

CITIZENS FINANCIAL SERVICES INC
Form 10-Q
November 12, 2010

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, 2010
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
(State or other jurisdiction of incorporation or organization)
Identification No.)

23-2265045
(I.R.S. Employer

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.

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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 October 28, 2010, was 2,891,697.

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

(in thousands except share data)	September 30 2010	December 31 2009
ASSETS:		
Cash and due from banks:		
Noninterest-bearing	\$ 11,392	\$ 9,505
Interest-bearing	28,674	21,944
Total cash and cash equivalents	40,066	31,449
Available-for-sale securities	230,493	198,582
Loans (net of allowance for loan losses: 2010, \$5,588 and 2009, \$4,888)	469,204	451,496
Premises and equipment	12,944	12,227
Accrued interest receivable	3,636	3,141
Goodwill	10,256	10,256
Bank owned life insurance	13,043	12,667
Other assets	9,713	9,659
TOTAL ASSETS	\$ 789,355	\$ 729,477
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 68,794	\$ 60,061
Interest-bearing	586,446	545,498
Total deposits	655,240	605,559
Borrowed funds	56,454	54,115
Accrued interest payable	1,814	2,037
Other liabilities	6,225	6,239
TOTAL LIABILITIES	719,733	667,950
STOCKHOLDERS' EQUITY:		
Preferred Stock		
\$1.00 par value; authorized 3,000,000 shares at September 30, 2010 and none at December 31, 2009; none issued at September 30, 2010 and December 31, 2009		
	-	-
Common stock		
\$1.00 par value; authorized 15,000,000 shares at September 30, 2010 and 10,000,000 at December 31, 2009; issued 3,104,434 shares at September 30, 2010 and 3,076,253 at December 31, 2009		
	3,104	3,076
Additional paid-in capital	14,219	13,457
Retained earnings	52,968	47,353
Accumulated other comprehensive income	3,984	2,041

Treasury stock, at cost: 212,767 shares at September 30, 2010

and 204,437 shares at December 31, 2009	(4,653)	(4,400)
TOTAL STOCKHOLDERS' EQUITY	69,622	61,527
TOTAL LIABILITIES AND		
STOCKHOLDERS' EQUITY	\$ 789,355	\$ 729,477

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 September 30		Nine Months Ended September 30	
(in thousands, except share and per share data)	2010	2009	2010	2009
INTEREST INCOME:				
Interest and fees on loans	\$ 7,782	\$ 7,581	\$ 23,268	\$ 22,616
Interest-bearing deposits with banks	24	15	55	27
Investment securities:				
Taxable	1,178	1,466	3,777	4,647
Nontaxable	772	598	2,140	1,583
Dividends	14	7	27	20
TOTAL INTEREST INCOME	9,770	9,667	29,267	28,893
INTEREST EXPENSE:				
Deposits	2,313	2,777	7,374	8,555
Borrowed funds	444	500	1,324	1,519
TOTAL INTEREST EXPENSE	2,757	3,277	8,698	10,074
NET INTEREST INCOME	7,013	6,390	20,569	18,819
Provision for loan losses	300	400	840	700
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,713	5,990	19,729	18,119
NON-INTEREST INCOME:				
Service charges	919	958	2,709	2,664
Trust	130	121	411	397
Brokerage and insurance	91	75	314	228
Gains on loans sold	44	83	92	292
Investment securities gains, net	-	-	99	118
Earnings on bank owned life insurance	127	128	376	364
Other	134	87	358	278
TOTAL NON-INTEREST INCOME	1,445	1,452	4,359	4,341
NON-INTEREST EXPENSES:				
Salaries and employee benefits	2,436	2,393	7,293	7,018
Occupancy	295	272	898	889
Furniture and equipment	114	102	331	336
Professional fees	176	164	509	459
FDIC insurance	245	277	699	1,030
Other	1,220	1,242	3,440	3,581
TOTAL NON-INTEREST EXPENSES	4,486	4,450	13,170	13,313
Income before provision for income taxes				