

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

FORM 11-K

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



03035691

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED, EFFECTIVE OCTOBER 7, 1996].

For the fiscal year ended December 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED].

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-14549

**PROCESSED**  
**OCT 21 2003**  
**THOMSON FINANCIAL**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below: United Security Bancshares, Inc. Employee Stock Ownership Plan (With 401(k) Provisions).

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

United Security Bancshares, Inc.  
131 West Front Street  
P.O. Box 249  
Thomasville, Alabama 36784

OCT 21 2003

}

**UNITED SECURITY BANCSHARES, INC.**

**EMPLOYEE STOCK OWNERSHIP PLAN  
(WITH 401(K) PROVISIONS)**

**DECEMBER 31, 1996 AND 1995**

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**SMITH, DUKES & BUCKALEW, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

ONE MAISON BUILDING

3800 AIRPORT BOULEVARD

MOBILE, ALABAMA 36608

MAILING ADDRESS

P. O. BOX 160427

MOBILE, ALABAMA

36616

TELEPHONE (251) 343-1200

FAX: (251) 344-0966

GEORGE R. HARRIS, JR.  
GILBERT F. DUKES, JR.  
YUELL B. BUSEY  
G. TIMOTHY GASTON  
J. WILBERT JORDAN, JR.  
KERRY L. WEATHERFORD  
E. LAMAR REEVES  
KEVIN M. RITTELMAYER  
APRIL B. BOUDREAUX  
MARY M. GILMORE

**INDEPENDENT AUDITOR'S REPORT**

To the Administrative Committee of  
the United Security Bancshares, Inc.  
Employee Stock Ownership Plan  
(with 401(k) provisions)

We have audited the accompanying statements of net assets available for benefits of United Security Bancshares, Inc. Employee Stock Ownership Plan (with 401(k) provisions) (the Plan) as of December 31, 1996 and 1995, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 1996 and 1995, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

United Security Bancshares, Inc.  
Employee Stock Ownership Plan  
(with 401(k) provisions)  
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Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes at end of year and reportable transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Smith Duker & Buckalew, L.L.P.*

Mobile, Alabama  
October 1, 2003

**FINANCIAL STATEMENTS**

**UNITED SECURITY BANCSHARES, INC.  
EMPLOYEE STOCK OWNERSHIP PLAN  
(WITH 401(K) PROVISIONS)**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 1996 and 1995**

<b>ASSETS</b>	<u>1996</u>	<u>1995</u>
<b>CASH AND CASH EQUIVALENTS:</b>		
Certificates of deposit	\$ 310,654	\$ 303,432
Money market funds	<u>611,376</u>	<u>411,608</u>
Total cash and cash equivalents	<u>922,030</u>	<u>715,040</u>
<b>INVESTMENTS AT FAIR VALUE:</b>		
Common stock - United Security Bancshares, Inc. (34,123 shares at minority value of \$16.50 for 1996, and 34,720 shares at minority value of \$14.00 for 1995)	563,029	486,080
U.S. Government and Agencies Mutual funds	<u>695,443</u>	<u>425,463</u>
Total investments	<u>1,413,746</u>	<u>1,057,811</u>
<b>RECEIVABLES:</b>		
Insurance premium refund receivable	32	-0-
Accrued investment income receivable	<u>7,946</u>	<u>10,573</u>
Total receivables	<u>7,978</u>	<u>10,573</u>
Total assets	<u>2,343,754</u>	<u>1,783,424</u>
<b>LIABILITIES</b>		
<b>OVERPAYMENTS REFUNDABLE TO EMPLOYER</b>	<u>14,674</u>	<u>-0-</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u>\$ 2,329,080</u>	<u>\$ 1,783,424</u>

The Notes to Financial Statements are an integral part of these statements.

