodities and future contracts, private placements, options, limited partnerships, venture capital investments, real estate and IO, PO, and residual tranche CMOs. Unless a specific derivative security is allowed per the plan document permission must be sought from the Pension Committee to include such investments.

In order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed more than 10% of the total plan assets, and no more than the 25% of total plan assets should be invested in any one industry (other than securities of U.S. Government or Agencies). Additionally, no more than 20% of the plan assets shall be invested in foreign securities (both equity and fixed).

Determination of Expected Long-term Rate of Return

The expected long-term rate of return for the plan s total assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class.

NOTE 11. STOCK OPTION PLAN

The Monongahela Valley Bank, Inc. 2000 Stock Incentive Plan provides for the issuance of stock options to participating employees. Stock options vest 25% per year on January 1 of each year following the option grant date and expire 10 years from the option grant date. As of December 31, 2003, no stock options have been exercised. There were 15,615 shares available for options and 36,885 outstanding unexercised options at a weighted average exercise price of $10.50 per share.

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THE MONONGAHELA VALLEY BANK, INC.

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NOTE 12. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank s financial statements. Under capital adequacy guidelines the Bank must meet specific capital guidelines that involve quantitative measures of the Bank s assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank s capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets, as defined. As of December 31, 2002 and 2001, the Bank meets all capital adequacy requirements to which it is subject.

The most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institution s category. The Bank s actual capital amounts and ratios are also presented in the table below.

	ACTUAL		MINIMUM TO BE WELL CAPITALIZED		MINIMUM FOR CAPITAL ADEQUACY PURPOSES	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 2003						
Total Capital						
(to risk-weighted assets)	$ 8,529,000	13.0%	$ 6,543,400	10.0%	$ 5,234,720	8.0%
Tier I Capital						
(to risk-weighted assets)	$ 7,840,000	12.0%	$ 3,926,040	6.0%	$ 2,617,360	4.0%
Tier I Capital						
(to average assets)	$ 7,840,000	8.2%	$ 5,732,880	6.0%	$ 3,821,920	4.0%
As of December 31, 2002						
Total Capital						
(to risk-weighted assets)	$ 7,635,000	15.0%	$ 5,102,300	10.0%	$ 4,081,840	8.0%
Tier I capital						
(to risk-weighted assets)	$ 7,132,000	14.0%	$ 3,061,380	6.0%	$ 2,040,920	4.0%
Tier I Capital						
(to average assets)	$ 7,132,000	9.0%	$ 4,779,900	6.0%	$ 3,186,600	4.0%

NOTE 13. REGULATORY RESTRICTION ON DIVIDEND

The approval of the regulatory agencies is required if the total of all dividends declared by the Bank in any calendar year exceeds the Bank s net profits, as defined, for that year combined with its retained net profits for the preceeding two calendar years.

NOTE 14. FORMATION OF HOLDING COMPANY

On December 17, 2003 the stockholders of The Monongahela Valley Bank, Inc. approved a plan to form a bank holding company, MVB Financial Corp, effective January 1, 2004. Through the exchange of common stock in 2004, the bank holding company will own The Monongahela Valley Bank, Inc.

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MVB Financial Corp.

Consolidated Balance Sheet as of September 30, 2004 (Unaudited)

and December 31, 2003

(Dollars in thousands, except Per Share Data)

	September 30, 2004 (Unaudited)	December 31, 2003 (Note A)
ASSETS		
Cash and due from banks	$ 2,967	$ 2,018
Interest bearing balances - FHLB	837	1,159
Federal funds sold		548
Certificates of deposit in other banks	990	797
Investment Securities:		
Securities held-to-maturity, at cost	1,733	1,323
Securities available-for-sale, at approximate market value	20,722	23,750
Loans:	75,574	62,616
Less: Allowance for loan losses	(831)	(689)
Net Loans	74,743	61,927
Bank premises, furniture and equipment	1,627	1,672
Accrued interest receivable and other assets	1,723	1,737
TOTAL ASSETS	$ 105,342	$ 94,931
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Non-interest bearing	$ 9,802	$ 7,155
Interest bearing	75,186	68,183
Total Deposits	84,988	75,338
Accrued interest, taxes, and other liabilities	350	261
Securities sold under agreements to repurchase	7,597	6,725
Federal Home Loan Bank borrowings	3,785	4,779
Total Liabilities	96,720	87,103
STOCKHOLDERS EQUITY		
Preferred stock, par value $1,000; 5,000 shares authorized, none issued Common stock, par value $1; 4,000,000 shares authorized; 743,060 and 708,025 shares issued and outstanding as of September 30, 2004 and December 31, respectively	743	708
Additional paid-in capital	6,975	6,537
Treasury Stock		