COMMUNITY FIRST BANCORP
Form 10-Q
May 12, 2006

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

FORM 10-Q

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

For Quarterly Period Ended March 31, 2006 Commission File No. 000-29640

COMMUNITY FIRST BANCORPORATION
(Exact name of registrant as specified in its charter)

South Carolina	58-2322486
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

449 HIGHWAY 123 BYPASS
SENECA, SOUTH CAROLINA 29678
(Address of principal executive offices, zip code)

(864) 886-0206
(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 [X] 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 [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, no par or stated value, 2,798,409 Shares Outstanding on April 30, 2006

COMMUNITY FIRST BANCORPORATION

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PART I - FINANCIAL INFORMATION

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COMMUNITY FIRST BANCORPORATION
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Cash and cash equivalents ....
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Interest bearing	
Total deposits	
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Common stock - no par value; 10,000,000 shares authorized; issued and outstanding - 2,798,409 for 2006 and 2,798,409 for 2005	
Additional paid-in capital	
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Total liabilities and shareholders' equity	

See accompanying notes to unaudited consolidated financial statements.

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COMMUNITY FIRST BANCORPORATION
Consolidated Statements of Income

	(Unaudited) Three Months Ended March 31, 2006	2005
	(Dollars in thousands, except per share)	
Interest income		
Loans, including fees	$3,090	$2,726
Interest bearing balances due from banks	2	-
Securities		
Taxable	931	943
Tax-exempt	120	20

Other investments	11	9
Federal funds sold	493	153
Total interest income	4,647	3,851
Interest expense		
Time deposits $100M and over	732	450
Other deposits	1,534	927
Short-term borrowings	2	12
Long-term debt	62	70
Total interest expense	2,330	1,459
Net interest income	2,317	2,392
Provision for loan losses	25	140
Net interest income after provision	2,292	2,252
Other income		
Service charges on deposit accounts	364	351
Credit-related deposit fees	70	52
Credit life insurance commissions	10	11
Other income	95	73
Total other income	539	487
Other expenses		
Salaries and employee benefits	729	711
Net occupancy expense	69	64
Furniture and equipment expense	104	88
Amortization of computer software	60	58
ATM interchange and related expenses	78	46
Other expense	396	356
Total other expenses	1,436	1,323
Income before income taxes	1,395	1,416
Income tax expense	484	507
Net income	$ 911	$ 909
Per share*		
Net income	$ 0.33	$ 0.33
Net income, assuming dilution	0.31	0.31

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* Per share information has been retroactively adjusted to reflect a 5% stock dividend effective November 30, 2005.

See accompanying notes to unaudited consolidated financial statements.

COMMUNITY FIRST BANCORPORATION
Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Ret Ear
			(Dollars in thou	
Balance, January 1, 2005	2,648,230	$ 24,216	$ -	$
Comprehensive income:				
Net income	-	-	-	
Unrealized holding gains and losses on available-for-sale securities arising during the period, net of income taxes of $393	-	-	-	
Total other comprehensive income				
Total comprehensive income				
Exercise of employee stock options	75	-	-	
Balance, March 31, 2005	2,648,305	$ 24,216	$ -	$
Balance, January 1, 2006	2,798,409	$ 26,956	$ -	$
Comprehensive income:				
Net income	-	-	-	
Unrealized holding gains and losses on available-for-sale securities arising during the period, net of income taxes of $87	-	-	-	
Total other comprehensive income				
Total comprehensive income				
Share-based compensation	-	-	45	
Balance, March 31, 2006	2,798,409	$ 26,956	$ 45	$

See accompanying notes to unaudited consolidated financial statements.

COMMUNITY FIRST BANCORPORATION
Consolidated Statements of Cash Flows

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Adjustments to reconcile net income to net
cash provided by operating activities
Provision for loan losses ....
Depreciation ....
Amortization of net loan fees and costs ....
Securities accretion and premium amortization ....
Gain on sale of foreclosed assets ....
Increase in interest receivable ....
Increase in interest payable ....
Decrease in prepaid expenses and other assets ....
Increase in other accrued expenses ....
Share-based compensation ....

