

CSB BANCORP INC /OH  
Form 10-Q  
November 13, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

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

**For the quarterly period ended: September 30, 2009**

**OR**

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

**Commission file number: 0-21714  
CSB Bancorp, Inc.**

(Exact name of registrant as specified in its charter)

Ohio

34-1687530

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

91 North Clay, P.O. Box 232, Millersburg, Ohio 44654

(Address of principal executive offices)

(330) 674-9015

(Registrant's telephone number)

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 (§232.405 of this chapter) during the preceding 12 months (or for 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a 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

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

Common stock, \$6.25 par value

Outstanding at November 13, 2009:  
2,734,799 common shares



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QUARTER ENDED September 30, 2009  
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CSB BANCORP, INC.  
PART I FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 2009	December 31, 2008
<b>ASSETS</b>		
Cash and due from bank	\$ 8,681,607	\$ 8,698,917
Interest-earning deposits in other banks	13,258,887	2,961,153
Federal funds sold		1,086,000
 Total cash and cash equivalents	 21,940,494	 12,746,070
 Securities available-for-sale, at fair value	 72,614,370	 76,655,816
Restricted stock, at cost	5,463,100	5,231,800
 Total securities	 78,077,470	 81,887,616
 Loans	 314,717,245	 316,290,412
Less allowance for loan losses	3,696,698	3,393,685
 Net loans	 311,020,547	 312,896,727
 Premises and equipment, net	 8,541,328	 8,470,855
Bank owned life insurance	2,827,263	2,748,909
Other intangible assets	607,493	597,014
Goodwill	1,423,171	1,448,029
Accrued interest receivable and other assets	2,952,797	3,861,962
 Total Assets	 \$ 427,390,563	 \$ 424,657,182
 <b>LIABILITIES</b>		
Deposits		
Noninterest-bearing	\$ 46,366,578	\$ 49,058,592
Interest-bearing	256,531,562	256,394,147
 Total deposits	 302,898,140	 305,452,739
Short-term borrowings	27,056,770	22,891,593
Other borrowings	49,857,842	50,997,537
Accrued interest payable and other liabilities	1,997,904	1,846,841
 Total liabilities	 381,810,656	 381,188,710

**SHAREHOLDERS EQUITY**

Common stock, \$6.25 par value: 9,000,000 shares authorized: 2,980,602 shares issued; 2,734,799 shares outstanding	18,628,767	18,628,767
Additional paid-in capital	9,992,329	9,986,499
Retained earnings	20,707,496	19,723,972
Treasury stock at cost: 245,803 shares	(5,014,541)	(5,014,541)
Accumulated other comprehensive income	1,265,856	143,775
 Total shareholders equity	 45,579,907	 43,468,472
 Total Liabilities and Shareholders Equity	 \$ 427,390,563	 \$ 424,657,182

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Interest income</b>				
Loans, including fees	\$ 4,565,909	\$ 4,073,175	\$ 13,768,953	\$ 12,503,136
Taxable securities	776,162	800,062	2,461,570	2,377,551
Nontaxable securities	84,281	60,088	232,203	159,510
Other	7,979	32,992	16,835	102,863
<b>Total interest income</b>	<b>5,434,331</b>	<b>4,966,317</b>	<b>16,479,561</b>	<b>15,143,060</b>
<b>Interest expense</b>				
Deposits	1,055,240	1,068,797	3,353,042	3,662,709
Other	514,514	457,693	1,536,315	1,374,994
<b>Total interest expense</b>	<b>1,569,754</b>	<b>1,526,490</b>	<b>4,889,357</b>	<b>5,037,703</b>
<b>Net interest income</b>	<b>3,864,577</b>	<b>3,439,827</b>	<b>11,590,204</b>	<b>10,105,357</b>
<b>Provision for loan losses</b>	<b>292,952</b>	<b>107,031</b>	<b>928,092</b>	<b>261,740</b>
<b>Net interest income after provision for loan losses</b>	<b>3,571,625</b>	<b>3,332,796</b>	<b>10,662,112</b>	<b>9,843,617</b>
<b>Non-interest income</b>				
Service charges on deposit accounts	313,269	326,006	930,779	952,414
Trust and financial services	172,555	138,128	406,930	489,360
Debit card interchange fees	101,268	81,805	282,991	232,995
Gain on sale of loans	172,466	9,475	356,926	281,309
Securities (losses) gains	(33,613)	(35,000)	81,890	(35,000)
Other income	144,166	153,198	386,849	387,966
<b>Total non-interest income</b>	<b>870,111</b>	<b>673,612</b>	<b>2,446,365</b>	<b>2,309,044</b>
<b>Non-interest expenses</b>				
Salaries and employee benefits	1,747,309	1,532,758	5,151,886	4,596,823
Occupancy expense	265,563	183,735	739,725	566,531
Equipment expense	131,479	122,541	403,175	367,312
State franchise tax	134,950	108,560	371,320	323,370
Professional and director fees	157,137	95,454	485,453	375,353
FDIC deposit insurance	105,100	20,000	496,300	34,585
Amortization of intangible assets	16,227		48,772	
Other expenses	629,949	598,796	1,830,230	1,743,601

