

CITIZENS FINANCIAL SERVICES INC
Form 10-Q
August 07, 2014

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 June 30, 2014
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)
No.)

23-2265045
(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.

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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 July 29, 2014, was 3,041,911.

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

(in thousands except share data)	June 30 2014	December 31 2013
ASSETS:		
Cash and due from banks:		
Noninterest-bearing	\$ 14,742	\$ 8,899
Interest-bearing	998	1,184
Total cash and cash equivalents	15,740	10,083
Interest bearing time deposits with other banks	2,480	2,480
Available-for-sale securities	312,322	317,301
Loans held for sale	545	278
Loans (net of allowance for loan losses: 2014, \$6,751 and 2013, \$7,098)		
	533,126	533,514
Premises and equipment	11,501	11,105
Accrued interest receivable	3,557	3,728
Goodwill	10,256	10,256
Bank owned life insurance	14,921	14,679
Other assets	9,721	11,510
TOTAL ASSETS	\$ 914,169	\$ 914,934
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 94,434	\$ 85,585
Interest-bearing	671,022	662,731
Total deposits	765,456	748,316
Borrowed funds	43,075	66,932
Accrued interest payable	735	895
Other liabilities	6,664	6,735
TOTAL LIABILITIES	815,930	822,878
STOCKHOLDERS' EQUITY:		
Preferred Stock		
\$1.00 par value; authorized 3,000,000 shares		
June 30, 2014 and December 31, 2013;		
none issued in 2014 or 2013	-	-
Common stock		
\$1.00 par value; authorized 15,000,000		
shares; issued 3,335,235 at June 30, 2014 and		
3,305,517 at December 31, 2013	3,335	3,306
Additional paid-in capital	25,142	23,562
Retained earnings	76,925	74,325
Accumulated other comprehensive income (loss)	1,100	(1,225)

Treasury stock, at cost: 296,758 shares at June 30, 2014

and 290,468 shares at December 31, 2013	(8,263)	(7,912)
TOTAL STOCKHOLDERS' EQUITY	98,239	92,056
TOTAL LIABILITIES AND		
STOCKHOLDERS' EQUITY	\$ 914,169	\$ 914,934

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 June 30		Six Months Ended June 30,	
(in thousands, except share and per share data)	2014	2013	2014	2013
INTEREST INCOME:				
Interest and fees on loans	\$ 7,118	\$ 7,141	\$ 14,106	\$ 14,278
Interest-bearing deposits with banks	13	9	26	19
Investment securities:				
Taxable	849	936	1,737	1,899
Nontaxable	840	844	1,682	1,713
Dividends	69	18	119	38
TOTAL INTEREST INCOME	8,889	8,948	17,670	17,947
INTEREST EXPENSE:				
Deposits	1,094	1,287	2,199	2,615
Borrowed funds	145	310	309	668
TOTAL INTEREST EXPENSE	1,239	1,597	2,508	3,283
NET INTEREST INCOME	7,650	7,351	15,162	14,664
Provision for loan losses	150	75	330	225
NET INTEREST INCOME AFTER				
PROVISION FOR LOAN LOSSES	7,500	7,276	14,832	14,439
NON-INTEREST INCOME:				
Service charges	1,102	1,114	2,141	2,168
Trust	186	169	377	370
Brokerage and insurance	137	121	257	213
Investment securities gains, net	75	98	246	294
Gains on loans sold	30	50	70	161
Earnings on bank owned life insurance	121	126	242	250
Other	104	100	209	204
TOTAL NON-INTEREST INCOME	1,755	1,778	3,542	3,660
NON-INTEREST EXPENSES:				
Salaries and employee benefits	2,893	2,795	5,810	5,600
Occupancy	304	312	654	654
Furniture and equipment	94	113	194	215
Professional fees	208	188	442	417
FDIC insurance	116	113	229	225
Pennsylvania shares tax	191	182	384	365
Other	1,194	1,164	2,378	2,243
TOTAL NON-INTEREST EXPENSES	5,000	4,867	10,091	9,719

Income before provision for income taxes	4,255	4,187	8,283	8,380
Provision for income taxes	890	907	1,742	1,813
NET INCOME	\$ 3,365	\$ 3,280	\$ 6,541	\$ 6,567

PER COMMON SHARE

DATA:

