

CITIZENS FINANCIAL SERVICES INC
Form 10-Q
May 10, 2006

**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, 2006

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** **(I.R.S. Employer**
(State or other jurisdiction of incorporation or organization)
Identification No.)

**First Citizens National Bank
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 checkmark 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 checkmark 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, 2006, 2,820,098 shares of Common Stock, par value \$1.00.

Citizens Financial Services, Inc.
Form 10-Q

INDEX

	PAGE	
Part I	FINANCIAL INFORMATION	
Item 1.	Financial Statements (unaudited):	
	Consolidated Balance Sheet as of March 31, 2006 and December 31, 2005	1
	Consolidated Statement of Income for the Three Months Ended March 31, 2006 and 2005	2
	Consolidated Statement of Comprehensive Income for the Three Months Ended March 31, 2006 and 2005	3
	Consolidated Statement of Cash Flows for the Three Months Ended March 31, 2006 and 2005	4
	Notes to Consolidated Financial Statements	5-6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	7-20
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	21
Part II	OTHER INFORMATION	
Item 1.	Legal Proceedings	22
Item 1A.	Risk Factors	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3.	Defaults upon Senior Securities	22
Item 4.	Submission of Matters to a Vote of Security Holders	23
Item 5.	Other Information	23
Item 6.	Exhibits	24-25
	Signatures	26

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

<i>(in thousands except share data)</i>	March 31 2006	December 31 2005
ASSETS:		
Cash and due from banks:		
Noninterest-bearing	\$ 9,781	\$ 8,498
Interest-bearing	21	111
Total cash and cash equivalents	9,802	8,609
Available-for-sale securities	105,220	102,602
Loans (net of allowance for loan losses of \$3,709 and \$3,664)	385,116	379,139
Premises and equipment	12,195	12,305
Accrued interest receivable	2,316	2,164
Goodwill	8,605	8,605
Core deposit intangible	539	684
Bank owned life insurance	7,815	7,743
Other assets	8,595	7,390
TOTAL ASSETS	\$ 540,203	\$ 529,241
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 52,360	\$ 50,600
Interest-bearing	375,087	379,199
Total deposits	427,447	429,799
Borrowed funds	67,042	52,674
Accrued interest payable	1,657	1,862
Commitment to purchase investment securities	-	752
Other liabilities	2,786	2,593
TOTAL LIABILITIES	498,932	487,680
STOCKHOLDERS' EQUITY:		
Common Stock		
\$1.00 par value; authorized 10,000,000 shares; issued 2,965,257 shares in 2006 and 2005, respectively	2,965	2,965
Additional paid-in capital	11,359	11,359
Retained earnings	31,930	31,251
TOTAL	46,254	45,575
Accumulated other comprehensive loss	(1,942)	(1,540)
Less: Treasury Stock, at cost 144,088 shares for 2006 and 118,715 for 2005, respectively	(3,041)	(2,474)
TOTAL STOCKHOLDERS' EQUITY	41,271	41,561
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 540,203	\$ 529,241

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

1

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

<i>(in thousands, except per share data)</i>	Three Months Ended	
	2006	2005
		March 31,
INTEREST INCOME:		
Interest and fees on loans	\$ 6,519	\$ 5,919
Investment securities:		
Taxable	819	792
Nontaxable	226	117
Dividends	67	51
TOTAL INTEREST INCOME	7,631	