Form **8937**
(December 2011)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-2224

Part I Reporting Issuer

1 Issuer's name	2 Issuer's employer identification number (EIN)
Citizens Financial Services, Inc.	23-2265045

3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact
Gina Boor	570-662-0444	gboor@firstcitizensbank.com

6 Number and street (or P.O. box if mail is not delivered to street address) of contact	7 City, town, or post office, state, and Zip code of contact
15 South Main Street	Mansfield, PA 16933

8 Date of action	9 Classification and description
June 30, 2017	Common Stock

10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
174615104		CZFS	

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ on June 30, 2017, Citizens Financial Services, Inc. paid a 5% stock dividend to shareholders of record as of June 16, 2017 (e.g. for every 20 shares a holder owns, Citizens Financial issued an additional share). Cash-in-lieu of fractional share checks were issued based on the market price of $54.50, which was the closing price of our stock on June 6, 2017, the declaration date.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ For every share of common stock the holder owns, their cost basis would be diluted by 5%.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ It was a 5% stock dividend that resulted in 165,563.4523 shares being issued, taking the total shares outstanding from 3,323,600 to 3,489,164 on June 30, 2017.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ **305(a) and 1016(a)(4)**

18 Can any resulting loss be recognized? ▶ **Yes, if the amount received per share in lieu of the fractional shares is valued at less than their current stock basis.**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ **Reportable in 2017.**

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ Mickey L. Jones Date ▶ 7/6/17

Print your name ▶ **Mickey L. Jones** Title ▶ **COO & CFO**

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054