Net Income - Basic	\$ 1.11	\$ 1.07	\$ 2.15	\$ 2.14
Net Income - Diluted	\$ 1.11	\$ 1.07	\$ 2.15	\$ 2.14
Cash Dividends Paid	\$ 0.385	\$ 0.278	\$ 0.770	\$ 0.547

Number of shares used in computation - basic	3,039,734	3,060,998	3,040,822	3,062,210
Number of shares used in computation - diluted	3,040,661	3,062,576	3,041,227	3,062,991

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

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

(in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income	\$ 3,365	\$ 3,280	\$ 6,541	\$ 6,567
Other comprehensive income (loss):				
Change in unrealized gains on available for sale securities	1,494	(6,656)	3,743	(8,032)
Income tax effect	(508)	2,263	(1,272)	2,731
Change in unrecognized pension cost	13	128	25	128
Income tax effect	(4)	(44)	(9)	(44)
Change in unrealized loss on interest rate swap	-	51	-	101
Income tax effect	-	(17)	-	(34)
Less: Reclassification adjustment for investment security gains included in net income	(75)	(98)	(246)	(294)
Income tax effect	26	33	84	100
Other comprehensive income (loss), net of tax	946	(4,340)	2,325	(5,344)
Comprehensive income (loss)	\$ 4,311	(1,060)	\$ 8,866	\$ 1,223

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

CITIZENS FINANCIAL SERVICES,
INC.CONSOLIDATED STATEMENT OF
CASH FLOWS

(UNAUDITED)

Six Months Ended
June 30,

(in thousands)

2014

2013

CASH FLOWS FROM OPERATING
ACTIVITIES:

Net income	\$ 6,541	\$ 6,567
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	330	225
Depreciation and amortization	233	216
Amortization and accretion of investment securities	1,100	1,234
Deferred income taxes	498	9
Investment securities gains, net	(246)	(294)
Earnings on bank owned life insurance	(242)	(250)
Originations of loans held for sale	(5,286)	(11,801)
Proceeds from sales of loans held for sale	5,089	12,624
Realized gains on loans sold	(70)	(161)
Decrease (increase) in accrued interest receivable	171	(5)
Decrease in accrued interest payable	(160)	(179)
Other, net	(1,107)	413
Net cash provided by operating activities	6,851	8,598
CASH FLOWS FROM INVESTING ACTIVITIES:		
Available-for-sale securities:		
Proceeds from sales	12,151	15,773
Proceeds from maturity and principal repayments	29,294	49,651
Purchase of securities	(33,822)	(72,372)
Proceeds from redemption of regulatory stock	2,216	513
Purchase of regulatory stock	(1,484)	(207)
Net increase in loans	(113)	(13,246)
Purchase of premises and equipment	(145)	(203)
Proceeds from sale of foreclosed assets held for sale	296	-
Net cash provided by (used in) investing activities	8,393	(20,091)

CASH FLOWS FROM FINANCING
ACTIVITIES:

Net increase in deposits	17,140	10,918
Proceeds from long-term borrowings	4,010	-
Repayments of long-term borrowings	(4,200)	(10,800)
Net decrease in short-term borrowed funds	(23,667)	(1,333)
Purchase of treasury and restricted stock	(733)	(380)
Dividends paid	(2,137)	(1,675)
Net cash used in financing activities	(9,587)	(3,270)
Net (decrease) increase in cash and cash equivalents	5,657	(14,763)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,083	26,333
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 15,740	\$ 11,570

Supplemental Disclosures of Cash
Flow Information:

Interest paid	\$ 2,668	\$ 3,462
Income taxes paid	\$ 1,885	\$ 2,295
Loans transferred to foreclosed property	\$ 239	\$ 54
Premises and equipment transferred from other assets	\$ 549	\$ -

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

CITIZENS FINANCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation

Citizens Financial Services, Inc., (individually and collectively with its direct and indirect subsidiaries, the “Company”) is a Pennsylvania corporation organized as the holding company of its wholly owned subsidiary, First Citizens Community Bank (the “Bank”), and the Bank’s subsidiary, First Citizens Insurance Agency, Inc. (“First Citizens Insurance”).

The accompanying consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission (“SEC”) and in conformity with U.S. generally accepted accounting principles. Because this report is based on an interim period, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Certain of the prior year amounts have been reclassified to conform with the current year presentation. Such reclassifications had no effect on net income or stockholders’ equity. All material inter-company balances and transactions have been eliminated in consolidation.

