

Lake Shore Bancorp, Inc.
Form 10-Q
May 15, 2006
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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 quarter ended March 31, 2006

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

Commission file number: 000-51821

LAKE SHORE BANCORP, INC.

(Exact name of registrant as specified in its character)

United States
(State or other jurisdiction of
incorporation or organization)

125 East Fourth Street, Dunkirk, New York
(Address of principal executive offices)

(716) 366-4070

(Registrant's telephone number, including area code)

20-4729288
(I.R.S. Employer

Identification Number)

14048
(Zip code)

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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, 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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Common stock (\$0.01 par value) 6,612,500 outstanding shares as of April 30, 2006.

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Table of Contents**PART I****Item 1. Financial Statements****LAKE SHORE SAVINGS And LOAN ASSOCIATION****STATEMENTS OF FINANCIAL CONDITION**

	March 31, 2006 (Unaudited)	December 31, 2005
	(Dollars In Thousands)	
ASSETS		
Cash and due from banks	\$ 7,722	\$ 10,886
Interest bearing deposits	3,212	375
Federal funds sold	44,227	792
Cash and Cash Equivalents	55,161	12,053
Securities available for sale	98,949	94,082
Securities held to maturity, fair value as of March 31, 2006 \$2,316; and December 31, 2005 \$2,489;	2,236	2,275
Federal Home Loan Bank stock, at cost	3,076	2,716
Loans receivable, net of allowance for loan losses as of March 31, 2006 \$1,179; and December 31, 2005 \$1,240	205,353	206,160
Premises and equipment, net	7,586	7,653
Accrued interest receivable	1,270	1,274
Bank owned life insurance	5,770	5,725
Other assets	2,693	1,786
Total Assets	\$ 382,094	\$ 333,724
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Interest bearing	\$ 237,010	\$ 237,081
Non-interest bearing	54,521	13,809
Total Deposits	291,531	250,890
Short-term borrowings	16,875	11,205
Long-term debt	39,800	37,480
Advances from borrowers for taxes and insurance	1,737	2,432
Other liabilities	4,346	3,722
Total Liabilities	354,289	305,729
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Retained earnings	28,642	28,326
Accumulated other comprehensive loss	(837)	(331)
Total Equity	27,805	27,995
Total Liabilities and Equity	\$ 382,094	\$ 333,724

Table of Contents**LAKE SHORE SAVINGS and LOAN ASSOCIATION****STATEMENTS OF INCOME**

	Three Months Ended March 31, 2006 2005 (Unaudited) (In Thousands)	
INTEREST INCOME		
Loans, including fees	\$ 3,096	\$ 2,860
Investment securities, taxable	1,066	976
Other	107	16
Total Interest Income	4,269	3,852
INTEREST EXPENSE		
Deposits	1,338	990
Short-term borrowings	195	65
Long-term debt	347	376
Other	40	15
Total Interest Expense	1,920	1,446
Net Interest Income	2,349	2,406
PROVISION FOR LOAN LOSSES		20
Net Interest Income after Provision for Loan Losses	2,349	2,386
NON-INTEREST INCOME		
Service charges and fees	320	344
Earnings on bank owned life insurance	45	50
Other	26	16
Total Non-Interest Income	391	410
NON-INTEREST EXPENSES		
Salaries and employee benefits	1,243	1,158
Occupancy and equipment	374	336
Data processing	110	102
Advertising	68	60
Postage and supplies	88	81
Professional services	184	117
Other	206	228
Total Non-Interest Expenses	2,273	2,082
Income before Income Taxes	467	714
INCOME TAXES	151	193
Net Income	\$ 316	\$ 521

Table of Contents**LAKE SHORE SAVINGS and LOAN ASSOCIATION****STATEMENTS OF EQUITY****Three Months Ended March 31, 2006 and 2005**

	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (In Thousands)	Total
BALANCE - DECEMBER 31, 2004	\$ 26,272	\$ 643	\$ 26,915
Comprehensive income:			
Net income	521		521
Change in unrealized net gains on securities available for sale, net of tax and reclassification adjustment		(769)	(769)
Total Comprehensive Loss			(248)
BALANCE - MARCH 31, 2005	\$ 26,793	\$ (126)	\$ 26,667
BALANCE - DECEMBER 31, 2005	28,326	(331)	27,995
Comprehensive income:			
Net income	316		316
Change in unrealized net losses on securities available for sale, net of tax and reclassification adjustment		(506)	(506)
Total Comprehensive Loss			(190)
BALANCE MARCH 31, 2006	\$ 28,642	\$ (837)	\$ 27,805

Table of Contents**LAKE SHORE SAVINGS and LOAN ASSOCIATION****STATEMENTS OF CASH FLOWS**

	Three Months Ended	
	March 31,	2005
	(Unaudited)	
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 316	\$ 521
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gains on sales of loans	(1)	
Net amortization (accretion) of investment securities	5	16
Provision for loan losses		20
Depreciation and amortization	174	151
Deferred income tax benefit	(114)	(113)
Earnings on bank owned life insurance	(45)	(50)
Decrease in accrued interest receivable	4	53
Increase in other assets	(433)	(145)
Increase in other liabilities	624	1,322
Net Cash Provided by Operating Activities	530	1,775
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available for sale securities:		
Maturities, prepayments and calls	4,751	5,390
Purchases	(10,427)	(3,437)
Activity in held to maturity securities:		
Maturities, prepayments and calls	39	11
Purchases of Federal Home Loan Bank Stock	(413)	
Redemptions of Federal Home Loan Bank Stock	53	70
Proceeds from sales of loans	122	34
Loan origination and principal collections, net	634	665
Additions to premises and equipment	(117)	(132)
Net Cash Provided by Investing Activities	(5,358)	2,601
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	40,641	(1,200)
Net decrease in advances from borrowers for taxes and insurance	(695)	(694)
Net increase (decrease) in short-term borrowings	5,670	(1,100)
Proceeds from issuance of long-term debt	3,500	
Repayment of long-term debt	(1,180)	(204)
Net Cash Provided by Financing Activities	47,936	(3,198)
Net Increase (Decrease) in Cash and Cash Equivalents	43,108	1,178
CASH AND CASH EQUIVALENTS - BEGINNING	12,053	11,577
CASH AND CASH EQUIVALENTS - ENDING	\$ 55,161	\$ 12,755

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SUPPLEMENTARY CASH FLOWS INFORMATION

Interest paid	\$ 1,843	\$ 1,434
Income taxes paid	\$	\$

SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Foreclosed real estate acquired in settlement of loans	\$ 73	\$ 45
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LAKE SHORE SAVINGS AND LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Lake Shore Savings and Loan Association.