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Total non-interest expenses	3,187,714	2,661,844	9,526,861	8,007,575
<b>Income before income taxes</b>	1,254,022	1,344,564	3,581,616	4,145,086
Federal income tax provision	395,700	454,000	1,121,300	1,375,000
<b>Net income</b>	\$ 858,322	\$ 890,564	\$ 2,460,316	\$ 2,770,086
<b>Basic and diluted earnings per share</b>	\$ 0.31	\$ 0.37	\$ 0.90	\$ 1.14

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.  
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Balance at beginning of period	\$ 44,678,325	\$ 36,577,306	\$ 43,468,472	\$ 36,278,048
Comprehensive income:				
Net income	858,322	890,564	2,460,316	2,770,086
Change in net unrealized gain, net of reclassification adjustments and related income taxes \$274,391, \$245,875, \$578,042, and \$92,263, respectively	532,642	477,287	1,122,081	179,098
Total comprehensive income	1,390,964	1,367,851	3,582,397	2,949,184
Stock-based compensation expense	2,882	3,750	5,830	11,250
Purchase of treasury shares		(1,006)		(415,259)
Cash dividends declared (\$0.18 for the three months and \$0.54 for the nine months per share in 2009 and 2008)	(492,264)	(435,957)	(1,476,792)	(1,311,279)
Balance at end of period	\$ 45,579,907	\$ 37,511,944	\$ 45,579,907	\$ 37,511,944

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	Nine Months Ended September 30,	
	2009	2008
<b>Net cash provided by operating activities</b>	\$ 3,377,602	\$ 3,384,940
<b>Cash flows from investing activities</b>		
Securities available-for-sale:		
Proceeds from maturities, calls and repayments	25,446,408	17,869,675
Proceeds from sales	1,305,425	
Purchases	(20,978,926)	(13,611,007)
Purchase of Federal Reserve Bank stock	(231,300)	(114,900)
Proceeds from sale of other real estate	83,500	105,000
Loan originations, net of repayments	843,888	(1,983,166)
Proceeds from sale of credit cards		2,513,671
Premises and equipment expenditures, net	(632,313)	(320,292)
<b>Net cash provided by investing activities</b>	<b>5,836,682</b>	<b>4,458,981</b>
<b>Cash flows from financing activities</b>		
Net change in deposits	(2,374,007)	(13,433,237)
Net change in short-term borrowings	4,165,177	(2,548,323)
Proceeds from other borrowings		8,000,000
Repayment of other borrowings	(826,502)	(341,890)
Purchase of treasury shares		(415,259)
Cash dividends paid	(984,528)	(875,322)
<b>Net cash used for financing activities</b>	<b>(19,860)</b>	<b>(9,614,031)</b>
<b>Net change in cash and cash equivalents</b>	<b>9,194,424</b>	<b>(1,770,110)</b>
Cash and cash equivalents at beginning of period	12,746,070	12,193,362
<b>Cash and cash equivalents at end of period</b>	<b>\$ 21,940,494</b>	<b>\$ 10,423,252</b>
<b>Supplemental disclosures</b>		
Interest paid	\$ 5,380,325	\$ 5,120,995
Income taxes paid	920,000	1,326,000

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying condensed consolidated financial statements include the accounts of CSB Bancorp, Inc. and its wholly-owned subsidiaries, The Commercial and Savings Bank and CSB Investment Services, LLC (together referred to as the Company or CSB ). All significant intercompany transactions and balances have been eliminated in consolidation.

The condensed consolidated financial statements have been prepared without audit. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present fairly the Company's financial position at September 30, 2009, and the results of operations and changes in cash flows for the periods presented have been made.

Certain information and footnote disclosures typically included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted. The Annual Report for CSB for the year ended December 31, 2008, contains consolidated financial statements and related footnote disclosures, which should be read in conjunction with the accompanying consolidated financial statements. The results of operations for the period ended September 30, 2009 are not necessarily indicative of the operating results for the full year or any future interim period.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In June 2009, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2009-01, *Topic 105 Generally Accepted Accounting Principles FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. The Codification is the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification does not change current GAAP, but is intended to simplify user access to all authoritative GAAP by providing all the authoritative literature related to a particular topic in one place. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP for SEC registrants. The Company adopted this standard for the interim reporting period ending September 30, 2009. The adoption of this standard did not have a material impact on the Company's results of operations or financial position.