In the opinion of management of the Company, the accompanying interim financial statements for the periods ended June 30, 2014 and 2013 include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial condition and the results of operations for the period. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. The financial performance reported for the Company for the six month period ended June 30, 2014 is not necessarily indicative of the results to be expected for the full year. This information should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Note 2 - Earnings per Share

The following table sets forth the computation of earnings per share. Earnings per share calculations give retroactive effect to stock dividends declared by the Company.

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net income applicable to common stock	\$3,365,000	\$3,280,000	\$6,541,000	\$6,567,000
Basic earnings per share computation				
Weighted average common shares outstanding	3,039,734	3,060,998	3,040,822	3,062,210
Earnings per share - basic	\$1.11	\$1.07	\$2.15	\$2.14
Diluted earnings per share computation				
Weighted average common shares outstanding for basic earnings per share	3,039,734	3,060,998	3,040,822	3,062,210
Add: Dilutive effects of restricted stock	927	1,578	405	781
	3,040,661	3,062,576	3,041,227	3,062,991

Weighted average common shares
outstanding for dilutive earnings per share

Earnings per share - diluted	\$1.11	\$1.07	\$2.15	\$2.14
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For the three months ended June 30, 2014, there were 2,188 shares related to the restricted stock program that were excluded from the diluted earnings per share calculations since they were anti-dilutive. These anti-dilutive shares had prices ranging from \$50.15-\$50.50. There were no anti-dilutive securities for the three month period ended June 30, 2013. For the six months ended June 30, 2014 and 2013, 2,409 and 1,415 shares, respectively, related to the restricted stock program were excluded from the diluted earnings per share calculations since they were anti-dilutive. These anti-dilutive shares had prices ranging from \$34.70-\$50.50 for the six month period ended June 30, 2014 and prices ranging from \$36.00-\$44.50 for the six month period ended June 30, 2013.

Note 3 - Income Tax Expense

Income tax expense is less than the amount calculated using the statutory tax rate, primarily as a result of tax-exempt income earned from state and municipal securities and loans and investments in tax credits.

Note 4 – Investments

The amortized cost and fair value of investment securities at June 30, 2014 and December 31, 2013 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2014				
Available-for-sale securities:				
U.S. agency securities	\$ 147,871	\$ 664	\$ (1,200)	\$ 147,335
U.S. treasury securities	11,868	-	(364)	11,504
Obligations of state and political subdivisions	98,825	3,182	(380)	101,627
Corporate obligations	13,992	282	(59)	14,215
Mortgage-backed securities in government sponsored entities	35,293	549	(74)	35,768
Equity securities in financial institutions	1,138	737	(2)	1,873
Total available-for-sale securities	\$ 308,987	\$ 5,414	\$ (2,079)	\$ 312,322
December 31, 2013				
Available-for-sale securities:				
U.S. agency securities	\$ 153,896	\$ 702	\$ (2,409)	\$ 152,189
U.S. treasury securities	11,856	-	(547)	11,309
Obligations of state and political subdivisions	94,113	2,146	(1,254)	95,005
Corporate obligations	16,651	341	(190)	16,802
Mortgage-backed securities in government sponsored entities	40,405	566	(300)	40,671
Equity securities in financial institutions	542	783	-	1,325
Total available-for-sale securities	\$ 317,463	\$ 4,538	\$ (4,700)	\$ 317,301

The following table shows the Company's gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time, which individual securities have been in a continuous unrealized loss position, at June 30, 2014 and December 31, 2013 (in thousands). As of June 30, 2014, the Company owned 69 securities whose fair value was less than their cost basis.

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June 30, 2014	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. agency securities	\$ 36,001	\$ (225)	\$ 43,305	\$ (975)	\$ 79,306	\$ (1,200)
U.S. treasury securities	-	-	11,503	(364)	11,503	(364)
Obligations of state and political subdivisions	5,770	(79)	11,357	(301)	17,127	(380)
Corporate obligations	507	(1)	7,855	(58)	8,362	(59)
Mortgage-backed securities in government sponsored entities	-	-	4,977	(74)	4,977	(74)
Equity securities in financial institutions	487	(2)	-	-	487	(2)
Total securities	\$ 42,765	\$ (307)	\$ 78,997	\$ (1,772)	\$ 121,762	\$ (2,079)
December 31, 2013						
U.S. agency securities	\$ 98,356	\$ (2,212)	\$ 2,825	\$ (197)	\$ 101,181	\$ (2,409)
U.S. treasury securities	11,309	(547)	-	-	11,309	(547)
Obligations of states and political subdivisions	24,201	(865)	6,491	(389)	30,692	(1,254)
Corporate obligations	6,103	(124)	2,251	(66)	8,354	(190)
Mortgage-backed securities in government sponsored entities	23,920	(266)	1,164	(34)	25,084	(300)
Total securities	\$ 163,889	\$ (4,014)	\$ 12,731	\$ (686)	\$ 176,620	\$ (4,700)

