PFS BANCORP INC
Form 10QSB
May 17, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2004

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ____________ to ______________

Commission File Number: 0-33233

PFS BANCORP, INC.

(Exact name of small business issuer as specified in its charter)

Indiana	35-2142534
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Second & Bridgeway Streets, Aurora, Indiana 47001

(Address of principal executive offices)

(812) 926-0631

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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[ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of

common equity, as of the latest practicable date:
May 14 , 2004 - 1,473,728 shares of common stock

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

INDEX

PFS Bancorp, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

	March 31, 2004	December
ASSETS		
Cash and due from banks	$ 1,114	$
Interest-bearing deposits in other financial institutions	4,204	4
Cash and cash equivalents	5,318	5

Investment securities designated as available for sale - at market	9,857	10
Investment securities held to maturity - at amortized cost, which approximates market	143	
Loans receivable - net	103,329	100
Office premises and equipment - at depreciated cost	1,030	1
Real estate acquired through foreclosure	219	
Federal Home Loan Bank stock - at cost	767	
Accrued interest receivable	401	
Prepaid expenses and other assets	141	
Prepaid income taxes	-	
Deferred income taxes	84	
Total assets	$121,289	$118
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$ 86,968	$ 88
Advances from the Federal Home Loan Bank	6,000	2
Advances by borrowers for taxes and insurance	100	
Accrued interest payable	14	
Other liabilities	1,105	
Accrued income taxes	58	
Total liabilities	94,245	91
Commitments	-	
Shareholders' equity		
Preferred stock, 5,000,000 shares authorized, $.01 par value; no shares issued	-	
Common stock - 10,000,000 shares authorized, $.01 par value; 1,551,293 shares issued	16	
Additional paid-in capital	15,029	15
Retained earnings - restricted	14,207	14
Less: 77,565 shares of treasury stock - at cost	(1,282)	(1
Shares acquired by stock benefit plans	(1,801)	(1
Accumulated other comprehensive income - unrealized gains on securities designated as available for sale, net of related tax effects	875	
Total shareholders' equity	27,044	26
Total liabilities and shareholders' equity	$121,289	$118

PFS Bancorp, Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three months ended March 31,
(In thousands, except per share data)

	2004	2003
Interest income		
Loans	$1,277	$1,412
Investment securities	85	116

Interest-bearing deposits and other	10	21
Total interest income	1,372	1,549
Interest expense		
Deposits	369	562
Borrowings	23	2
Total interest expense	392	564
Net interest income	980	985
Provision for losses on loans	24	24
Net interest income after provision for losses on loans	956	961
Other income		
Loss on sale of investment securities	-	(28)
Gain on sale of real estate acquired through foreclosure	-	4
Other operating	118	87
Total other income	118	63
General, administrative and other expense		
Employee compensation and benefits	427	387
Occupancy and equipment	84	83
Data processing	62	50
Other operating	134	137
Total general, administrative and other expense	707	657
Earnings before income taxes	367	367
Income taxes		
Current	158	166
Deferred	-	(20)
Total income taxes	158	146
NET EARNINGS	$ 217	$ 221
EARNINGS PER SHARE		
Basic	$.16	$.15
Diluted	$.16	$.15

PFS Bancorp, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31,
(In thousands)

	2004	2003
Net earnings	$217	$221
Other comprehensive income (loss), net of tax effects:		
Unrealized holding gains (losses) on securities during the period, net of taxes (benefits) of $8 and $(41) in 2004 and 2003, respectively	16	(80)
Reclassification adjustment for realized losses included in earnings, net of tax benefits of $10 in 2003	-	18
Comprehensive income	$233	$159
Accumulated comprehensive income	$875	$819

PFS Bancorp, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31,
(In thousands)

	2004	2003
Cash flows from operating activities:		
Net earnings for the period	$ 217	$ 221
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Amortization of deferred loan origination fees	(10)	(18)
Amortization of premiums and discounts on investment securities - net	17	23
Dividends on Federal Home Loan Bank stock	(9)	-
Depreciation	40	44
Provision for losses on loans	24	24
Loss on sale of investment securities	-	28
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	(6)	11
Prepaid expenses and other assets	(15)	(23)
Other liabilities	157	84
Accrued interest payable	2	(2)