**UNITED SECURITY BANCSHARES, INC.  
EMPLOYEE STOCK OWNERSHIP PLAN  
(WITH 401(K) PROVISIONS)**

**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
Years Ended December 31, 1996 and 1995**

	<u>1996</u>	<u>1995</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
INVESTMENT INCOME:		
Net appreciation in fair value of investments	\$ 88,359	\$ 157,584
Interest and dividends	111,549	92,591
	<u>199,908</u>	<u>250,175</u>
CONTRIBUTIONS:		
Participants	152,976	122,333
Employer matching	177,164	84,717
Rollovers	101,870	-0-
	<u>432,010</u>	<u>207,050</u>
Total additions	<u>631,918</u>	<u>457,225</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
BENEFITS PAID TO PARTICIPANTS	82,680	81,467
INTEREST EXPENSE		4,856
LIFE INSURANCE POLICY PREMIUMS	3,582	3,646
Total deductions	<u>86,262</u>	<u>89,969</u>
NET INCREASE	545,656	367,256
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	<u>1,783,424</u>	<u>1,416,168</u>
End of year	<u>\$ 2,329,080</u>	<u>\$ 1,783,424</u>

The Notes to Financial Statements are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

### Summary of Significant Accounting Policies

#### Basis of presentation

The accompanying financial statements have been prepared on an accrual basis of accounting.

#### Investment valuation

Investments of the Plan are stated at fair value. Securities traded in public markets are valued at their quoted market prices. Fair value of the common shares of the Company is determined by annual independent appraisals. Purchases and sales of securities are reflected on a trade-date basis. The difference between cost and market value from one period to the next is recognized as net appreciation (depreciation) in fair value of investments in the accompanying statement of changes in net assets available for benefits.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates used in preparing these financial statements include the valuation of common stock of United Security Bancshares, Inc. which is valued at its minority value as determined by an independent appraiser. Appraisals are prepared annually and can generally be expected to fluctuate from one year to the next.

### Description of Plan

The following description of the United Security Bancshares, Inc. Employee Stock Ownership Plan (with 401(k) provisions) (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

#### General

The Plan is a defined contribution plan covering substantially all regular employees of First United Security Bank (the Company). Effective January 1, 1991, the Plan is a stock bonus plan containing Section 401(k) features under Section 401(a) of the Internal Revenue Code. The Plan is also designed to be an employee stock ownership plan under Section 4975(e)(7) of the Code. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

## **Description of Plan (continued)**

### **Eligibility**

Each employee will become eligible for participation in the Plan on the first day of the month following his initial date of service. A participant is generally entitled to share in allocations of employer contributions only for a Plan year in which he is credited with at least 1,000 hours of service and in which he was an employee on December 31 of the Plan year. A Participant shall also share in the allocations of employer contributions for the Plan year of his retirement, death or disability.

### **Contributions**

The Company may make three types of contributions:

1. Employer discretionary matching contribution – made on behalf of each participant up to a maximum of one hundred percent (100%) of the participant's salary reduction contribution, provided, however, that the maximum employer matching contribution shall be based on a participant's salary reduction contribution of up to 5% of such participant's compensation.
2. Employer discretionary basic contribution which shall be determined at the sole discretion of the Company's Board of Directors.
3. Employer discretionary optional contributions, which shall be determined at the sole discretion of the Company's Board of Directors.

Plan participants may make salary reduction contributions from 1% to 15% of the participant's compensation. Participants may also make voluntary contributions which may not, in the aggregate, exceed 10% of aggregate earnings for the period of time of active plan participation.

### **Participant Accounts**

Each participant's account is credited with the participant's contribution and an allocation of the Company's contribution and Plan earnings.

Allocations of Company basic and optional contributions are based on participants' compensation. Company matching contributions are allocated based on participants' salary reduction contributions. A participant must be employed by the Company on December 31 of the Plan year, and must be credited with 1,000 hours of service during the Plan year in order to receive an allocation of employer contributions.

Allocations of Plan earnings are based on participant earnings and account balances, as defined in the Plan document.

The benefit to which a participant is entitled is the benefit which can be provided from the participant's account.

## **Description of Plan (continued)**

### **Participant Accounts (continued)**

Each participant has investment authority over funds in his account, and is able to diversify among four different funds with varying levels of risk – Money Market fund, Equity fund, Fixed Income fund and Employer Stock fund.

### **Vesting**

Participants are fully vested at all times in their contributions, as well as employer contributions made on their behalf.

### **Payment of Benefits**

Upon termination service, participants are paid the vested portion of their accounts.

### **Administrative Expenses**

Significant administrative expenses of the Plan are absorbed by the employer.

Certain administrative functions are performed by officers or employees of the Company or its subsidiaries. No such officer or employee receives compensation from the Plan.