As of June 30, 2014, the Company's investment securities portfolio contained unrealized losses on agency securities issued or backed by the full faith and credit of the United States government or are generally viewed as having the implied guarantee of the U.S. government, U.S treasuries, obligations of states and political subdivisions, corporate obligations, mortgage backed securities in government sponsored entities and equity securities in financial institutions. For fixed maturity investments management considers whether the present value of cash flows expected to be collected are less than the security's amortized cost basis (the difference defined as the credit loss), the magnitude and duration of the decline, the reasons underlying the decline and the Company's intent to sell the security or whether it is more likely than not that the Company would be required to sell the security before its anticipated recovery in market value, to determine whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, if the Company does not intend to sell the security, and it is more likely than not that it will not be required to sell the security before recovery of the security's amortized cost basis, the charge to earnings is limited to the amount of credit loss. Any remaining difference between fair value and amortized cost (the difference defined as the non-credit portion) is recognized in other comprehensive income, net of applicable taxes. Otherwise, the entire difference between fair value and amortized cost is charged to earnings. For equity securities where the fair value has been significantly below cost for one year, the Company's policy is to recognize an impairment loss unless sufficient evidence is available that the decline is not other than temporary and a recovery period can be predicted. The Company has concluded that any impairment of its investment securities portfolio outlined in the above table is not other than temporary and is the result of interest rate changes, sector credit rating changes, or company-specific rating changes that are not expected to result in the non-collection of principal and interest during the period.

Proceeds from sales of securities available-for-sale for the six months ended June 30, 2014 and 2013 were \$12,151,000 and \$15,773,000, respectively. For the three months ended June 30, 2014 and 2013, there were sales of \$6,595,000 and \$11,917,000, respectively, of available-for-sale securities. The gross gains and losses were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Gross gains	\$ 75	\$ 238	\$ 246	\$ 434
Gross losses	-	(140)	-	(140)
Net gains	\$ 75	\$ 98	\$ 246	\$ 294

Investment securities with an approximate carrying value of \$185.6 million and \$194.7 million at June 30, 2014 and December 31, 2013, respectively, were pledged to secure public funds and certain other deposits.

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and fair value of debt securities at June 30, 2014, by contractual maturity, are shown below (in thousands):

	Amortized Cost	Fair Value
Available-for-sale debt securities:		
Due in one year or less	\$ 12,560	\$ 12,712
Due after one year through five years	123,887	124,167
Due after five years through ten years	66,528	66,174
Due after ten years	104,874	107,396
Total	\$ 307,849	\$ 310,449

Note 5 – Loans

The Company grants loans primarily to customers throughout North Central Pennsylvania and Southern New York. Although the Company had a diversified loan portfolio at June 30, 2014 and December 31, 2013, a substantial portion of its debtors' ability to honor their contracts is dependent on the economic conditions within these regions. The following table summarizes the primary segments of the loan portfolio and how those segments are analyzed within the allowance for loan losses as of June 30, 2014 and December 31, 2013 (in thousands):

June 30, 2014	Total Loans	Individually evaluated for	Collectively evaluated for
---------------	-------------	----------------------------	----------------------------

		impairment		impairment
Real estate loans:				
Residential	\$	187,183	\$	330
Commercial and agricultural		210,786		7,069
Construction		3,474		-
Consumer		8,692		15
Other commercial and agricultural loans		58,090		2,323
State and political subdivision loans		71,652		-
Total		539,877	\$	9,737
Allowance for loan losses		6,751		
Net loans	\$	533,126		

December 31, 2013	Total Loans	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate loans:			
Residential	\$ 187,101	\$ 342	\$ 186,759
Commercial and agricultural	215,088	8,310	206,778
Construction	8,937	-	8,937
Consumer	9,563	15	9,548
Other commercial and agricultural loans	54,029	1,733	52,296
State and political subdivision loans	65,894	-	65,894
Total	\$ 540,612	\$ 10,400	\$ 530,212
Allowance for loan losses	7,098		
Net loans	\$ 533,514		

