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SECURITIES AND EXCHANGE COMMISSION
RECEIVED
 FEB 23 2006
 BRANCH OF REGISTRATIONS
 INFORMATION REQUIRED
 EXAMINATIONS

**ANNUAL AUDITED REPORT
 FORM X-17A-5
 PART III**

SEC FILE NUMBER
 8- 27250-43169

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/05 AND ENDING 12/31/05
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CITIZENS SECURITIES, INC.

OFFICIAL USE ONLY
 FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

ONE HARBOUR PLACE SUITE 475
 (No. and Street)

PORTSMOUTH NH 03801
 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
LISA A. McDONALD BYRNE (603) 766-5606
 (Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BERRY, DUNN, McNEIL & PARKER
 (Name - if individual, state last, first, middle name)

100 MIDDLE STREET PORTLAND ME 04104
 (Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED
 APR 19 2006
 THOMSON FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

KA 4/18/06

OATH OR AFFIRMATION

I, LISA BYRNE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CITIZENS SECURITIES, INC., as of DECEMBER 31, 20 05, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

MARCIA S. KOVALIK, Notary Public
My Commission Expires 12/21/2010

Lisa Byrne
Signature

VICE PRESIDENT
Title

Marcia S. Kovalik
Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~Changes in Financial Condition~~ **Cash Flows**
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Citizens Securities, Inc.

We have audited the accompanying statement of financial condition of Citizens Securities, Inc. (the "Company") as of December 31, 2005, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Citizens Securities, Inc. at December 31, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The computation of net capital as of December 31, 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 of the Securities Exchange Act of 1934. This schedule is the responsibility of the Company's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Berry, Dunn, McNeil & Parker

Portland, Maine
January 26, 2006

Statement of Financial Condition

December 31, 2005

ASSETS

Cash and cash equivalents	\$ 615,835
Distribution and service fees receivable	<u>662,200</u>
Total assets	<u>\$ 1,278,035</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	
Payable to brokers and dealers	\$ 60,454
Due to affiliate	<u>357,105</u>
Total liabilities	<u>417,559</u>
Commitment (Note 4)	
Stockholder's equity	
Common stock, no par value; authorized 10,000 shares; issued and outstanding, 9,000 shares	45,000
Additional paid-in capital	821,422
Accumulated deficit	<u>(5,946)</u>
Total stockholder's equity	<u>860,476</u>
Total liabilities and stockholder's equity	<u>\$ 1,278,035</u>

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

Statement of Operations

Year Ended December 31, 2005

Revenues	
Distribution fees	\$ 1,661,059
Less commissions and fees to third parties	<u>(381,545)</u>
Net distribution fees	<u>1,279,514</u>
Other revenue (expenses)	
Shareholder servicing and administrative fees	977,987
Realized loss on sale of investment securities	(3,677)
Other income, net	<u>130,489</u>
Other revenue	<u>1,104,799</u>
Total revenues	<u>2,384,313</u>
Operating expenses	
Advertising and public relations	58,162
Compensation and related expenses	1,833,732
Marketing fulfillment	127,321
Occupancy	158,248
Telephone usage	25,719
Travel and related costs	67,747
Professional fees	80,040
Other operating expenses	<u>147,741</u>
Total operating expenses	<u>2,498,710</u>
Loss before income tax benefit	(114,397)
Income tax benefit	<u>(9,724)</u>
Net loss	<u>\$ (104,673)</u>

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

Statement of Changes in Stockholder's Equity

Year Ended December 31, 2005

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Earnings (Deficit)</u>	<u>Net Unrealized Gain on Securities Available for Sale</u>	<u>Stockholder's Equity</u>
Balance, January 1, 2004	\$ <u>45,000</u>	\$ <u>821,422</u>	\$ <u>98,727</u>	\$ <u>8,795</u>	\$ <u>973,944</u>
Net loss	-	-	(104,673)	-	(104,673)
Unrealized holding losses on securities available for sale, net of deferred tax benefit	-	-	-	(12,159)	(12,159)
Reclassification adjustment for losses included in net income, net of taxes	-	-	-	<u>3,364</u>	<u>3,364</u>
Net change in unrealized gain on securities available for sale, net of deferred tax benefit of \$817	-	-	-	<u>(8,795)</u>	<u>(8,795)</u>
Total comprehensive loss	-	-	<u>(104,673)</u>	<u>(8,795)</u>	<u>(113,468)</u>
Balance, December 31, 2005	\$ <u>45,000</u>	\$ <u>821,422</u>	\$ <u>(5,946)</u>	\$ <u>-</u>	\$ <u>860,476</u>

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

Statement of Cash Flows

Year Ended December 31, 2005

Cash flows from operating activities	
Net loss	\$ (104,673)
Adjustments to reconcile net loss to net cash used in operating activities	
Loss on sale of investment securities	3,677
Change in assets and liabilities	
Due to affiliate	(144,846)
Distribution and service fees receivable	(30,887)
Payable to brokers and dealers	<u>(8,017)</u>
Net cash used in operating activities	<u>(284,746)</u>
Cash flows from investing activities	
Purchases of investment securities	(2,371)
Proceeds from sales of investment securities	<u>703,223</u>
Net cash provided by investing activities	<u>700,852</u>
Net increase in cash and cash equivalents	416,106
Cash and cash equivalents, beginning of year	<u>199,729</u>
Cash and cash equivalents, end of year	<u>\$ 615,835</u>

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

Notes to Financial Statements

December 31, 2005

1. Corporate Affiliation and Nature of Operations

Citizens Securities, Inc. (the "Company") is a New Hampshire corporation and a wholly-owned subsidiary of Citizens Advisers, Inc. ("Advisers"), formed to act as the distributor for a registered 1940 Act Series Investment Company, Citizens Funds (the "Funds"). The Company is registered as a broker/dealer under the Securities Exchange Act of 1934, as amended.

2. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies applied in the preparation of the accompanying financial statements is presented below:

Revenue and Expense Recognition

The financial statements of the Company are prepared on the accrual basis whereby revenues are recognized when earned and expenses are recognized when incurred.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, corporate checking accounts, and highly liquid investments in money market accounts. The Company invests in Citizens Money Market Fund, which is a series of the Funds. The carrying amount approximates fair value because of the short maturity of these instruments. These investments are considered cash equivalents for the purpose of reporting cash flows.

Accounts Receivable

Distribution and service fees receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to current earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. There were no accounts requiring a valuation allowance at December 31, 2005.

Notes to Financial Statements

December 31, 2005

Investment Securities

The Company has classified its investment securities as investments available for sale.

Investments available for sale are stated at market value. Changes in net unrealized gains or losses are recorded as an adjustment to stockholder's equity until realized. Market values of securities are determined by prices obtained from independent market sources. Realized gains and losses on securities sold are computed on the weighted average cost basis on the trade date. The Company invests in various Citizens funds and other investment securities.

Income Taxes

The Company's method of accounting for income taxes conforms to Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. The amount of a deferred tax asset or liability is based on the difference between the financial statement and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to be reflected in the tax return.

3. Investment Securities

Proceeds from sales of securities available for sale were \$703,233 which resulted in gross realized losses of \$3,677 during 2005.

4. Regulatory Requirements

As a broker/dealer, the Company is subject to the Securities and Exchange Commission's regulations and operating guidelines, which require the Company to maintain minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness. Net capital and the related ratio of aggregate indebtedness to net capital may fluctuate on a daily basis. The Company's net capital, as computed under Rule 15c3-1, was \$165,957, which exceeded the required net capital of \$5,000 by \$160,957. The ratio of aggregated indebtedness to net capital at December 31, 2005 was 36 to 1.

Notes to Financial Statements

December 31, 2005

The Company is exempt from the reserve requirements of Rule 15c3-3 as its broker/dealer transactions are limited to the purchase, sale, and redemption of redeemable securities of registered investment companies. All customer funds are promptly transmitted, and all securities received in connection with its activities as a broker/dealer are promptly delivered. The Company does not otherwise hold funds or securities for, or owe money or securities to, customers.

5. Transactions With Related Parties

The Company performs broker/dealer services under a renewable distribution agreement with Citizens Funds. The Funds' portfolios have approved a distribution plan that, among other provisions, provides for the reimbursement of actual fees and expenses incurred by the Company for distribution-related activities, at a rate of 0% - 0.25% of average net assets on different share classes of the Funds' portfolios. The Company also provides a number of administrative services to the Funds relating primarily to shareholder services and communications, and is generally reimbursed at a rate approximating the market price of such services, but may charge up to 0.35% based on average daily net assets for one specified series.

Certain officers and directors of the Company are also shareholders, officers and directors of Advisers, and officers and trustees of the Funds.

6. Income Taxes

The Company is a wholly-owned subsidiary of Advisers. Advisers is a Subchapter S Corporation for federal income tax purposes. Advisers and the Company will pay no federal income tax on its earnings as it will flow through directly to its shareholder for federal income tax purposes. The Company will continue to pay New Hampshire corporate income tax on its earnings.

The Company and Advisers have entered into a state tax allocation arrangement under which the Company is included in the tax return filed by Advisers. The arrangement provides that the Company would pay to or receive from Advisers, amounts comparable to the taxes it would have provided on a separate company basis.

Deferred taxes relate to unrealized gains on investment securities available for sale.

Computation of Net Capital
Under Rule 15c3-1 of the Securities Exchange Act of 1934

December 31, 2005

Computation of net capital

Total stockholder's equity from balance sheet	\$ 860,476
Deductions and/or charges - nonallowable assets (see schedule below)	<u>682,200</u>
Net capital before haircuts on security positions	178,276
Haircuts on securities	<u>12,319</u>
Net capital	<u>\$ 165,957</u>

Computation of basic net capital requirement

Minimum net capital required (6-2/3% of aggregate indebtedness)	\$ <u>4,032</u>
Minimum dollar requirement of reporting broker	\$ <u>5,000</u>
Net capital requirement (greater of minimum net capital required or minimum dollar requirement)	\$ <u>5,000</u>
Excess net capital	\$ <u>160,957</u>

Computation of aggregate indebtedness

Total aggregate indebtedness	\$ <u>60,454</u>
Percentage of aggregate indebtedness to net capital	<u>36.4%</u>

Schedule of nonallowable assets

Distribution and service fees receivable	\$ 662,200
Other assets	<u>20,000</u>
Total	<u>\$ 682,200</u>

Reconciliation of Audited Computation of Net Capital to Unaudited Focus Report

Net capital per unaudited FOCUS report	\$ <u>165,957</u>
Net capital per audited financial statements	\$ <u>165,957</u>

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

To the Board of Directors
Citizens Securities, Inc.

In planning and performing our audit of the financial statements of Citizens Securities, Inc. (the "Company") for the year ended December 31, 2005 (on which we issued our report dated January 26, 2006), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures followed by the Company (including tests of compliance with such practices and procedures) that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph. Because of inherent limitations in any internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

To the Board of Directors
Citizens Securities, Inc.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operation, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Berry, Dunn, McNeil & Parker

Portland, Maine
January 26, 2006