

AMERICAN COMMUNITY BANCSHARES INC
Form 10-K/A
April 20, 2007

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

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2006

OR

TRANSITIONAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

COMMISSION FILE NUMBER 000-30517

AMERICAN COMMUNITY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA
(State or Other Jurisdiction of

Incorporation or Organization)

56-2179531
(I.R.S. Employer

Identification No.)

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4500 CAMERON VALLEY PARKWAY, SUITE 150

CHARLOTTE, NORTH CAROLINA
(Address of Principal Executive Offices)

28211
(Zip Code)

Registrant's Telephone number, including area code: (704) 225-8444

Securities registered pursuant to Section 12(b) of the Act

NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, PAR VALUE \$1.00 PER SHARE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act from their obligations under those Sections.

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$81,460,000

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock as of the latest practicable date. 7,003,068 shares of Common Stock outstanding as of March 28, 2007:

Documents Incorporated by Reference.

2007 Annual Meeting Proxy Statement

EXPLANATORY NOTE:

This Amendment No. 1 to Form 10-K for the year ended December 31, 2006 (Form 10-K/A) has been filed by American Community Bancshares, Inc. (the Company) to correct certain typographical and other technical errors contained in its Annual Report on Form 10-K as described below.

Item 5 is amended to clarify that the Total Return Performance Graph is not filed for purposes of Section 18 under the Securities Exchange Act of 1934.

Item 9A, Controls and Procedures is amended to correct a typographical error. Specifically, the disclosure contained in Item 9A inadvertently stated that the Company did not maintain effective disclosure controls and procedures, however the report should have stated that the Company's Chief Executive Officer and Chief Financial Officer each concluded that the Company did in fact maintain effective disclosure controls and procedures.

In addition, this Form 10-K/A corrects typographical errors contained in the Notes to Financial Statements Note 2 Summary of Significant Accounting Policies, accumulated other comprehensive income. The accumulated comprehensive income has been corrected to reflect that (1) the accumulated comprehensive loss consisted of net unrealized losses on securities available for sale of \$563,000, and not \$180,000 and (2) At December 31, 2005, the accumulated comprehensive loss consisted of net unrealized gains on securities available for sale of \$743,000, and not \$640,000.

This Form 10-K/A also corrects typographical errors contained in the Notes to Financial Statements Note 12 Income Taxes. The table of significant components of deferred taxes at December 31, 2006, has been revised to reflect that 1) deferred tax assets related to stock compensation expense were \$115,000 at December 31, 2006, and not \$123,000 as previously reported, and 2) other deferred tax assets were \$51,000 as of December 31, 2006 and not \$43,000 as previously reported.

The Form 10-K/A also corrects a typographical error in the Notes to Financial Statements Note 18 Stock Compensation Plans, reflecting the effect of the adoption of SFAS 123R for the year ended December 31, 2006, in which the cash flow provided by financial activities should read \$169,840, and not (\$169,840) as previously reported.

Finally, the Form 10-K/A includes updated certifications of the Company's Principal Executive Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes Oxley Act, filed to correct the improper omission of required language in paragraph 4.b.

This Form 10-K/A does not amend, modify or update any other information.

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The information contained in the Total Return Performance Graph shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**AMERICAN COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***Years Ended December 31, 2006, 2005 and 2004***NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Comprehensive Income*

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and hedging activities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. The Company's components of accumulated other comprehensive income are unrealized gains (losses) on available-for-sale securities and unrealized gains (losses) on hedging activities.

At December 31, 2006, accumulated other comprehensive income consisted of net unrealized gains on securities available for sale of \$563,000 and net unrealized losses on derivatives of \$86,000. At December 31, 2005, accumulated other comprehensive loss consisted of net unrealized losses on securities available for sale of \$743,000.

NOTE 12 INCOME TAXES

Significant components of deferred taxes at December 31, 2006 and 2005 are as follows:

| | 2006 | 2005 |
|--|------------------------|----------------|
| | (Dollars in thousands) | |
| Deferred tax assets: | | |
| Allowance for loan losses | \$ 1,920 | \$ 1,482 |
| Capital lease | 115 | 102 |
| Deferred gain on sale-leaseback | 27 | 33 |
| Income from deferred data processing payment | 57 | 72 |
| Nondeductible accrued expenses | 6 | 3 |
| Stock compensation expense | 115 | |
| Interest rate hedges | 54 | |
| Net unrealized losses on available-for-sale securities | 339 | 454 |
| Other | 51 | 24 |
| Total deferred tax assets | 2,684 | 2,170 |
| Deferred tax liabilities: | | |
| Premises and equipment | (95) | (126) |
| Leased property | (631) | (967) |
| Core deposit intangible | (218) | (259) |
| Prepaid expenses | (111) | (72) |
| Other | (6) | |
| Total deferred tax liabilities | (1,061) | (1,424) |
| Net deferred tax assets | \$ 1,623 | \$ 746 |

The adoption of SFAS 123R and its fair value compensation cost recognition provisions are different from the non-recognition provisions under SFAS 123 and the intrinsic value method for compensation cost allowed by APB 25. The effect (increase/(decrease)) of the adoption of SFAS 123R for the year ended December 31, 2006 is as follows:

| | 2006 |
|--|--------------|
| Income before income tax expense | \$ (375,127) |
| Net income | (260,283) |
| Cash flow from operating activities | (169,840) |
| Cash flow provided by financing activities | 169,840 |
| Basic earnings per share | 0.04 |
| Diluted earnings per share | 0.04 |

ITEM 9A CONTROLS AND PROCEDURES

The Company's management including its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2006. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer each concluded that as of December 31, 2006, the end of the period covered by this Annual Report on Form 10-K, the Company maintained effective disclosure controls and procedures.

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) Index to Exhibits

| Exhibit number | Description of Exhibit |
|-----------------------|--|
| 31(i) | Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act (Filed herewith) |
| 31(ii) | Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes Oxley Act (Filed herewith) |

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

April 19, 2007

/s/ Randy P. Helton
Randy P. Helton
President and Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Randy P. Helton
Randy P. Helton, President, April 19, 2007

Chief Executive Officer and Director

/s/ Dan R. Ellis, Jr.
Dan R. Ellis, Jr., Chief Financial Officer April 19, 2007

/s/ Frank L. Gentry
Frank L. Gentry, Director April 19, 2007

/s/ Philip R. Gilboy
Phil R. Gilboy, Director April 19, 2007

/s/ David J. Guilford
David J. Guilford, Director April 19, 2007

/s/ Larry S. Helms
Larry S. Helms, Director April 19, 2007

/s/ Alison J. Smith
Alison J. Smith, Director April 19, 2007

/s/ David D. Whitley
David D. Whitley, Director April 19, 2007

/s/ Gregory N. Wylie
Gregory N. Wylie, Director April 19, 2007