Net cash provided by operating activities ....

Investing activities
Purchases of available-for-sale securities ....
Maturities, calls and paydowns of securities available-for-sale ....
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Purchases of other investments ....
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Net cash used by investing activities ....

Financing activities
Net increase in demand deposits, interest
bearing transaction accounts and savings accounts ....
Net increase (decrease) in certificates of deposit and other
time deposits ....
Decrease in short-term borrowings ....
Repayments of long-term debt ....

Net cash provided by financing activities ....

Increase (decrease) in cash and cash equivalents	
Cash and cash equivalents, beginning	
Cash and cash equivalents, ending	

Supplemental Disclosure of Cash Flow Information

Cash paid during the period for	
Interest, net of $15 capitalized during construction	
Income taxes	
Noncash investing and financing activities:	
Other comprehensive income (loss)	

See accompanying notes to unaudited consolidated financial statements.

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COMMUNITY FIRST BANCORPORATION

Notes to Unaudited Consolidated Financial Statements

Accounting Policies - A summary of significant accounting policies is included in Community First Bancorporation's (the "Company") Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission. Certain amounts in the 2005 financial statements have been reclassified to conform to the current presentation.

Management Opinion - In the opinion of management, the accompanying unaudited consolidated financial statements of Community First Bancorporation reflect all adjustments necessary for a fair presentation of the results of the periods presented. Such adjustments were of a normal, recurring nature.

Nonperforming Loans - As of March 31, 2006, there were $579,000 in nonaccrual loans and no loans 90 days or more past due and still accruing interest.

Earnings Per Share - Basic earnings per common share is computed by dividing net income applicable to common shares by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing applicable net income by the weighted average number of common shares outstanding and any dilutive potential common shares and dilutive stock options. It is assumed that all dilutive stock options are exercised at the beginning of each period and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the period. All 2005 per share information has been retroactively adjusted to give effect to a 5% stock dividend effective November 30, 2005. Net income per share and net income per share, assuming dilution, were computed as follows:

Net income per share, basic

Numerator - net income	
Denominator	
Weighted average common shares issued and outstanding	
Net income per share, basic	
Net income per share, assuming dilution	
Numerator - net income	
Denominator	
Weighted average common shares issued and outstanding	
Effect of dilutive stock options	
Total shares	
Net income per share, assuming dilution	

Stock-Based Compensation - As of March 31, 2006, the Company has two stock-based compensation plans. Effective January 1, 2006, the Company began accounting for compensation expenses related to stock options granted to employees and non-officer directors under the recognition and measurement principles of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment"("SFAS 123(R)) using the modified prospective application method.

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Statements included in this report which are not historical in nature are intended to be, and are hereby identified as "forward looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. Such forward-looking statements may be identified, without limitation, by the use of the words "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," and similar expressions. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's beliefs, expectations or projections will result or be achieved or accomplished. The Company cautions readers that forward-looking statements, including without limitation, those relating to the Company's recent and continuing expansion, its future business prospects, revenues, working capital, liquidity, capital needs, interest costs, income, and adequacy of the allowance for loan losses, are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the Securities and Exchange Commission.

Changes in Financial Condition

During the first three months of 2006, interest bearing deposits increased by $16,669,000, or 6.9%. These funds were used primarily to repay short-term borrowings of $3,500,000 and to fund growth in loans and federal funds sold and to purchase securities. During the 2006 period, loans increased by $2,097,000 or 1.2% and federal funds sold increased by $11,988,000 or 54.0%. The Company believes its higher federal funds sold position gives it increased flexibility to fund loan requests or make investments in securities at attractive yields, and to meet normal demands for deposit withdrawals by its customers, all while maintaining its exposure to further increases in interest rates at an acceptable level.