Income taxes		
Current	78	104
Deferred	-	(20)
Net cash provided by operating activities	495	476
Cash flows provided by (used in) investing activities:		
Purchase of investment securities designated as available for sale	(5,984)	(6,999)
Proceeds from maturities and repayment of investment securities	209	896
Proceeds from sale of investment securities	5,950	10,002
Loan principal repayments	5,539	9,008
Loan disbursements	(8,639)	(8,002)
Purchase of office premises and equipment	(5)	-
Net cash provided by (used in) investing activities	(2,930)	4,905
Cash flows provided by (used in) financing activities:		
Net (decrease) increase in deposits	(1,360)	3,689
Proceeds from Federal Home Loan Bank advances	4,000	2,500
Repayment of Federal Home Loan Bank advances	-	(3,500)
Purchase of treasury shares	-	(1,282)
Advances by borrowers for taxes and insurance	37	29
Dividends paid on common stock	(111)	(117)
Net cash provided by financing activities	2,566	1,319
Net increase in cash and cash equivalents	131	6,700
Cash and cash equivalents at beginning of period	5,187	5,225
Cash and cash equivalents at end of period	$ 5,318	$11,925

6

PFS Bancorp, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the three months ended March 31,
(In thousands)

	2004	2003
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 35	$ 30
Interest on deposits and borrowings	$ 390	$ 566
Supplemental disclosure of noncash investing activities:		
Unrealized gains (losses) on securities designated as available for sale, net of related tax effects	$ 16	$ (62)
Transfers from loans to real estate acquired through foreclosure	$ 50	$ -

PFS Bancorp, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2004 and 2003

Forward-Looking Statements

This Form 10-QSB contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to management. In addition, in those and other portions of this document, the words "anticipate," "believe," "estimate," "except," "intend," "should" and similar expressions, or the negative thereof, as they relate to the Company or the Company's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future looking events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

1. Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-QSB and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. Accordingly, these financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto of the Company for the period ended December 31, 2003. However, in the opinion of management, all adjustments (consisting of only normal recurring accruals) which are necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three month periods ended March 31, 2004, are not necessarily indicative of the results which may be expected for the entire year.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of PFS Bancorp, Inc. (the "Company") and its wholly-owned subsidiary, Peoples Federal Savings Bank (the "Savings Bank"). All significant intercompany items have been eliminated.

3. Earnings Per Share

Basic earnings per share is computed based upon the weighted-average common shares outstanding during the period less shares in the ESOP that are unallocated and not committed to be released. Weighted-average common shares deemed outstanding, which gives effect to 86,632 and 97,336 unallocated ESOP shares, totaled 1,387,096 and 1,432,411 for the three month periods ended March 31, 2004 and 2003, respectively. Diluted earnings per share is computed by taking into consideration common shares outstanding and the dilutive effect of additional potential common shares issuable under the Company's stock option plan. The computations are as follows:

	March 31, 2004
Weighted-average common shares outstanding (basic)	1,387,096
Dilutive effect of assumed exercise of stock options	9,405
Weighted-average common shares outstanding (diluted)	1,396,501

The Company had no dilutive or potentially dilutive securities during the three month period ended March 31, 2003.

4. Critical Accounting Policies

Certain of the Company's accounting policies are important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but without limitation, changes in interest rates, changes in the performance of the economy or changes in the financial condition of borrowers. Management believes that its critical accounting policies include determining the allowance for loan losses and determining the carrying value of mortgage servicing rights. The Company's critical accounting policies are discussed in detail in its Annual Report for the year ended December 31, 2003 (incorporated by reference into the Company's 10K filing) in Note A of the Notes to the Consolidated Financial Statements under "Allowance for Loan Losses." If management were to underestimate the allowance for loan losses, earnings could be reduced in the future as a result of greater than expected net loan losses. Overestimations of the required allowance could result in future increases in income, as loan loss recoveries increase or provisions for losses on loans decrease. Mortgage servicing rights are accounted for pursuant to the provisions of SFAS No. 140. "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," which requires that the Company recognize as separate assets, rights to service mortgage loans for others, regardless of how those servicing rights are acquired. An institution that acquires mortgage servicing rights through either the purchase or origination of mortgage loans and sells those loans with servicing rights retained must allocate some of the cost of the loans to the mortgage servicing rights.

