

CITIZENS HOLDING CO /MS/

Form 10-Q

November 09, 2007

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2007

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: 000-25221

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**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**  
(I. R. S. Employer  
Identification Number)

521 Main Street, Philadelphia, MS

39350

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 601-656-4692

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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 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

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 November 6, 2007:

Title	Outstanding
Common Stock, \$.20 par value	4,867,142

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CITIZENS HOLDING COMPANY

THIRD QUARTER 2007 INTERIM FINANCIAL STATEMENTS

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\* Not Applicable

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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## CITIZENS HOLDING COMPANY AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CONDITION

(Unaudited)

	September 30, 2007	December 31, 2006
<b>ASSETS</b>		
Cash and due from banks	\$ 16,417,553	\$ 15,449,434
Interest bearing deposits with other banks	508,532	396,811
Federal funds sold		15,200,000
Investment securities available for sale, at fair value	223,923,339	174,617,149
Loans, net of allowance for loan losses of \$3,748,266 in 2007 and \$3,712,375 in 2006	351,654,882	369,280,664
Premises and equipment, net	13,276,985	12,106,456
Other real estate owned, net	2,784,577	2,707,885
Accrued interest receivable	5,680,696	5,015,574
Cash value of life insurance	17,460,411	16,846,557
Intangible assets, net	4,349,446	4,752,573
Other assets	5,487,414	4,824,393
<b>TOTAL ASSETS</b>	<b>\$ 641,543,835</b>	<b>\$ 621,197,496</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand	\$ 81,242,584	\$ 82,867,220
Interest-bearing NOW and money market accounts	144,826,719	152,988,036
Savings deposits	31,654,012	32,636,927
Certificates of deposit	220,229,000	203,355,073
<b>Total deposits</b>	<b>477,952,315</b>	<b>471,847,256</b>
Accrued interest payable	1,572,778	1,153,890
Federal Funds Purchased	9,300,000	
Federal Home Loan Bank advances	49,400,000	59,400,000
Sweep Account Liability	32,003,154	12,767,483
Deferred compensation payable	2,930,169	2,699,783
Other liabilities	2,001,062	2,181,742
<b>Total liabilities</b>	<b>575,159,478</b>	<b>550,050,154</b>
<b>Minority interest in consolidated subsidiary</b>		<b>1,482,069</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock; \$.20 par value, 22,500,000 shares authorized, 4,867,142 shares outstanding at September 30, 2007 and 5,020,228 shares at December 31, 2006	973,428	1,004,046
Additional paid-in capital	3,953,802	3,886,830

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Retained earnings	63,316,611	65,285,558
Accumulated other comprehensive loss, net of taxes of \$795,468 in 2007 and \$304,082 in 2006	(1,859,484)	(511,161)
Total stockholders' equity	66,384,357	69,665,273
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 641,543,835	\$ 621,197,496

See notes to consolidated financial statements.

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## CITIZENS HOLDING COMPANY AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months		For the Nine Months	
	Ended September 30, 2007	2006	Ended September 30, 2007	2006
<b>INTEREST INCOME</b>				
Loan income, including fees	\$ 7,281,956	\$ 7,362,309	\$ 21,621,371	\$ 21,451,313
Investment securities	2,212,508	1,792,767	5,993,173	5,336,758
Other interest	124,989	109,729	1,010,091	299,049
<b>Total interest income</b>	<b>9,619,453</b>	<b>9,264,805</b>	<b>28,624,635</b>	<b>27,087,120</b>
<b>INTEREST EXPENSE</b>				
Deposits	3,302,320	2,681,484	9,567,546	7,528,398
Other borrowed funds	939,099	743,082	2,788,336	2,144,993
<b>Total interest expense</b>	<b>4,241,419</b>	<b>3,424,566</b>	<b>12,355,882</b>	<b>9,673,391</b>
<b>NET INTEREST INCOME</b>	<b>5,378,034</b>	<b>5,840,239</b>	<b>16,268,753</b>	<b>17,413,729</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>396,349</b>	<b>(111,132)</b>	<b>553,396</b>	<b>(303,306)</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>4,981,685</b>	<b>5,951,371</b>	<b>15,715,357</b>	<b>17,717,035</b>
<b>OTHER INCOME</b>				
Service charges on deposit accounts	979,633	992,226	2,842,210	2,820,340
Other service charges and fees	272,401	167,853	537,025	443,647
Other income	772,673	422,220	2,192,450	1,382,168
<b>Total other income</b>	<b>2,024,707</b>	<b>1,582,299</b>	<b>5,571,685</b>	<b>4,646,155</b>
<b>OTHER EXPENSES</b>				
Salaries and employee benefits	2,705,828	2,523,016	7,827,309	7,640,424
Occupancy expense	800,095	699,211	2,269,964	2,229,470
Other operating expense	1,389,619	1,387,788	4,059,037	4,017,721
Earnings applicable to minority interest		47,051		136,457
<b>Total other expenses</b>	<b>4,895,542</b>	<b>4,657,066</b>	<b>14,156,310</b>	<b>14,024,072</b>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>2,110,850</b>	<b>2,876,604</b>	<b>7,130,732</b>	<b>8,339,118</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>362,549</b>	<b>751,675</b>	<b>1,632,384</b>	<b>2,178,431</b>
<b>NET INCOME</b>	<b>\$ 1,748,301</b>	<b>\$ 2,124,929</b>	<b>\$ 5,498,348</b>	<b>\$ 6,160,687</b>
<b>NET INCOME PER SHARE</b>				
-Basic	\$ 0.36	\$ 0.42	\$ 1.12	\$ 1.23
-Diluted	\$ 0.36	\$ 0.42	\$ 1.10	\$ 1.21

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DIVIDENDS PAID PER SHARE	\$	0.18	\$	0.17	\$	0.54	\$	0.51
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See notes to consolidated financial statements.

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CITIZENS HOLDING COMPANY AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months		For the Nine Months	
	Ended September 30, 2007	2006	Ended September 30, 2007	2006
Net income	\$ 1,748,301	\$ 2,124,929	\$ 5,498,348	\$ 6,160,687
Other comprehensive income (loss), net of tax				
Unrealized holding gains (losses)	1,295,326	1,965,706	(1,350,560)	169,582
Reclassification adjustment for (gains) losses included in net income		12,318	2,237	12,318
Total other comprehensive income (loss)	1,295,326	1,978,024	(1,348,323)	181,900
Comprehensive income	\$ 3,043,627	\$ 4,102,953	\$ 4,150,025	\$ 6,342,587

See notes to consolidated financial statements.



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CITIZENS HOLDING COMPANY AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	<b>For the nine months</b>	
	<b>ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Cash Provided by Operating Activities	\$ 6,814,181	\$ 4,224,418
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of securities available for sale	11,577,120	12,852,916
Proceeds from sales of securities AFS	7,542,364	17,948,728
Purchases of investment securities available for sale	(50,918,401)	(28,857,288)
Net change in Shay Investments		