

CITIZENS FINANCIAL SERVICES INC
Form 10-Q
May 11, 2007

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

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

For the quarterly period ended March 31, 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 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 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 File 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

The number of shares outstanding of the Registrant's Common Stock, as of May 1, 2007, was 2,819,692 shares of Common Stock, par value \$1.00.

Citizens Financial Services, Inc.
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CITIZENS FINANCIAL SERVICES, INC.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

<i>(in thousands except share data)</i>	March 31 2007	December 31 2006
ASSETS:		
Cash and due from banks:		
Noninterest-bearing	\$ 7,491	\$ 10,007
Interest-bearing	2	8
Total cash and cash equivalents	7,493	10,015
Available-for-sale securities	109,320	109,743
Loans (net of allowance for loan losses: 2007, \$3,972 and 2006, \$3,876)	408,285	410,897
Premises and equipment	12,898	12,892
Accrued interest receivable	2,577	2,458
Goodwill	8,605	8,605
Bank owned life insurance	8,126	8,047
Other assets	9,064	9,511
TOTAL ASSETS	\$ 566,368	\$ 572,168
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 50,865	\$ 48,509
Interest-bearing	406,183	398,006
Total deposits	457,048	446,515
Borrowed funds	58,686	75,775
Accrued interest payable	2,167	2,287
Other liabilities	4,081	4,091
TOTAL LIABILITIES	521,982	528,668
STOCKHOLDERS' EQUITY:		
Common Stock		
\$1.00 par value; authorized 10,000,000 shares; issued 2,992,896 shares in 2007 and 2006, respectively	2,993	2,993
Additional paid-in capital	11,933	11,933
Retained earnings	34,767	34,007
Accumulated other comprehensive loss	(1,605)	(1,737)
Treasury Stock, at cost: 173,204 shares for 2007, and 172,954 shares for 2006	(3,702)	(3,696)
TOTAL STOCKHOLDERS' EQUITY	44,386	43,500
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 566,368	\$ 572,168

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

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

	Three Months Ended March 31,	
<i>(in thousands, except per share data)</i>	2007	2006
INTEREST INCOME:		
Interest and fees on loans	\$ 7,357	\$ 6,519
Investment securities:		
Taxable	1,014	819
Nontaxable	224	226
Dividends	91	67
TOTAL INTEREST INCOME	8,686	7,631
INTEREST EXPENSE:		
Deposits	3,309	