In June 2009, the FASB issued an accounting standard related to the accounting for transfers of financial assets, which is effective for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years. This standard enhances reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. This standard eliminates the concept of a qualifying special-purpose entity and changes the requirements for derecognizing financial assets. This standard also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. This accounting standard was subsequently codified into ASC Topic 860. The Company is currently evaluating the impact the adoption of the standard will have on the Company's results of operations.

In September 2006, the FASB issued an accounting standard related to fair value measurements, which was effective for the Company on January 1, 2008. This standard defined fair value, established a framework for measuring fair value, and expanded disclosure requirements about fair value measurements. On January 1, 2008, the Company adopted this accounting standard related to fair value measurements for the Company's financial assets and financial liabilities. The Company deferred

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CSB BANCORP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS-(continued)**

adoption of this accounting standard related to fair value measurements for the Company's nonfinancial assets and nonfinancial liabilities, except for those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until January 1, 2009. The adoption of this accounting standard related to fair value measurements for the Company's nonfinancial assets and nonfinancial liabilities had no impact on retained earnings and is not expected to have a material impact on the Company's statements of income and condition. This accounting standard was subsequently codified into ASC Topic 820, Fair Value Measurements and Disclosures.

In April 2009, the FASB issued new guidance impacting ASC Topic 820, *Fair Value Measurements and Disclosures*. This ASC provides additional guidance in determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. The adoption of this new guidance did not have a material effect on the Company's results of operations or financial position.

In April 2009, the FASB issued new guidance impacting ASC 825-10-50, *Financial Instruments*, which relates to fair value disclosures for any financial instruments that are not currently reflected on the balance sheet of companies at fair value. This guidance amended existing GAAP to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This guidance is effective for interim and annual periods ending after June 15, 2009. The Company has presented the necessary disclosures in Note 4 herein.

In April 2009, the FASB issued new guidance impacting ASC 320-10, *Investments - Debt and Equity Securities*, which provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities. This guidance is effective for interim and annual periods ending after June 15, 2009. The adoption of this new guidance did not have a material impact on the Company's financial position or results of operations.

In August 2009, the FASB issued ASU No. 2009-05, Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value. This ASU provides amendments for fair value measurements of liabilities. It provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more techniques. ASU 2009-05 also clarifies that when estimating a fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. ASU 2009-05 is effective for the first reporting period (including interim periods) beginning after issuance or fourth quarter 2009. The Company is currently evaluating the impact of this standard on the Company's financial condition, results of operations, and disclosures.

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CSB BANCORP, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

**NOTE 2 SECURITIES**

Securities consist of the following at September 30, 2009 and December 31, 2008:

**September 30, 2009**

	<b>Amortized Cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Fair Value</b>
Available-for-sale:				
U.S. Treasury security	\$ 100,530	\$ 142	\$	\$ 100,672
Obligations of U.S. government corporations and agencies	10,186,745	7,829	24,204	10,170,370
Mortgage-backed securities	51,441,268	1,890,761	180,179	53,151,850
Obligations of states and political subdivisions	8,903,053	236,866	862	9,139,057
Total debt securities	70,631,596	2,135,598	205,245	72,561,949
Equity Securities	64,811	285	12,675	52,421
Total available-for-sale	70,696,407	2,135,883	217,920	72,614,370
Restricted stock	5,463,100			5,463,100
<b>Total securities</b>	<b>\$ 76,159,507</b>	<b>\$ 2,135,883</b>	<b>\$ 217,920</b>	<b>\$ 78,077,470</b>

**December 31, 2008**

	<b>Amortized Cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Fair Value</b>
Available-for-sale:				
U.S. Treasury security	\$ 99,988	\$ 473	\$	\$ 100,461
Obligations of U.S. government corporations and agencies	12,447,301	93,055		12,540,356
Mortgage-backed securities	56,697,763	618,677	417,495	56,898,945
Obligations of states and political subdivisions	7,045,468	77,901	83,073	7,040,296
Total debt securities	76,290,520	790,106	500,568	76,580,058
Equity Securities	147,458	645	72,345	75,758
Total available-for-sale	76,437,978	790,751	572,913	76,655,816
Restricted stock	5,231,800			5,231,800
<b>Total securities</b>	<b>\$ 81,669,778</b>	<b>\$ 790,751</b>	<b>\$ 572,913</b>	<b>\$ 81,887,616</b>

The amortized cost and fair value of securities at September 30, 2009, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay

obligations with or without call or prepayment penalties.

<b>Available-for-sale</b>	<b>Amortized</b>	<b>Fair Value</b>
	<b>Cost</b>	
Due in one year or less	\$ 3,818,603	\$ 3,841,296
Due after one through five years	2,957,178	2,980,738
Due after five years through ten years	15,232,643	15,508,162
Due after ten years	48,623,172	50,231,753
Total debt securities available-for-sale	\$ 70,631,596	\$ 72,561,949

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CSB BANCORP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

**NOTE 2 SECURITIES-(continued)**  
**Realized Gains and Losses**