### **Income Tax Status**

The trust established under the Plan to hold the Plan's assets is qualified pursuant to the appropriate section of the Internal Revenue Code, and, accordingly, the trust's net investment income is exempt from income taxes. The Plan has obtained a favorable tax determination letter from the Internal Revenue Service and the Plan sponsor believes that the Plan continues to qualify and to operate as designed.

### **Plan Termination Priorities**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of the termination of the Plan, the accounts of all participants affected by the termination will become nonforfeitable as of the date of termination.

## Investments

The Plan's investments are held by a bank-administered trust fund. The following table presents the fair values of investments. Investments that represent five percent or more of the Plan's net assets are separately identified.

	FAIR VALUE OF INVESTMENTS			
	December 31, 1996		December 31, 1995	
	Number of Shares or Principal Amount	Fair Value	Number of Shares or Principal Amount	Fair Value
Investments at Fair Value as Determined by Quoted Market Price:				
U.S. Government and Agencies -				
U.S. Treasury Strips	400,000	\$ 265,138	-0-	\$ -0-
GNMA Pools	185,233	186,116	221,669	228,367
FNMA Pools	243,680	244,189	194,938	197,096
Mutual funds				
Federated Arms Fund	7,690	74,823	7,690	74,515
AmSouth Equity Fund	4,416	80,451	4,238	71,753
		<u>850,717</u>		<u>571,731</u>
Investments at Fair Value as Determined by Independent Appraisal:				
Common stock, United Security Bancshares, Inc.	34,123	<u>563,029</u>	34,720	<u>486,080</u>
Total investments at fair value		<u>\$ 1,413,746</u>		<u>\$ 1,057,811</u>

## Investments (continued)

The Plan's investments (including investments bought, sold, and held during the year) appreciated by \$88,359 and \$157,584 in 1996 and 1995, respectively, as follows:

	NET CHANGE IN FAIR VALUE	
	Year Ended December 31,	
	<u>1996</u>	<u>1995</u>
Investments at Fair Value as Determined by Quoted Market Price:		
U.S. Government and Agencies	\$ 1,581	\$ 7,957
Mutual funds	5,856	57,929
Investments at Fair Value as Determined by Independent Appraisal:		
Common stock, United Security Bancshares, Inc.	<u>80,922</u>	<u>91,698</u>
Net Change in Fair Value	<u>\$ 88,359</u>	<u>\$ 157,584</u>

## Related Party Transactions

United Security Bancshares, Inc., the Plan sponsor, is a bank holding company which controls United Security Bank.

During 1996 and 1995, the Plan purchased 608 and 1,024 shares of Company stock at a cost of \$9,064 and \$11,072, respectively.

## Note Payable

In 1994, the Plan entered into a \$215,000 loan agreement with a bank. The proceeds were used to purchase Company common stock. Interest was accrued at the New York Prime rate. The loan was paid in full during 1995.

**SUPPLEMENTAL SCHEDULES**

**UNITED SECURITY BANCSHARES, INC.  
EMPLOYEE STOCK OWNERSHIP PLAN  
(WITH 401(K) PROVISIONS)  
PLAN NUMBER 001  
63-0318800**

**ITEM 27-a SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
December 31, 1996**

(a)	(b)	(c)	(d)	(e)
(a)	Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current Value
*	AmSouth Bank	4,416 AmSouth Equity Fund	\$ 67,021	\$ 80,451
*	United Security Bancshares, Inc.	34,123 shares United Security Bancshares, Inc.	335,987	563,029
	Federated Arms Fund	7,690 Federated Arms Fund	76,106	74,823
	First Community Bank	Certificate of deposit - 7% dtd. 6/2/95, due 6/2/00	100,000	100,000
	West Alabama Bank & Trust	Certificate of deposit - 7% dtd. 6/5/95, due 6/5/00	100,000	100,000
	Bank of Pine Hill	Certificate of deposit - 6.75% dtd. 6/7/95, due 6/7/00	110,654	110,654
*	AmSouth Bank	611,376 AmSouth Prime Obligation Fund	611,376	611,376
	U.S. Government Agency	13,005 Federal Nat'l MTG Assn. Remic series G 32 Class J 8.5% dtd. 10/01/91, due 12/25/19	13,021	13,042
	U.S. Government Agency	136,579 Federal Nat'l MTG Assn. Pool #320377F 6.50%, dtd. 9/01/95, due 9/01/02	135,521	136,152
	U.S. Government Agency	139,695 Govt Nat'l Mtg. Assn Pool #376510 7.00%, dtd. 5/01/94, due 5/15/24	137,556	137,175

