

CITIZENS HOLDING CO /MS/  
Form 10-Q  
May 10, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission File Number: 001-15375

**CITIZENS HOLDING COMPANY**

(Exact name of registrant as specified in its charter)

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**MISSISSIPPI**  
(State or other jurisdiction of  
incorporation or organization)

**64-0666512**  
(IRS Employer  
Identification No.)

**521 Main Street, Philadelphia, MS**  
(Address of principal executive offices)

**39350**  
(Zip Code)

**601-656-4692**

(Registrant's telephone number, including area code)

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Number of shares outstanding of each of the issuer's classes of common stock, as of May 9, 2011:

Title	Outstanding
Common Stock, \$0.20 par value	4,843,911

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CITIZENS HOLDING COMPANY

FIRST QUARTER 2011 INTERIM FINANCIAL STATEMENTS

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\* None or Not Applicable

SIGNATURES

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## PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (Unaudited).  
CITIZENS HOLDING COMPANY

## CONSOLIDATED STATEMENTS OF CONDITION

(Unaudited)

	March 31, 2011	December 31, 2010
<b>ASSETS</b>		
Cash and due from banks	\$ 22,658,093	\$ 16,963,393
Interest bearing deposits with other banks	949,548	1,155,588
Investment securities available for sale, at fair value	341,247,801	324,730,301
Loans, net of allowance for loan losses of \$6,524,218 in 2011 and \$6,379,070 in 2010	407,084,466	415,496,720
Premises and equipment, net	21,189,652	20,751,478
Other real estate owned, net	3,146,889	3,068,209
Accrued interest receivable	5,569,872	4,823,227
Cash value of life insurance	19,701,892	19,535,300
Intangible assets, net	3,365,130	3,411,303
Other assets	7,229,233	8,297,213
<b>TOTAL ASSETS</b>	<b>\$ 832,142,576</b>	<b>\$ 818,232,732</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand	\$ 103,619,322	\$ 95,324,759
Interest-bearing NOW and money market accounts	170,856,575	164,325,092
Savings deposits	40,431,262	37,778,537
Certificates of deposit	231,824,129	240,001,335
Total deposits	546,731,288	537,429,723
Federal Funds Purchased	5,000,000	2,500,000
Securities sold under agreement to repurchase	110,197,891	110,483,437
Federal Home Loan Bank advances	84,400,000	84,400,000
Accrued interest payable	435,634	538,881
Deferred compensation payable	4,442,785	4,330,069
Other liabilities	2,145,644	2,255,526
Total liabilities	753,353,242	741,937,636
<b>STOCKHOLDERS EQUITY</b>		
Common stock; \$.20 par value, 22,500,000 shares authorized, 4,839,411 shares outstanding at March 31, 2011 and 4,838,411 shares outstanding at December 31, 2010	967,882	967,682
Additional paid-in capital	3,075,186	3,061,221
Retained earnings	75,354,338	74,464,123
Accumulated other comprehensive income (loss), net of tax benefit of \$361,739 in 2011 and \$1,307,540 in 2010	(608,072)	(2,197,930)
Total stockholders equity	78,789,334	76,295,096

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TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 832,142,576	\$ 818,232,732
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The accompanying notes are an integral part of these financial statements.

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CITIZENS HOLDING COMPANY  
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months	
	Ended March 31, 2011	2010
<b>INTEREST INCOME</b>		
Loan income, including fees	\$ 6,548,931	\$ 7,253,309
Investment securities	2,784,546	2,611,138
Other interest	11,795	10,770
<b>Total interest income</b>	<b>9,345,272</b>	<b>9,875,217</b>
<b>INTEREST EXPENSE</b>		
Deposits	886,999	1,424,732
Other borrowed funds	879,954	885,180
<b>Total interest expense</b>	<b>1,766,953</b>	<b>2,309,912</b>
<b>NET INTEREST INCOME</b>	<b>7,578,319</b>	<b>7,565,305</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>244,061</b>	<b>624,956</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>7,334,258</b>	<b>6,940,349</b>
<b>OTHER INCOME</b>		
Service charges on deposit accounts	874,397	964,778
Other service charges and fees	413,959	373,826
Other income	296,039	746,092
<b>Total other income</b>	<b>1,584,395</b>	<b>2,084,696</b>
<b>OTHER EXPENSES</b>		
Salaries and employee benefits	3,519,609	3,400,361
Occupancy expense	1,088,947	945,388
Other operating expense	1,791,725	2,138,947
<b>Total other expenses</b>	<b>6,400,281</b>	<b>6,484,696</b>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>2,518,372</b>	<b>2,540,349</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>563,486</b>	<b>564,792</b>
<b>NET INCOME</b>	<b>\$ 1,954,886</b>	<b>\$ 1,975,557</b>
<b>NET INCOME PER SHARE</b>		
-Basic	\$ 0.40	\$ 0.41
-Diluted	\$ 0.40	\$ 0.41
<b>DIVIDENDS PAID PER SHARE</b>	<b>\$ 0.22</b>	<b>\$ 0.21</b>

