

CITIZENS & NORTHERN CORP
Form 10-Q
August 06, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 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: 000-16084

CITIZENS & NORTHERN CORPORATION
(Exact name of Registrant as specified in its charter)
PENNSYLVANIA 23-2451943
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

90-92 MAIN STREET, WELLSBORO, PA 16901
(Address of principal executive offices) (Zip code)
570-724-3411
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required 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, 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 filer 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

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Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Stock (\$1.00 par value)

12,129,707 Shares Outstanding on August 4, 2010

CITIZENS & NORTHERN CORPORATION – FORM 10-Q

CITIZENS & NORTHERN
CORPORATION
Index

Part I. Financial Information

Item 1. Financial Statements

Consolidated Balance Sheet – June 30, 2010 and December 31, 2009	Page 3
Consolidated Statement of Operations - Three Months and Six Months Ended June 30, 2010 and 2009	Page 4
Consolidated Statement of Cash Flows - Six Months Ended June 30, 2010 and 2009	Page 5
Consolidated Statement of Changes in Stockholders' Equity- Six Months Ended June 30, 2010 and 2009	Page 6
Notes to Consolidated Financial Statements	Pages 7 - 22
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	Pages 23 - 41
Item 3. Quantitative and Qualitative Disclosures About Market Risk	Pages 41 - 44
Item 4. Controls and Procedures	Page 44
Part II. Other Information	Pages 45 - 47
Signatures	Page 48
Exhibit 10.1 Restricted Stock Agreement dated March 5, 2010 between the Corporation and Charles H. Updegraff, Jr.	Pages 49 - 51
Exhibit 31.1. Rule 13a-14(a)/15d-14(a) Certification - Chief Executive Officer	Page 52

Exhibit 31.2. Rule 13a-14(a)/15d-14(a)
Certification -
Chief Financial Officer

Page 53

Exhibit 32. Section 1350 Certifications

Page 54

2

CITIZENS & NORTHERN CORPORATION – FORM 10-Q

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Consolidated Balance Sheet

(In Thousands Except Share Data)

	June 30, 2010 (Unaudited)	December 31, 2009 (Note)
ASSETS		
Cash and due from banks:		
Noninterest-bearing	\$15,807	\$18,247
Interest-bearing	67,845	73,818
Total cash and cash equivalents	83,652	92,065
Trading securities	0	1,045
Available-for-sale securities	426,246	396,288
Held-to-maturity securities	0	300
Loans, net of allowance for loan losses of \$8,461,000 at June 30, 2010 and \$8,265,000 at December 31, 2009	715,363	713,338
Bank-owned life insurance	23,029	22,798
Accrued interest receivable	5,229	5,613
Bank premises and equipment, net	23,401	24,316
Foreclosed assets held for sale	863	873
Deferred tax asset, net	20,390	22,037
Intangible asset - Core deposit intangibles	414	502
Intangible asset – Goodwill	11,942	11,942
Other assets	28,128	30,678
TOTAL ASSETS	\$1,338,657	\$1,321,795
LIABILITIES		
Deposits:		
Noninterest-bearing	\$151,748	\$137,470
Interest-bearing	816,792	789,319
Total deposits	968,540	926,789
Dividends payable	169	169
Short-term borrowings	28,132	39,229
Long-term borrowings	173,831	196,242
Accrued interest and other liabilities	6,490	6,956
TOTAL LIABILITIES	1,177,162	1,169,385
STOCKHOLDERS' EQUITY		
Preferred stock, \$1,000 par value; authorized 30,000 shares; \$1,000 liquidation preference per share; 26,440 shares issued at June 30, 2010 and December 31, 2009	25,833	25,749
Common stock, par value \$1.00 per share; authorized 20,000,000 shares in 2010 and 2009; issued 12,384,285 at June 30, 2010 and 12,374,481 at December 31, 2009	12,384	12,374
Paid-in capital	66,888	66,833
Retained earnings	59,546	53,027
Unamortized stock compensation	(158)	(107)
Treasury stock, at cost; 254,578 shares at June 30, 2010 and 262,780 shares at December 31, 2009	(4,431)	(4,575)
Sub-total	160,062	153,301
Accumulated other comprehensive income (loss):		

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Unrealized gains (losses) on available-for-sale securities	1,684	(522)
Defined benefit plans	(251)	(369)
Total accumulated other comprehensive income (loss)	1,433	(891)
TOTAL STOCKHOLDERS' EQUITY	161,495	152,410
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$1,338,657	\$1,321,795

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

Note: The balance sheet at December 31, 2009 has been derived from the audited financial statements at that date but does not include all the information and notes required by U.S. generally accepted accounting principles for complete financial statements.

CITIZENS & NORTHERN CORPORATION – FORM 10-Q

CONSOLIDATED STATEMENT OF OPERATIONS

(In Thousands, Except Per Share Data)

	Three Months Ended		Fiscal Year To Date Six Months Ended June	
	June 30, 2010 (Current)	June 30, 2009 (Prior Year)	30, 2010 (Current)	2009 (Prior Year)
INTEREST INCOME				
Interest and fees on loans	\$11,009	\$11,356	\$21,959	\$22,713
Interest on balances with depository institutions	38	3	76	4
Interest on loans to political subdivisions	399	415	797	808
Interest on federal funds sold	0	7	0	15
Interest on trading securities	0	8	1	31
Income from available-for-sale and held-to-maturity securities:				
Taxable	2,699	4,268	5,784	8,922
Tax-exempt	1,184	1,124	2,365	2,060
Dividends	57	160	137	359
Total interest and dividend income	15,386	17,341	31,119	34,912
INTEREST EXPENSE				
Interest on deposits	3,058	3,699	6,215	7,680
Interest on short-term borrowings	51	140	151	310
Interest on long-term borrowings	1,927			