\* Denotes a party-in-interest

**UNITED SECURITY BANCSHARES, INC.  
EMPLOYEE STOCK OWNERSHIP PLAN  
(WITH 401(K) PROVISIONS)  
PLAN NUMBER 001  
63-0318800**

**ITEM 27-a SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
December 31, 1996  
(continued)**

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current Value	Value
U.S. Government Agency	5,862 Gov't Nat'l MTG. Assn. Pool #220905 9.00%, dtd. 1/1/88, due 1/15/18	\$ 6,372	\$	6,266
U.S. Government Agency	9,659 GNMA Pool #229245 9.50%, dtd. 8/1/87, due 8/15/17	9,693		10,525
U.S. Government Agency	30,016 GNMA Pool #230006 9.50%, dtd. 8/1/87, due 8/15/17	31,480		32,150
U.S. Government Agency	94,096 Federal Home Loan Mtg. pool #L90216D 7.00% dtd 5/1/96, due 5/1/01	94,414		94,995
U.S. Government	100,000 U.S. Treas. Sec. Stripped Int. pmt. dtd. 8/15/85, due 8/15/00	78,296		80,453
U.S. Government	100,000 U.S. Treas. Sec. Stripped Int. pmt 0% generic tint pmt 11/15/99	79,984		84,343
U.S. Government	200,000 U.S. Treas. Sec. Stripped Int. pmt. tints due 8/15/2007	97,476		100,342
		<u>\$ 2,084,957</u>	<u>\$</u>	<u>\$ 2,335,776</u>

\* Denotes a party-in-interest

**UNITED SECURITY BANCSHARES, INC.  
EMPLOYEE STOCK OWNERSHIP PLAN  
(WITH 401(K) PROVISIONS)  
PLAN NUMBER 001  
63-0318800**

**ITEM 27-d SCHEDULE OF REPORTABLE TRANSACTIONS  
December 31, 1996**

Identity of Party Involved (a)	Description of Asset (b)	Purchase Price (c)	Selling Price (d)	Lease Rental (e)
Federal Home Loan Mortgage Association	FNLMA Pool #L90216D, 7.0%, dtd 5/1/96, due 5/1/01	\$ 100,263	N/A	N/A
U.S. Treasury	U.S. Treasury Sec. Stripped int pmt tints due 8/15/07	97,476	N/A	N/A
Federal Home Loan Mortgage Association	FHLMA Pool #L90216D, 7.0%, dtd 5/1/96, due 5/1/01	N/A	5,830	N/A
* AmSouth Bank	AmSouth Prime Obligation Fund	1,000,839	N/A	N/A
* AmSouth Bank	AmSouth Prime Obligation Fund	N/A	801,071	N/A

\* Denotes a party-in-interest

Expenses Incurred with Transaction (f)	Cost of Asset (g)	Current Value of Asset on Transaction Date (h)	Net Gain or Loss (i)
N/A	N/A	\$ 100,263	N/A
N/A	N/A	97,476	N/A
N/A	5,849	5,830	( 19 )
N/A	N/A	1,000,839	N/A
N/A	801,071	801,071	-0-

**SIGNATURE**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the plan administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: October 20, 2003.

Plan Administrator of the United Security Bancshares, Inc. Employee Stock Ownership Plan (With 401(k) Provisions):

By:   
Larry M. Sellers  
Vice President, Secretary and Treasurer of  
United Security Bancshares, Inc.

**Exhibit Index**

Exhibit 23

Consent of Independent Accountants

**Consent of Independent Accountants**

We hereby consent to the incorporation by reference in the registration statement of the United Security Bancshares, Inc. Employee Stock Ownership Plan (With 401(k) Provisions) on Form S-8 (No. 333-27285) of our report dated October 1, 2003, relating to the financial statements of the United Security Bancshares, Inc. Employee Stock Ownership Plan (With 401(k) Provisions), which appears in this Form 11-K.

*Smith Dukes & Buckalew, L.L.P.*

SMITH, DUKES & BUCKALEW, LLP

Mobile, Alabama  
October 1, 2003