Results of Operations

The Company recorded consolidated net income of $911,000 or $.33 per share for the first quarter of 2006. These results are substantially the same as for the first quarter of 2005. Net income per share, assuming dilution was $.31 for both the 2006 and the 2005 periods. Net income per share amounts for 2005 have been retroactively adjusted to reflect a five percent stock dividend effective November 30, 2005.

	Summary Income Sta	
	(Dollars in thousa	
For the Three Months Ended March 31,	2006	2005
Interest income	$4,647	$3,851
Interest expense	2,330	1,459
Net interest income	2,317	2,392
Provision for loan losses	25	140
Noninterest income	539	487
Noninterest expenses	1,436	1,323
Income tax expense	484	507
Net income	$ 911	$ 909

Net Interest Income

Net interest income is the principal source of the Company's earnings. For the first quarter of 2006, net interest income totaled $2,317,000, a decrease of $75,000 or 3.1% from the amount for the same period of 2005. The yield on interest earning assets increased to 5.69% for the 2006 period, compared with 5.11% for the 2005 period and the average rates paid for interest bearing liabilities were 3.42% and 2.34%, respectively. Accordingly, the average interest rate spread for the 2006 period was 50 basis points lower than for the 2005 period.

Market interest rates during the 2006 period were slightly higher than in the first quarter of 2005. The Federal Reserve Board began slowly increasing certain key interest rates in 2004, and has continued to do so. These increases have resulted, however, primarily in increased rates for instruments with shorter-term maturities. Rates associated with instruments with maturities longer than about five years had been largely unaffected until recently. As a result, interest rates paid by banks for deposits and other short-term funding sources, and the rates earned on loans and other interest earning assets, increased during those same periods. In the 2006 period, the rates paid by the Company increased more than the rates that it received from its loans and other invested funds. The following table provides an analysis of the average amounts of the Company's assets and liabilities and the effective yields and rates on the various categories of its interest earning assets and interest bearing liabilities for the first quarter of 2006 and 2005.

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	Average Balances, Three Months En		
	2006		
	Average Balances	Interest Income/ Expense	Yields/ Rates (1)
	(Dollars in		
Assets			
Interest-bearing deposits due from banks	$ 172	$ 2	4.72%
Securities			
Taxable	101,412	931	3.72%
Tax exempt (2)	12,242	120	3.98%
Total investment securities	113,654	1,051	3.75%
Other investments	948	11	4.71%
Federal funds sold	45,260	493	4.42%
Loans (2)	170,931	3,090	7.33%
Total interest earning assets	330,965	4,647	5.69%
Cash and due from banks	6,817		
Allowance for loan losses	(2,264)		
Valuation allowance - AFS securities	(2,224)		
Premises and equipment	7,022		
Other assets	3,878		
Total assets	$ 344,194		
Liabilities and shareholders' equity			
Interest bearing deposits			
Interest bearing transaction accounts	$ 35,743	$ 141	1.60%
Savings	44,214	314	2.88%
Time deposits $100M and over	76,493	732	3.88%
Other time deposits	112,943	1,079	3.87%
Total interest bearing deposits	269,393	2,266	3.41%
Short-term borrowings	78	2	10.40%

Long-term debt	6,500	62	3.87%
Total interest bearing liabilities	275,971	2,330	3.42%
Noninterest bearing demand deposits	36,406		
Other liabilities	2,503		
Shareholders' equity	29,314		
Total liabilities and shareholders' equity	$ 344,194		
Interest rate spread			2.27%
Net interest income and net yield on earning assets		$ 2,317	2.84%
Interest free funds supporting earning assets	$ 54,994		

(1) Yields and rates are annualized
(2) Yields on tax exempt instruments have not been adjusted to a tax-equivalent basis.

