

CITIZENS FINANCIAL SERVICES INC
Form 10-Q
November 14, 2011

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, 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 0-13222

CITIZENS FINANCIAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

PENNSYLVANIA 23-2265045
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

15 South Main Street
Mansfield, Pennsylvania 16933
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (570) 662-2121

Indicate by check mark whether the registrant (1) has filed all reports 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, a non-accelerated filer, or a smaller reporting company. See the 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

(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

The number of outstanding shares of the Registrant's Common Stock, as of November 1, 2011, was 2,908,657.

Citizens Financial Services, Inc.
Form 10-Q

INDEX

	PAGE	
Part I	FINANCIAL INFORMATION	
Item 1.	Financial Statements (unaudited):	
	Consolidated Balance Sheet as of September 30, 2011 and December 31, 2010	1
	Consolidated Statement of Income for the Three Months and Nine Months Ended September 30, 2011 and 2010	2
	Consolidated Statement of Comprehensive Income for the Three Months and Nine months Ended September 30, 2011 and 2010	3
	Consolidated Statement of Cash Flows for the Nine months Ended September 30, 2011 and 2010	4
	Notes to Consolidated Financial Statements	5-24
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25-48
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	48
Item 4.	Controls and Procedures	48
Part II	OTHER INFORMATION	
Item 1.	Legal Proceedings	49
Item 1A.	Risk Factors	49
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	49
Item 3.	Defaults Upon Senior Securities	49
Item 4.	[Removed and Reserved]	49
Item 5.	Other Information	49
Item 6.	Exhibits	50
	Signatures	51

CITIZENS FINANCIAL SERVICES, INC.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

(in thousands except share data)	September 30 2011	December 31 2010
ASSETS:		
Cash and due from banks:		
Noninterest-bearing	\$ 10,761	\$ 9,541
Interest-bearing	24,050	34,454
Total cash and cash equivalents	34,811	43,995
Available-for-sale securities	303,239	251,303
Loans (net of allowance for loan losses: 2011, \$6,323 and 2010, \$5,915)	472,289	467,602
Premises and equipment	11,819	12,503
Accrued interest receivable	3,980	3,455
Goodwill	10,256	10,256
Bank owned life insurance	13,542	13,171
Other assets	9,252	10,241
TOTAL ASSETS	\$ 859,188	\$ 812,526
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 80,557	\$ 75,589
Interest-bearing	638,988	605,122
Total deposits	719,545	680,711
Borrowed funds	52,845	55,996
Accrued interest payable	1,539	1,779
Other liabilities	6,397	5,350
TOTAL LIABILITIES	780,326	743,836
STOCKHOLDERS' EQUITY:		
Preferred Stock		
\$1.00 par value; authorized 3,000,000 shares		
September 30, 2011 and December 31, 2010;		
none issued in 2011 or 2010		
	-	-
Common stock		
\$1.00 par value; authorized 15,000,000 shares; issued 3,132,866 at September 30, 2011		
and		
3,104,434 shares at December 31, 2010	3,133	3,104
Additional paid-in capital	15,320	14,235
Retained earnings	60,936	54,932
Accumulated other comprehensive income	4,533	1,054
Treasury stock, at cost: 224,209 shares at September 30, 2011		
and 212,067 shares at December 31, 2010	(5,060)	(4,635)

TOTAL STOCKHOLDERS' EQUITY	78,862	68,690
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 859,188	\$ 812,526

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

CITIZENS FINANCIAL SERVICES,
INC.
CONSOLIDATED STATEMENT
OF INCOME
(UNAUDITED)

(in thousands, except share and per share data)	Three Months Ended September 30		Nine months Ended September 30	
	2011	2010	2011	2010
INTEREST INCOME:				
Interest and fees on loans	\$ 7,555	\$ 7,782	\$ 22,413	\$ 23,268
Interest-bearing deposits with banks	22	24	64	55
Investment securities:				
Taxable	1,095	1,178	3,443	3,777
Nontaxable	931	772	2,688	2,140
Dividends	10	14	39	27
TOTAL INTEREST INCOME	9,613	9,770	28,647	29,267
INTEREST EXPENSE:				
Deposits	1,969	2,313	6,103	7,374
Borrowed funds	437	444	1,325	1,324
TOTAL INTEREST EXPENSE	2,406	2,757	7,428	8,698
NET INTEREST INCOME	7,207	7,013	21,219	20,569
Provision for loan losses	150	300	525	840
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES				
	7,057	6,713	20,694	19,729
NON-INTEREST INCOME:				
Service charges	1,059	919	2,902	2,709
Trust	163	130	466	411
Brokerage and insurance	79	91	297	314
Investment securities gains, net	117	-	351	99
Realized gains on loans sold	36	44	111	92
Earnings on bank owned life insurance	126	127	371	376
Other	149	134	418	358
TOTAL NON-INTEREST INCOME	1,729	1,445	4,916	4,359
NON-INTEREST EXPENSES:				
Salaries and employee benefits	2,527	2,436	7,560	7,293
Occupancy	295	295	1,014	898
Furniture and equipment	115	114	338	331
Professional fees	197	176	526	509
FDIC insurance	47	245	547	699
Other	1,218	1,220	3,674	3,440
TOTAL NON-INTEREST EXPENSES	4,399	4,486	13,659	