SFAS No. 140 requires that capitalized mortgage servicing rights and capitalized excess servicing receivables be assessed for impairment. Impairment is measured based on fair value. The mortgage servicing rights recorded by the Company, calculated in accordance with the provisions of SFAS No. 140, were segregated into pools for valuation purposes, using as pooling criteria the loan term and coupon rate. Once pooled, each grouping of loans was evaluated on a discounted earnings basis to determine the present value of future earnings that a purchaser could expect to realize from each portfolio. Earnings were projected from a variety of sources including loan servicing fees, interest earned on float, net interest earned on escrows, miscellaneous income, and costs to service the loans. The present value of future earnings is the "economic" value of the pool, i.e., the net realizable present value to an acquiror of the acquired servicing. Fluctuations in the fair value of mortgage servicing rights may affect net earnings, as this asset is carried at the lower of amortized cost or fair value.

5. Stock Option Plan

The Board of Directors has previously adopted the PFS Bancorp, Inc. Stock Option Plan (the "Plan") which provides for the issuance of 152,088 shares of authorized but unissued shares of common stock at fair value at the date of grant. The initial options granted in June 2003 totaled 62,228 at an exercise price equal to fair value of $16.85. The Plan provides that one-fifth of the options granted become exercisable on each of the first five anniversaries of the date of grant.

For the three months ended March 31, 2004 and 2003

5. Stock Option Plan (continued)

The Company accounts for the Plan in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," which contains a fair value-based method for valuing stock-based compensation that entities may use, which measures compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period. Alternatively, SFAS No. 123 permits entities to continue to account for stock options and similar equity instruments under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Entities that continue to account for stock options using APB Opinion No. 25 are required to make pro forma disclosures of net earnings and earnings per share, as if the fair value-based method of accounting defined in SFAS No. 123 had been applied.

The Company applies APB Opinion No. 25 and related Interpretations in accounting for the Plan. Accordingly, no compensation cost had been recognized for the Plan. Had compensation cost for the Plan been determined based on the fair value at the grant date for awards under the Plan consistent with the accounting method utilized in SFAS No. 123, the Company's net earnings and earnings per share would have been reported as the pro forma amounts indicated below:

		For the three months ending March 31, 2004
Net earnings (In thousands)	As reported	$217
	Stock-based compensation, net of tax	(7)
	Pro-forma	$210
Earnings per share		
Basic	As reported	$.16
	Stock-based compensation, net of tax	(.01)
	Pro-forma	$.15
Diluted	As reported	$.16
	Stock-based compensation, net of tax	(.01)
	Pro-forma	$.15

PFS Bancorp, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2004 and 2003

5. Stock Option Plan (continued)

A summary of the status of the Plan as of March 31, 2004 and December 31, 2003 is presented below:

	Three months ended March 31, 2004		Year ended December 31, 2003	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of period	62,228	$16.85	-	$ -
Granted	-	-	62,228	16.85
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at end of period	62,228	$16.85	62,228	$16.85
Options exercisable at period-end	-	$ -	-	$ -
Weighted-average fair value of options granted during the period		$ -		$ 3.82

The following information applies to options outstanding at March 31, 2004:

Number outstanding	62,228
Range of exercise prices	$16.85
Weighted-average exercise price	$16.85
Weighted-average remaining contractual life	9.25 years

PFS Bancorp, Inc.

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

Discussion of Financial Condition Changes from December 31, 2003 to March 31, 2004

At March 31, 2004, the Company's assets totaled $121.3 million, an increase of $3.0 million, or 2.6%, compared to total assets at December 31, 2003. The increase in assets was comprised primarily of a $3.0 million, or 3.0%, increase in loans receivable which was funded by additional advances from the Federal Home Loan Bank, which increased by $4.0 million.

Liquid assets (i.e. cash and interest-bearing deposits) increased by $131,000, or 2.5%, over December 31, 2003 levels, to a total of $5.3 million at March 31, 2004. Investment securities totaled $9.9 million at March 31, 2004, a decrease of $159,000, or 1.6%, from December 31, 2003 levels. The decrease resulted primarily from investment maturities and sales of $6.2 million, which were partially offset by security purchases totaling $6.0 million during the quarter.