When interest rates rise sufficiently, depositors often seek to maximize the present and future earning potential of their funds by moving their funds into longer-term fixed rate time deposits. Accordingly, the average amounts of, and rates paid for, time deposits increased in the 2006 period compared with the 2005 period. The Company can reduce the effects that the higher rates paid for those longer-term deposits have on net interest income without becoming subject to an inordinate level of interest rate risk by increasing the relative amounts of funds invested in the higher-yielding

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categories of earning assets, principally loans, and adhering to its policy of not lending funds at fixed rates for periods longer than five years. The average amounts of loans held by the Company in the 2006 and 2005 first quarters were $170,931,000 and $158,810,000, respectively.

In addition, because the interest rate increases since 2004 have been most pronounced in the shortest-maturity instruments, the rate earned by the Company for investments in overnight federal funds sold increased significantly in 2006. The rate earned for federal funds sold was 4.42% in the 2006 period compared with 2.35% for the 2005 period. The average amounts of the Company's investments in those instruments totaled $45,260,000 for 2006 compared with $26,429,000 in the 2005 quarter.

Throughout 2005, the Company added to its holdings of tax-exempt state, county and municipal securities significantly and the yields on those investments increased, as well. As a result, the Company's 2006 first quarter income includes $120,000 earned on those investments, compared with $20,000 in the same period of 2005.

The Company continues to pursue a strategy to increase its market share in its local market areas in Anderson and Oconee Counties of South Carolina. Oconee County is served from four offices which are located in Seneca, Walhalla and Westminster. The Company currently is using a temporary facility at the Westminster location. There presently are no firm plans, timetables or budgets for constructing a permanent facility for this office. The Anderson County market is served from offices in Anderson and Williamston. The Company is planning to open an additional office on Highway 81 in Anderson County.

Provision and Allowance for Loan Losses

The provision for loan losses was $25,000 for the first three months of 2006, compared with $140,000 for the comparable period of 2005. At March 31, 2006, the allowance for loan losses was 1.33% of loans, down slightly from 1.34% at December 31, 2005. During the 2006 three month period, net charge-offs totaled $19,000, compared with $34,000 in net charge offs during the same period of 2005. As of March 31, 2006, there were $579,000 in nonaccrual loans and no loans 90 days or more past due and still accruing interest. As of March 31, 2005, there were $1,177,000 in nonaccrual loans and no loans 90 days or more past due and still accruing interest. The activity in the allowance for loan losses is summarized in the table below:

	Three Months Ended March 31, 2006
	(Dolla
Allowance at beginning of period	$ 2,266
Provision for loan losses	25
Net charge-offs	(19)
Allowance at end of period	$ 2,272
Allowance as a percentage of loans outstanding at period end	1.33%
Loans at end of period	$ 171,415

Non-Performing and Potential Problem Loans

	Nonaccrual Loans	90 Days or More Past Due and Still Accruing	Total Nonperforming Loans	Percent of To Loa
			(Dollars in thousands	
January 1, 2005	$ 1,465	$ 9	$ 1,474	0.
Net change	(288)	(9)	(297)	
March 31, 2005	1,177	-	1,177	0.
Net change	(19)	-	(19)	

June 30, 2005	1,158	-	1,158	0.
Net change	(189)	-	(189)	
September 30, 2005	969	-	969	0.
Net change	(69)	5	(64)	
December 31, 2005	900	5	905	0.
Net change	(321)	(5)	(326)	
March 31, 2006	$ 579	$ -	$ 579	0.

Potential problem loans include loans, other than non-performing loans, that management has identified as having possible credit problems sufficient to cast doubt upon the abilities of the borrowers to comply with the current repayment terms. Since December 31, 2005, loans totaling $878,000 have been classified as potential problem loans, of which $712,000 are collateralized by real estate mortgages. $31,000 classified as potential problem loans as of December 31, 2005 were classified as nonaccrual loans during the first quarter of 2006. Other potential problem loans totaling $206,000 as of December 31, 2005 were no longer included in non-performing and potential problem loans as of March 31, 2006. Of that amount, $19,000 was charged off. Payments on loans that were included in potential problem loans at both December 31, 2005 and March 31, 2006 totaled $26,000 during the 2006 period. Management believes that the increase in potential problem loans in the first quarter of 2006 is not indicative of a trend in local economic conditions, but reflects circumstances unique to each individual borrower.