The segments of the Bank's loan portfolio are disaggregated into classes to a level that allows management to monitor risk and performance. Residential real estate mortgages consists primarily of 15 to 30 year first mortgages on residential real estate, while residential real estate home equity loans are consumer purpose installment loans or lines of credit secured by a mortgage which is often a second lien on residential real estate with terms of 15 years or less. Commercial real estate loans are business purpose loans secured by a mortgage on commercial real estate. Agricultural real estate loans are loans secured by a mortgage on real estate used in agriculture production. Construction real estate loans are loans secured by residential or commercial real estate used during the construction phase of residential and commercial projects. Consumer loans are typically unsecured or primarily secured by something other than real estate and overdraft lines of credit connected with customer deposit accounts. Other commercial loans are loans for commercial purposes primarily secured by non-real estate collateral. Other agricultural loans are loans for agricultural purposes primarily secured by non-real estate collateral. State and political subdivisions are loans for state and local municipalities for capital and operating expenses or tax free loans used to finance commercial development.

Management considers commercial loans, other agricultural loans, state and political subdivision loans, commercial real estate loans and agricultural real estate loans which are 90 days or more past due to be impaired. Management will also consider a loan impaired based on other factors it becomes aware of, including the customer's results of operations and cash flows or if the loan is modified in a troubled debt restructuring. In addition, certain residential mortgages, home equity and consumer loans that are cross collateralized with commercial relationships that are determined to be impaired may also be classified as impaired. Impaired loans are analyzed to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allocation of the allowance for loan losses or a charge-off to the allowance for loan losses.

The following table includes the recorded investment and unpaid principal balances for impaired financing receivables by class, with the associated allowance amount, if applicable (in thousands):

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June 30, 2014	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
Real estate loans:					
Mortgages	\$ 226	\$ 131	\$ 68	\$ 199	\$ 14
Home Equity	132	64	67	131	13
Commercial	9,283	6,161	908	7,069	101
Agricultural	-	-	-	-	-
Construction	-	-	-	-	-
Consumer	15	15	-	15	-
Other commercial loans	2,535	1,434	889	2,323	30
Other agricultural loans	-	-	-	-	-
State and political subdivision loans	-	-	-	-	-
Total	\$ 12,191	\$ 7,805	\$ 1,932	\$ 9,737	\$ 158

December 31, 2013					
Real estate loans:					
Mortgages	\$ 232	\$ 138	\$ 70	\$ 208	\$ 14
Home Equity	134	65	69	134	13
Commercial	9,901	6,335	1,975	8,310	305
Agricultural	-	-	-	-	-
Construction	-	-	-	-	-
Consumer	15	15	-	15	-
Other commercial loans	1,794	1,679	54	1,733	1
Other agricultural loans	-	-	-	-	-
State and political subdivision loans	-	-	-	-	-
Total	\$ 12,076	\$ 8,232	\$ 2,168	\$ 10,400	\$ 333

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The following tables includes the average balance of impaired financing receivables by class and the income recognized on impaired loans for the three and six month periods ended June 30, 2014 and 2013(in thousands):

	For the Six Months ended					
	June 30, 2014			June 30, 2013		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized Cash Basis	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized Cash Basis
Real estate loans:						
Mortgages	\$ 202	\$ 4	\$ -	\$ 330	\$ 4	\$ -
Home						
Equity	132	2	-	137	2	-
Commercial	8,039	44	-	8,595	84	35
Agricultural	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Consumer	15	-	-	-	-	-
Other commercial loans	2,000	46	-	1,786	41	-
Other agricultural loans	-	-	-	-	-	-
State and political subdivision loans	-	-	-	-	-	-
Total	\$ 10,388	\$ 96	\$ -	\$ 10,848	\$ 131	\$ 35

For the Three Months Ended

June 30, 2014

June 30, 2013

	June 30, 2014			June 30, 2013		
	Average	Interest	Interest	Average	Interest	Interest
	Recorded	Income	Income	Recorded	Income	Income
	Investment	Recognized	Recognized	Investment	Recognized	Recognized
			Cash Basis			Cash Basis
Real estate						
loans:						
Mortgages	\$ 200	\$ 2	\$ -	\$ 352	\$ 2	\$ -
Home						
Equity	131					