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

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CITIZENS HOLDING COMPANY  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

	For the Three Months	
	Ended March 31,	
	2011	2010
Net income	\$ 1,954,886	\$ 1,975,557
Other comprehensive income, net of tax		
Unrealized holding gains (losses)	1,589,426	2,059,782
Reclassification adjustment for gains included in net income	432	
<b>Total other comprehensive income (loss)</b>	<b>1,589,858</b>	<b>2,059,782</b>
<b>Comprehensive income</b>	<b>\$ 3,544,744</b>	<b>\$ 4,035,339</b>

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



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## CITIZENS HOLDING COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Three Months	
	Ended March 31,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash provided by operating activities	\$ 2,168,211	\$ 4,669,641
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of securities available for sale	20,767,696	42,977,236
Proceeds from sales of securities available for sale		29,454,187
Purchases of investment securities available for sale	(35,273,345)	(42,233,286)
Net change in securities sold under agreement to repurchase	(285,546)	(11,749,113)
Purchases of bank premises and equipment	(726,528)	(137,130)
Decrease (increase) in interest bearing deposits with other banks	206,040	(20,924,486)
Net Increase in Federal Funds Sold		(12,500,000)
Proceeds from sale of other real estate acquired by foreclosure	78,000	206,000
Net decrease in loans	8,009,113	141,160
Net cash used by investing activities	(7,224,570)	(14,765,432)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in deposits	9,301,565	5,473,085
Proceeds from exercising stock options	14,165	55,980
Increase in Federal Home Loan Bank advances		12,000,000
Repurchase of stock		(295,546)
Increase in federal funds purchased	2,500,000	
Payment of dividends	(1,064,671)	(1,014,208)
Net cash provided by financing activities	10,751,059	16,219,311
Net increase in cash and due from banks	5,694,700	6,123,520
Cash and due from banks, beginning of period	16,963,393	15,365,612
Cash and due from banks, end of period	\$ 22,658,093	\$ 21,489,132

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

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CITIZENS HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the three months ended March 31, 2011

(Unaudited)

**Note 1. Basis of Presentation**

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). However, these financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. The interim consolidated financial statements are unaudited and reflect all adjustments and reclassifications, which, in the opinion of management, are necessary for a fair presentation of the results of operations and financial condition as of and for the interim periods presented. All adjustments and reclassifications are of a normal and recurring nature. Results for the period ended March 31, 2011, are not necessarily indicative of the results that may be expected for any other interim periods or for the year as a whole.

The interim consolidated financial statements of Citizens Holding Company include the accounts of its wholly-owned subsidiary, The Citizens Bank of Philadelphia (the Bank and collectively with Citizens Holding Company, the Corporation). All significant intercompany transactions have been eliminated in consolidation.

For further information and significant accounting policies of the Corporation, see the Notes to Consolidated Financial Statements of Citizens Holding Company included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission on March 15, 2011.

**Note 2. Commitments and Contingent Liabilities**

In the ordinary course of business, the Corporation enters into commitments to extend credit to its customers. The unused portion of these commitments is not reflected in the accompanying financial statements. As of March 31, 2011, the Corporation had entered into loan commitments with certain customers with an aggregate unused balance of \$29,347,866 compared to an aggregate unused balance of \$36,011,792 at December 31, 2010. There were \$2,913,825 of letters of credit outstanding at March 31, 2011, and \$3,141,959 at December 31, 2010. The fair value of such contracts is not considered material because letters of credit and loan commitments often are not used in their entirety, if at all, before they expire. The balances of such letters and commitments should not be used to project actual future liquidity requirements. However, the Corporation does incorporate expectations about the level of draws under its credit-related commitments into its asset and liability management program.

The Corporation is a party to lawsuits and other claims that arise in the ordinary course of business, all of which are being vigorously contested. In the regular course of business, management evaluates estimated losses or costs related to litigation, and provisions are made for anticipated losses whenever management believes that such losses are probable and can be reasonably estimated. At the present time, management believes, based on the advice of legal

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counsel, that the final resolution of pending legal proceedings will not have a material impact on the Corporation's consolidated financial condition or results of operations.

**Note 3. Net Income per Share**

Net income per share - basic has been computed based on the weighted average number of shares outstanding during each period. Net income per share - diluted has been computed based on the weighted average number of shares outstanding during each period plus the dilutive effect of outstanding stock options using the treasury stock method. Earnings per share was computed as follows: