

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
SEC Accession No. **0000715762-01-500005**

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FILER

CITIZENS BANCSHARES INC /LA/

CIK: **715762** | IRS No.: **720759135** | State of Incorporation: **LA** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-12425** | Film No.: **1696590**
SIC: **6022** State commercial banks

Mailing Address

*PO BOX 598
841 MAIN ST
VILLE PLATTE LA 70586*

Business Address

*PO BOX 598
841 MAIN ST
VILLE PLATTE LA 70586
3373655643*

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

FORM 10-QSB

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

For the quarterly period ended June 30, 2001

Commission file number 0-12425

Citizens Bancshares, Inc.
(Exact name of small business issuer
as specified in its charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

72-0759135
(IRS Employer
Identification Number)

841 West Main Street, Ville Platte, LA 70586
(Address of principal executive offices)

Issuer's telephone number, including area code: 337-363-5643

State the number of shares outstanding of each of the issuer's
classes of common equity, as of the latest practicable date:

Class of Common Equity	Number of Shares Outstanding	As of
Common stock, \$5 Par Value	114,855	June 30, 2001

CITIZENS BANCSHARES, INC. AND SUBSIDIARY

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PART I. FINANCIAL INFORMATION

CITIZENS BANCSHARES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

June 30, 2001

(In thousands of dollars)

ASSETS

Cash and due from banks	\$2,448
Federal funds sold	15,850
Cash & cash equivalents	18,298
Interest-bearing deposits with banks	4,061
Securities available for sale, at fair values	27,845
Securities held to maturity	7,921
Loans receivable, net of allowance for loan losses of \$1,166	65,969
Premises and equipment	2,855
Other assets	2,114
Total assets	\$129,063

LIABILITIES

Demand deposits	\$11,686
Savings, NOW and money-market deposits	18,501
Time deposits \$100,000 and more	33,339
Other time deposits	50,875
Total deposits	114,401
Accrued expenses and other liabilities	1,455
Total liabilities	115,856

SHAREHOLDERS' EQUITY

Common Stock \$5 par value, 300,000 shares authorized, 115,000 shares issued and outstanding	575
Additional paid-in capital	825
Treasury stock at cost, 145 shares	(6)
Retained earnings	11,623
Accumulated other comprehensive income	190
Total shareholders' equity	13,207
Total liabilities and shareholders' equity	\$129,063

CITIZENS BANCSHARES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME (UNAUDITED)
SIX AND THREE MONTHS ENDED JUNE 30, 2001 & 2000
(In thousands of dollars, except per share data)

	Year-to-Date		Quarter-to-Date	
	2001	2000	2001	2000
Interest income				
Loans receivable	\$2,977	\$2,802	\$1,494	\$1,445
Taxable securities	847	934	409	487
Tax-exempt securities	156	194	80	93
Federal funds sold	349	271	171	121
Deposits with banks	110	133	58	60
Total interest income	4,439	4,334	2,212	2,206
Interest expense				
Savings, NOW & money- market deposits	271	219	140	112
Time deposits				
\$100,000 and more	965	819	495	413
Other time deposits	1,490	1,334	741	678
Total interest expense	2,726	2,372	1,376	1,203
Net interest income	1,713	1,962	836	1,003
Provision for loan losses	60	68	30	38
Net interest income after provision for loan losses	1,653	1,894	806	965
Non-interest income				
Gain on securities called	138	-	41	-
Other non-interest income	432	377	205	181
Total non-interest income	570	377	246	181
Non-interest expense				
Salaries and employee benefits	757	696	371	353
Other expense	651	582	319	280
Total non-interest expense	1,408	1,278	690	633
Income before income taxes	815	993	362	513
Income tax expense	243	250	113	144
Net income	\$572	\$743	\$249	\$369
Other comprehensive income, net of tax	134	(130)	28	23
Comprehensive income	\$706	\$613	\$277	\$392
Net income per share of common stock	\$4.98	\$6.47	\$2.17	\$3.21

CITIZENS BANCSHARES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
SIX MONTHS ENDED JUNE 30, 2001 AND 2000
(In thousands of dollars)

	2001	2000
Cash flows from operating activities		
Net income	\$572	\$743
Adjustments to reconcile net income to net cash provided by operating activities	602	306
Net cash provided by operating activities	1,174	1,049
Cash flows from investing activities		
Maturities and calls of securities	20,196	175
Purchases of securities	(19,504)	(5,451)
Net decrease/(increase) in interest- bearing deposits with banks	(1,981)	2,279
Net (increase)/decrease in loans	(2,502)	(3,627)
Purchases of premises and equipment	(81)	(43)
Net cash (used) by investing activities	(3,872)	(6,667)
Cash flows from financing activities		
Net increase in deposits	9,315	9,393
Net cash provided by financing activities	9,315	9,393
Net increase in cash and cash equivalents	6,617	3,775
Cash and cash equivalents at beginning of year	11,681	8,648
Cash and cash equivalents at end of period	\$18,298	\$12,423
Income taxes paid	\$221	\$259
Interest paid	\$2,750	\$2,290
Foreclosed real estate acquired in satisfaction of loans	\$68	\$ 378

CITIZENS BANCSHARES, INC. AND SUBSIDIARY

NOTE TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim financial statements are prepared pursuant to the requirements for reporting on Form 10-QSB. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes included in the Company's

latest annual report on Form 10-KSB. In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. The current period results of operations are not necessarily indicative of results which ultimately will be reported for the full year ending December 31, 2001.

CITIZENS BANCSHARES, INC. AND SUBSIDIARY

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

GENERAL STATEMENT

For a comprehensive review of financial condition and results of operations of Citizens Bancshares, Inc. (the Company), this discussion and analysis should be reviewed along with the information and financial statements presented elsewhere in this report. The Company is a one-bank holding company whose sole subsidiary is Citizens Bank, Ville Platte, Louisiana (the Bank).

Citizens Bank, Ville Platte, Louisiana is a commercial banking institution formed in 1975 under the banking laws of the State of Louisiana. The bank operates a main office located in the City of Ville Platte, Louisiana and also operates branch facilities in the Town of Mamou, Louisiana and the Village of Pine Prairie, Louisiana. The Bank offers a full range of traditional commercial banking services, including demand, savings, and time deposits, consumer, commercial, agriculture, and real estate loans, safe-deposit boxes, and two credit card plans, VISA and MASTERCARD. Drive-in facilities are located at all banking locations with ATM service at the main office and Mamou branch.

FINANCIAL CONDITION

Total assets of the Company increased by \$10,413,000 or 8.78%, from \$118,650,000 at December 31, 2000 to \$129,063,000 at June 30, 2001. The increase is attributed to an increase in fed funds sold, loans, interest-bearing deposits with other banks and deposits.

Earning assets, which include loans, investment securities, federal funds sold, and deposits in other banks were 94.25% of total assets at June 30, 2001.

Loans showed an increase of \$2,374,000 or 3.73% for the six months ended June 30, 2001. There was an increase in federal funds sold of \$7,450,000 or 88.69% during the same period.

The Bank maintains an allowance for loan losses against which impaired or uncollectible loans are charged. The balance in the allowance for loan losses was \$1,166,000 at June 30, 2001, which represents 1.74% of total loans outstanding on that date. Provisions to the allowance for loan losses, which were charged to net income as of June 30, 2001, totaled \$60,000. Management evaluates the adequacy of the allowance for loan losses on a monthly basis by monitoring the balance in total loans as well as the past due, nonaccrual, classified, and other problem loans. On the basis of this evaluation, the allowance for loan losses is considered adequate to meet possible future charges for losses in the existing loan portfolio. At June 30, 2001, past due loans to total loans were 1.94%.

Investment securities decreased by only \$420,000 or 1.16% for the six months ended June 30, 2001. The following chart lists the makeup of the portfolio as of June 30, 2001:

U.S. Government Agencies	35.95%
Mortgage-Backed Securities	43.13%
Municipal Securities	20.92%

As of June 30, 2001, securities classified as "held to maturity" had an amortized cost/recorded value of \$7,921,000 and a fair value of \$8,066,000; securities classified as "available for sale" had a fair value of \$27,845,000 and an amortized cost of \$27,556,000.

