

CITIZENS FINANCIAL SERVICES INC  
Form 10-Q  
May 10, 2017

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 March 31, 2017  
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

N/A

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(Former Name, former address and former fiscal year, if changed since last report)

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth 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) \_\_\_\_\_ Emerging  
growth company \_\_\_\_\_

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 2, 2017, was 3,320,366.

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Citizens Financial Services, Inc.  
Form 10-Q

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

(in thousands except share data)	March 31 2017	December 31 2016
<b>ASSETS:</b>		
Cash and due from banks:		
Noninterest-bearing	\$13,587	\$16,854
Interest-bearing	1,210	900
Total cash and cash equivalents	14,797	17,754
Interest bearing time deposits with other banks	6,708	6,955
Available-for-sale securities	281,773	314,017
Loans held for sale	1,581	1,827
Loans (net of allowance for loan losses: 2017, \$9,405 and 2016, \$8,886)	835,902	790,725
Premises and equipment	16,949	17,030
Accrued interest receivable	3,618	4,089
Goodwill	21,089	21,089
Bank owned life insurance	26,389	26,223
Other intangibles	2,012	2,096
Receivable for settlement of security sales	1,297	7,759
Other assets	12,409	13,454
<b>TOTAL ASSETS</b>	<b>\$1,224,524</b>	<b>\$1,223,018</b>
<b>LIABILITIES:</b>		
Deposits:		
Noninterest-bearing	\$157,426	\$147,425
Interest-bearing	880,183	858,078
Total deposits	1,037,609	1,005,503
Borrowed funds	46,836	79,662
Accrued interest payable	612	720
Other liabilities	14,511	13,865
<b>TOTAL LIABILITIES</b>	<b>1,099,568</b>	<b>1,099,750</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred Stock		
\$1.00 par value; authorized 3,000,000 shares March 31, 2017 and December 31, 2016; none issued in 2017 or 2016	-	-
Common stock		
\$1.00 par value; authorized 15,000,000 shares; issued 3,704,375 at March 31, 2017 and December 31, 2016	3,704	3,704
Additional paid-in capital	42,256	42,250
Retained earnings	93,172	91,278
Accumulated other comprehensive loss	(1,421 )	(1,392 )
Treasury stock, at cost: 388,190 shares at March 31, 2017 and 384,671 shares at December 31, 2016	(12,755 )	(12,572 )

TOTAL STOCKHOLDERS' EQUITY	124,956	123,268
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,224,524	\$1,223,018

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

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

(in thousands, except share and per share data)	Three Months Ended	
	2017	2016
INTEREST INCOME:		
Interest and fees on loans	\$9,717	\$8,596
Interest-bearing deposits with banks	35	71
Investment securities:		
Taxable	804	944
Nontaxable	668	771
Dividends	76	80
TOTAL INTEREST INCOME	11,300	10,462
INTEREST EXPENSE:		
Deposits	1,045	1,074
Borrowed funds	258	183
TOTAL INTEREST EXPENSE	1,303	1,257
NET INTEREST INCOME	9,997	9,205
Provision for loan losses	615	135
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,382	9,070
NON-INTEREST INCOME:		
Service charges	1,058	1,102
Trust	221	196
Brokerage and insurance	191	209
Gains on loans sold	101	46
Investment securities gains, net	172	27
Earnings on bank owned life insurance	166	170
Other	126	166
TOTAL NON-INTEREST INCOME	2,035	1,916
NON-INTEREST EXPENSES:		
Salaries and employee benefits	4,319	3,882
Occupancy	527	445
Furniture and equipment	139	157
Professional fees	310	287
FDIC insurance	105	157
Pennsylvania shares tax	281	150
Amortization of intangibles	76	82
ORE expenses	90	92
Other	1,344	1,660
TOTAL NON-INTEREST EXPENSES	7,191	6,912
Income before provision for income taxes	4,226	4,074
Provision for income taxes	923	791
NET INCOME	\$3,303	\$3,283
PER COMMON SHARE DATA:		
Net Income - Basic	\$1.00	\$0.98
Net Income - Diluted	\$1.00	\$0.98
Cash Dividends Paid	\$0.425	\$0.411

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Number of shares used in computation - basic	3,313,616	3,356,573
Number of shares used in computation - diluted	3,313,636	3,356,573

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

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

(in thousands)	Three Months Ended	
	March 31,	
	2017	2016
Net income	\$3,303	\$3,283
Other comprehensive income (loss):		
Change in unrealized gains on available for sale securities	70	1,694
Income tax effect	(24 )	(577 )
Change in unrecognized pension cost	60	61
Income tax effect	(21 )	(21 )
Less: Reclassification adjustment for investment security gains included in net income	(172)	(27 )
Income tax effect	58	9
Other comprehensive income (loss), net of tax	(29 )	1,139
Comprehensive income	\$3,274	\$4,422

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

CITIZENS FINANCIAL SERVICES, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)	Three Months Ended March 31,	
(in thousands)	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$3,303	\$3,283
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	615	135
Depreciation and amortization	108	76
Amortization and accretion of investment securities	382	567
Deferred income taxes	(174 )	(115 )
Investment securities gains, net	(172 )	(27 )
Earnings on bank owned life insurance	(166 )	(170 )
Originations of loans held for sale	(4,727 )	(3,913 )
Proceeds from sales of loans held for sale	5,075	3,005
Realized gains on loans sold	(101 )	(46 )
Decrease in accrued interest receivable	471	115
Decrease in accrued interest payable	(108 )	(74 )
Other, net	1,801	(467 )
Net cash provided by operating activities	6,307	2,369
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Available-for-sale securities:		
Proceeds from sales	18,766	5,020
Proceeds from maturity and principal repayments	29,858	9,757
Purchase of securities	(11,039)	(25,840)
Purchase of interest bearing time deposits with other banks	(746 )	-
Proceeds from redemption of regulatory stock	2,617	112
Purchase of regulatory stock	(1,288 )	-
Net increase in loans	(45,880)	(4,454 )
Purchase of premises and equipment	(113 )	(166 )
Proceeds from sale of interest bearing time deposits with other banks	750	-
Proceeds from sale of foreclosed assets held for sale	125	289
Net cash used in investing activities		