As previously stated, loans receivable increased by $3.0 million, or 3.0%, during the three month period ended March 31, 2004, to a total of $103.3 million. Loan disbursements amounted to $8.6 million and were partially offset by principal repayments of $5.5 million. During the three months ended March 31, 2004, loan originations were comprised of $4.6 million in loans secured by one- to four-family residential real estate, $2.9 million in loans secured by commercial and nonresidential real estate and $1.1 million in consumer and other loans.

The allowance for loan losses totaled $777,000 and $771,000 at March 31, 2004 and December 31, 2003, respectively. Nonperforming and impaired loans totaled $1.0 million and $1.1 million at March 31, 2004 and December 31, 2003, respectively. The allowance for loan losses represented .77% and .68% of nonperforming and impaired loans as of March 31, 2004 and December 31, 2003, respectively. The allowance represented approximately .75% and .76% of the total loan portfolio at March 31, 2004 and December 31, 2003, respectively. At March 31, 2004, nonperforming and impaired loans were comprised of $693,000 in loans secured by one- to four-family residential real estate and $311,000 in commercial, consumer and other loans. Management believes such loans are adequately collateralized and does not presently expect to incur any material losses on such loans. Although management believes that its allowance for loan losses at March 31, 2004, was sufficient to cover known and inherent losses in the loan portfolio based upon the available facts and circumstances, there can be no assurance that additions to such allowance will not be necessary in future periods, which could adversely affect the Company's results of operations.

Deposits totaled $87.0 million at March 31, 2004, a decrease of $1.4 million, or 1.5%, compared to December 31, 2003 levels. While management generally strives to maintain a moderate level of growth in deposits through marketing and pricing strategies, the current low interest rate environment contributed to the reduction in deposits as depositors sought alternative investments. The decline in deposits was offset by a $4.0 million increase in advances from the Federal Home Loan Bank.

Shareholders' equity amounted to $27.0 million at March 31, 2004, an increase of $122,000, or .5%, from December 31, 2003 levels. The increase resulted primarily from the net earnings of $217,000 and a $16,000 increase in unrealized gains on securities designated as available for sale, which were partially offset by the payment of dividends of $111,000.

Peoples is required to meet minimum capital standards promulgated by the Office of Thrift Supervision ("OTS"). At March 31, 2004, Peoples' regulatory capital was well in excess of the minimum capital requirements.

12

PFS Bancorp, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONTINUED)

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2004 and 2003

General

Net earnings for the three months ended March 31, 2004 amounted to $217,000, a decrease of $4,000, or 1.8%, compared to the $221,000 in net earnings reported for the three month period ended March 31, 2003. The decrease in earnings was due primarily to a $5,000, or .5%, decrease in net interest income, a $50,000, or 7.6%, increase in general, administrative and other expense, and a $4,000, or 2.7% increase in income taxes, which were partially offset by a $55,000, or 87.3% increase in other income.

Net Interest Income

Total interest income amounted to $1.4 million for the three-month period ended March 31, 2004, a decrease of $177,000, or 11.4%, from the same period in 2003. Interest income on loans totaled $1.3 million during the 2004 period, a decrease of $135,000, or 9.6%, from the 2003 period. This decline was due primarily to a 91 basis point decrease in the weighted-average yield quarter to quarter, to 4.98% for the quarter ended March 31, 2004, which was partially offset by a $6.6 million, or 6.9%, increase in the average balance of loans outstanding quarter to quarter.

Interest income on investment securities decreased by $31,000, or 26.7%, for the three months ended March 31, 2004, compared to the same quarter in 2003. This decline was due primarily to an 18 basis point decrease in the weighted-average yield to 3.13% for the quarter ended March 31, 2004, coupled with a $3.2 million, or 22.6%, decrease in the average balance outstanding. Interest income on other interest-bearing deposits decreased by $11,000, or 52.4%, during the three months ended March 31, 2004, compared to the same period in 2003, due primarily to a 13 basis point decrease in the weighted-average yield, to .94% for the 2004 quarter and a $3.6 million, or 45.8%, decrease in the average balance outstanding for the 2004 quarter. The decline in the average balance of interest-bearing deposits was primarily due to the use of such funds to fund loan growth.