Deposits are the Bank's primary source of funds. Total deposits increased \$9,314,000 or 8.86% from \$105,087,000 at December 31, 2000 to \$114,401,000 at June 30, 2001. Time deposits \$100,000 and more increased by \$4,676,000 or 16.31% during the same period.

The primary functions of asset/liability management are to assure adequate liquidity and maintain an appropriate spread between interest-earning assets and interest-bearing liabilities. Liquidity management involves the ability to meet cash flow requirements of customers who may be either depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. Major elements of the Bank's overall liquidity management capabilities and financial resources are (1) core deposits, (2) closely managed maturity structure of loans and deposits, (3) sale and maturity of assets (primarily investment securities), and, if necessary, (4) extensions of credit, including federal funds purchased and securities sold under repurchase agreements. With the Bank's asset/liability management program, most loan and deposit changes can be anticipated without an adverse impact on earnings. At June

30, 2001, the Bank's liquidity ratio was 42.92%.

RESULTS OF OPERATIONS

For the second quarter of 2001, the Company reported net income of \$572,000 or \$4.98 per average share outstanding. Net return on assets was .91% and net return on equity was 8.11%.

Net interest income is the Company's principal source of revenue and is measured by the difference between interest income earned on loans and investments and interest expense incurred on deposits. At June 30, 2001, the Bank's net interest margin was 2.53%, a decrease from the June 30, 2000 net interest margin of 3.30%. During the falling rate environment of the first six months of 2001, the Company has experienced a "squeeze" in its net interest. Net interest income decreased \$249,000, or 12.69% in 2001 to \$1,713,000, compared to \$1,962,000 at June 30, 2000. The reason for such decrease was a \$105,000 or 2.42% increase in interest income, which was offset by a \$354,000 or 14.92% increase in interest expense.

Non-interest income, increased by \$193,000 or 51.19% mainly due to gains on called securities of \$138,000 for the six months ended June 30, 2001.

Non-interest expense includes salaries and employee benefits, occupancy and equipment expense, and other expense. Non-interest expense amounted to \$1,408,000 at June 30, 2001, a \$130,000 or 10.17% increase from June 30, 2000. Salaries and employee benefits are the main expense and increased by \$61,000 or 8.76%.

CAPITAL ADEQUACY

Primary capital (shareholders' equity plus a portion of the allowance for loan losses) as a percent of adjusted total assets is one of the standard measures of capital adequacy used by bank regulators. This and other measurement ratios serve as the underlying basis for evaluating the Bank's capital adequacy and for determining the Bank's insurance fund deposit assessment charges. At June 30, 2001, the Bank's ratios were as follows:

Risk Based Capital	20.36%
Tier 1 Capital	19.11%
Leverage Ratio	9.97%

To be categorized as well capitalized, the Bank must maintain a total risk-based capital ratio of 10% or higher, Tier 1 risk-

based capital ratio of 6% or higher, and leverage capital ratio of 5% or higher.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Legal proceedings involving the Bank are limited to proceedings arising from normal business activities, none of which are considered material.

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

Pursuant to a notice of meeting mailed March 12, 2001 accompanied by a proxy statement, the annual meeting of shareholders was held April 12, 2001. Proxies for the annual meeting were solicited pursuant to Regulation 14A. No solicitation was made in opposition to management's nominees for the Board of Directors as listed in the Proxy Statement. All of the following nominees were duly nominated and elected:

Carl W. Fontenot	K. Wayne Vidrine
Eugene Fontenot	E.J. Deville
Jules Hebert	Fredrick Phillips
Joseph West	Roderick Young
C. Brent Coreil	Bryan L. Fontenot
Anita F. Melancon	Brod Veillon

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None.

(b) The Company has not filed any reports on Form 8-K during the quarter ended June 30, 2001.

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.

CITIZENS BANCSHARES, INC.

CARL W. FONTENOT
PRESIDENT & CEO

WAYNE VIDRINE