Noninterest Income

Noninterest income totaled $539,000 for the first quarter of 2006, compared with $487,000 for the 2005 quarter. Service charges on deposit accounts in the 2006 period were $364,000 representing an increase of $13,000 over the prior year period and fees from an overdraft privilege product were $18,000 more in the 2006 period than in the 2005 period. Mortgage brokerage income in 2006 was approximately $7,000 less than in the 2005 period. There were no sales of any securities in either the 2006 or 2005 period. A gain of $31,000 from the sale of foreclosed assets was recognized in the 2006 period. There was no comparable activity in the 2005 period.

Noninterest Expenses

Noninterest expenses totaled $1,436,000 for the first quarter of 2006 compared with $1,323,000 for the first quarter of 2005, representing an increase of $113,000 or 8.5%. Salaries and employee benefits increased by $18,000, or 2.5%, to $729,000. This increase resulted primarily from normal salary increases, increases in the number of employees associated with the Company's growth, and higher costs of providing health insurance benefits. Also, for 2006, this category includes $20,000 of share-based compensation expenses that resulted from the adoption of SFAS 123(R). Partially offsetting these increases was an $85,000 decrease in estimated employee incentive bonuses in 2006 compared with 2005.

Occupancy and furniture and equipment expenses for 2006 increased by $21,000 compared with 2005 primarily due to higher maintenance expenses associated with the Company's equipment. Other expenses for the 2006 period were $74,000 greater than in 2005 due to an increase of $32,000 in expenses for ATM interchange fees and related expenses, an increase of $30,000 in other ATM related expenses, and an increase of $32,000 in directors fees, including

$25,000 of share-based compensation expenses for non-employee directors' stock options that resulted from the adoption of SFAS 123(R). In addition, higher expenses were noted in 2006 for stationery and supplies resulting from the opening of the new executive offices and an additional banking office, and contributions and donations. Some expense decreases were experienced in 2006 for FDIC insurance and expenses related to foreclosed assets.

Liquidity

Liquidity is the ability to meet current and future obligations through the liquidation or maturity of existing assets or the acquisition of additional liabilities. The Company manages both assets and liabilities to achieve appropriate levels of liquidity. Cash and short-term investments are the Company's primary sources of asset liquidity. These funds provide a cushion against short-term fluctuations in cash flow from both deposits and loans. Securities available-for-sale are the Company's principal source of secondary asset liquidity. However, the availability of this source is influenced by market conditions. Individual and commercial deposits are the Company's primary source of funds for credit activities. The Company has significant amounts of credit availability under its FHLB lines of credit and federal funds purchased facilities.

As of March 31, 2006, the ratio of loans to total deposits was 57.7%, compared with 60.5% as of December 31, 2005. Deposits as of March 31, 2006 were $297,325,000, an increase of $17,332,000 or 6.2% over the amount as of December 31, 2005. Management believes that the Company's liquidity sources are adequate to meet its operating needs.

Capital Resources

The Company's capital base increased by $802,000 since December 31, 2005 as the result of net income of $911,000 for the first three months of 2006, $45,000 added pursuant to share-based compensation expenses recognized during the period, less a $154,000 change in unrealized gains and losses on available-for-sale securities, net of deferred income tax effects.

The Company and its banking subsidiary (the "Bank") are subject to regulatory risk-based capital adequacy standards. Under these standards, bank holding companies and banks are required to maintain certain minimum ratios of capital to risk-weighted assets and average total assets. Under the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), federal bank regulatory authorities are required to implement prescribed "prompt corrective actions" upon the deterioration of the capital position of a bank. If the capital position of an affected institution were to fall below certain levels, increasingly stringent regulatory corrective actions are mandated.