Interest expense on deposits totaled $369,000 for the three month period ended March 31, 2004, a decrease of $193,000, or 34.3%, from the $562,000 recorded for the same period in 2003. The reduction in interest on deposits was due primarily to a 77 basis point decline in the weighted-average cost of deposits in the 2004 period. Interest expense on borrowings increased by $21,000 to $23,000 for the three month period ended March 31, 2004 compared to the $2,000 borrowing cost recorded for the same period in 2003 as a result of an increase in the average borrowings outstanding period to period.

The reduction in the level of yields on interest-earning assets and costs of interest-bearing liabilities was due primarily to the overall decline in interest rates in the general economy.

Provision for Losses on Loans

As a result of an analysis of historical experience, the volume and type of lending conducted by the Savings Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to the Savings Bank's market area, and other factors related to the collectibility of the Savings Bank's loan portfolio, management elected to record a provision for losses on loans totaling $24,000 for each of the quarters ending March 31, 2004 and 2003. The current period provision was predicated primarily upon the continuing change in the loan portfolio mix, including an increase in loans secured by nonresidential real estate, as well as the general condition of the local economy. There can be no assurance that the loan loss allowance will be sufficient to cover losses on nonperforming assets in the future.

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2004 and 2003 (continued)

Other Income

Other income totaled $118,000 for the three month period ended March 31, 2004, an increase of $55,000, or 87.3%, over the same period in 2003. The increase in other income was due primarily to a $31,000, or 35.6% increase in service fees and fee income. In addition, other income for the 2004 quarter was beneficially effected by the absence of a net $24,000 loss resulting from the sale of investment securities and a gain on sale of real estate in the 2003 quarter.

General, Administrative and Other Expense

General, administrative and other expense totaled $707,000 for the three months ended March 31, 2004, an increase of $50,000, or 7.6%, compared to the same quarter in 2003. This increase was due primarily to a $40,000, or 10.3%, increase in employee compensation and benefits and a $12,000, or 24.0%, increase in data processing expenses. The increase in employee compensation and benefits was attributable to increased costs associated with the Company's stock benefit plans, retirement plan and insurance premiums, as well as normal merit increases quarter to quarter.

Income Taxes

The income tax provision totaled $150,000 for the three month period ended March 31, 2004, an increase of $4,000, or 2.7%, compared to the same quarter in 2003. The income tax provision includes expense for federal and Indiana state income taxes. The effective combined tax rates were 40.9% and 39.8% for the three month periods ended March 31, 2004 and 2003, respectively.

Impact of Inflation and Changing Prices

The financial statements and related financial data presented herein have been prepared in accordance with instructions to Form 10-QSB, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in relative purchasing power over time due to inflation.

Unlike most industrial companies, virtually all of the Savings Bank's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does the effect of inflation.

ITEM 3: Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and are operating in an effective manner.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PFS Bancorp, Inc.
PART II

ITEM 1. Legal Proceedings

Not applicable

ITEM 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities

Not applicable

ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4. Submission of Matters to a Vote of Security Holders

On May 6, 2004, the Company held its Annual Meeting of Shareholders. Two matters were submitted to the shareholders for a vote. The shareholders elected two directors to terms expiring in 2007 by the following votes:

	For	Withheld
Dale R. Moeller	1,100,985	143,322
Carl E. Petty	1,100,934	143,373

Directors whose terms are continuing are Robert L. Laker and Mel E. Green with terms expiring in 2005 and Gilbert L. Houze and Jack D. Tandy with terms expiring in 2006.

The shareholders also ratified the selection of Grant Thornton LLP as the Company's auditors for the 2004 fiscal year by the following vote:

For: 1,232,004 Against: 6,136 Abstain: 6,167

ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

EX-31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
EX-31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
EX-32.1	Section 1350 Certification of the Chief Executive Officer
EX-32.2	Section 1350 Certification of the Chief Financial Officer

(b) Reports on Form 8-K:

Date	Items and Description
April 27, 2004	Item 9. On April 27, 2004 the issuer announced its results of operations for the quarter ended March 31, 2004 in a

press release attached as Exhibit 99.1.

PFS Bancorp, Inc.

SIGNATURES

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

Date: May 14, 2004 By: /s/Mel E. Green

Mel E. Green
President and Chief Executive Officer

Date: May 14, 2004 By: /s/Stuart M. Suggs

Stuart M. Suggs
Chief Financial Officer, Vice President and Corporate Treasurer