The March 31, 2006 risk based capital ratios for the Company and the Bank are presented in the following table, compared with the "well capitalized" and minimum ratios under the regulatory definitions and guidelines:

	Tier 1	Total Capital	Leverage
Community First Bancorporation	15.4%	16.5%	9.0%
Community First Bank	14.9%	16.0%	8.7%
Minimum "well-capitalized" requirement	6.0%	10.0%	6.0%
Minimum requirement	4.0%	8.0%	5.0%

Off-Balance-Sheet Arrangements

In the normal course of business, the Bank is party to financial instruments with off-balance-sheet risk including commitments to extend credit and standby letters of credit. Such instruments have elements of credit risk in excess of the amount recognized in the balance sheet. The exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. Generally, the same credit policies used for on-balance-sheet instruments, such as loans, are used in extending loan commitments and standby letters of credit.

Following are the off-balance-sheet financial instruments whose contract amounts represent credit risk:

	March 31, 2006 (Dollars in thousands)
Loan commitments	$26,559
Standby letters of credit	974

Loan commitments involve agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and some involve payment of a fee. Many of the commitments are expected to expire without being fully drawn; therefore, the total amount of loan commitments does not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if any, upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include commercial and residential real properties, accounts receivable, inventory and equipment.

Standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is the same as that involved in making loan commitments to customers. Many letters of credit will expire without being drawn upon and do not necessarily represent future cash requirements. The Bank receives fees for loan commitments and standby letters of credit. The amount of such fees was not material for the three months ended March 31, 2006.

As described under "Liquidity," management believes that its various sources of liquidity provide the resources necessary for the Bank to fund the loan commitments and to perform under standby letters of credit, if the need arises. Neither the Company nor the Bank is involved in other off-balance sheet contractual relationships or transactions that could result in liquidity needs or other commitments or significantly impact earnings.

Item 3. - Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk is primarily related to the risk of loss from adverse changes in market prices and rates. This risk arises principally from interest rate risk inherent in the Company's lending, deposit gathering and borrowing activities. Management actively monitors and manages its interest rate risk exposure. Although the Company manages other risks, such as credit quality and liquidity risk in the normal course of business, management considers interest rate risk to be its most significant market risk and this risk could potentially have the largest material effect on the Company's financial condition and results of operations. Other types of market risk, such as commodity price risk and foreign currency exchange risk, do not arise in the normal course of the Company's community banking operations.

The Company uses a simulation model to assist in achieving consistent growth in net interest income while managing interest rate risk. As of March 31, 2006, the model indicates that net interest income would increase $67,000 and net income would increase $41,000 in the next twelve months if interest rates rose by 100 basis points. Conversely, net interest income would decrease $67,000 and net income would decrease $41,000 in the next twelve months if interest rates declined by 100 basis points. In the current interest rate environment, it appears unlikely that there will be any large changes in interest rates in the immediate future. The prospective effects of hypothetical interest rate changes are based on a number of assumptions, including the relative levels of market interest rates and prepayment assumptions affecting loans, and should not be relied on as indicative of actual future results. The prospective effects also do not contemplate potential actions that the Company, its customers and the issuers of its investment securities could undertake in response to changes in interest rates.

As of March 31, 2006, there was no significant change from the interest rate sensitivity analysis for the various changes in interest rates calculated as of December 31, 2005. The foregoing disclosures related to the Company's market risk should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Item 4. - Controls and Procedures

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the issuer's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the issuer's chief executive officer and chief financial officer concluded such controls and procedures, as of the end of the period covered by this report, were effective.

There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. - Exhibits

Exhibits	31.	Rule 13a-14(a)/15d-14(a) Certifications
	32.	Certifications Pursuant to 18 U.S.C. Section 1350

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY FIRST BANCORPORATION

May 12, 2006	/s/ Frederick D. Shepherd, Jr.
Date	Frederick D. Shepherd, Jr., Chief Executive Officer and Chief Financial Officer

Exhibit Index

31. Rule 13a-14(a)/15d-14(a) Certifications

32. Certifications Pursuant to 18 U.S.C. Section 1350