

UNITED SECURITY BANCSHARES

Form 11-K

April 15, 2016

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

FORM 11-K

(mark one)

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

For the year ended December 31, 2015

or

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

For the transition period from to

Commission file number 333-100078

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

UNITED SECURITY BANK 401K CASH or DEFERRED STOCK OWNERSHIP PLAN

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

United Security Bank
2126 Inyo Street
Fresno, California, 93721

United Security Bank 401K Cash or Deferred Stock Ownership Plan

Financial Statements and Supplemental Schedule

December 31, 2015 and 2014

with Report of Independent Registered Public Accounting Firm

Form 11-K

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying statements of net assets available for benefits of United Security Bank 401K Cash or Deferred Stock Ownership Plan (the Plan) as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2015 and 2014, and the changes in its net assets available for benefits for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

The supplemental information included in Schedule H, line 4(i) - Schedule of Assets (Held at End of Year) has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. In our opinion, the supplemental information included in Schedule H, line 4(i) - Schedule of Assets (Held at End of Year) is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Moss Adams LLP
Albuquerque, NM
April 15, 2016

United Security Bank
 401K Cash or Deferred Stock Ownership Plan
 Statements of Net Assets Available for Benefits
 December 31, 2015 and 2014

	2015	2014
ASSETS		
Investments (at fair value):		
Interest-bearing cash	\$ 316,596	\$ 298,239
Common stock of United Security Bancshares	2,274,611	2,602,929
Mutual Funds	3,063,010	2,802,447
Notes receivable from participants	71,666	89,745
Participant contributions receivable	—	12,798
Employer contributions receivable	250,860	236,384
NET ASSETS AVAILABLE FOR BENEFITS	\$5,976,743	\$6,042,542

See notes to financial statements

United Security Bank
 401K Cash or Deferred Stock Ownership Plan
 Statement of Changes in Net Assets Available for Benefits
 For the Year Ended December 31, 2015

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Investment income (loss)		
Net depreciation in fair value of investments	\$(10,731)
Dividends and interest	6,983	
Net investment loss	(3,748)	
Interest income on loans	3,676	
Contributions		
Participant	440,217	
Employer contributions	250,860	
	691,077	
Total additions	691,005	

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

Benefits paid to participants	(714,900)
Administrative expenses	(41,904)
Total deductions	(756,804)

CHANGE IN NET ASSETS (65,799)

NET ASSETS AVAILABLE FOR BENEFITS, beginning of year \$6,042,542

NET ASSETS AVAILABLE FOR BENEFITS, end of year \$5,976,743

See notes to financial statements

United Security Bank
401K Cash or Deferred Stock Ownership Plan
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1 – DESCRIPTION OF PLAN

The following brief description of the United Security Bank 401K Cash or Deferred Stock Ownership Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The primary purpose of the United Security Bank 401K Cash or Deferred Stock Ownership Plan (the "Plan") is to provide employees of United Security Bank (the "Company") the opportunity to accumulate funds for their retirement. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Eligibility

The Plan is a defined contribution plan covering all regular part-time or full-time employees of the Company. Employees may participate in the voluntary salary deferral feature of the Plan after completing three (3) months of service. Employees will be eligible to receive employer Safe Harbor contributions after completing three (3) months of eligible service. To be eligible for discretionary matching contributions employees must attain age 21 and must complete one (1) year of service. The Board of Directors may elect to make discretionary match contributions in place of Safe Harbor contributions. Enrollment periods are on the first day of the calendar month following the time an employee has met the eligibility criteria specified above.

Administration

The Plan is administered by the Company. Administrative expenses are mostly paid by the Company, except for expenses incurred at the participant level which are charged against the participant's individual accounts.

Participant accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's contributions, and Plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Participant contributions

Participants may contribute to the Plan a percentage or a specific dollar amount of their annual wages, not to exceed certain dollar limitations determined annually by the Internal Revenue Service. Deferrals to the Plan may be made as normal 401(k) contributions or on an after-tax-basis as Roth contributions. The sum of regular pre-tax 401(k) and Roth contributions may not exceed the annual limit allowed on regular 401(k) contributions. Participants may elect to change their election to contribute to the Plan on the dates established pursuant to the Plan Administrator procedures. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

Employer contributions

The Safe Harbor Match Contribution made by the Company equals one hundred percent (100%) of the first four percent (4%) of an employees eligible contributions made during the year. In addition, the Company may make a discretionary contribution, annually, at the discretion of the Board of Directors,

which is allocated in proportion to participants' eligible compensation to the total compensation of all eligible participants for the Plan year. Eligible compensation includes employee contributions to the Plan and to the Company Cafeteria Plan. To be eligible for the discretionary contribution, a participant must complete at least 1,000 hours of service during the Plan year and be employed by the Company on the last day of the Plan year. Employer contributions are made in cash and re-invested in various plan investments at the direction of the participant. The employer made safe harbor contributions of \$250,860 for the plan year ended December 31, 2015. There were no discretionary matching contributions made during the year ended December 31, 2015.

Vesting

When a participant terminates employment with the Company, they are entitled to the vested portion of each of their accounts. Participants are always 100% vested in the amounts they contributed to the plan, including any rollover contribution and Safe Harbor Match contribution.

Notes receivable from participants

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from one to five years, except that a loan used to acquire a principal residence may be repaid over a reasonable time commensurate with the repayment period similar to commercial loans. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the Plan Administrator. Principal and interest are paid through payroll deductions. Loan expenses are deducted from the gross loan amount upon distribution to the employee. As of December 31, 2015, the rate of interest on outstanding loans is 4.25% with maturities through September 2029.

Forfeitures

Forfeitures are the non-vested portion of a participant's account that is lost upon termination of employment. These forfeitures represent amounts for employees that terminated employment with the Company prior to January, 1 2012, when the Plan vesting was changed to 100% immediate vesting. Forfeitures are retained in the Plan and may be used to offset Plan expenses or reduce future employer contributions. For the year ended December 31, 2015, no non-vested forfeitures used to offset employer contributions.

Benefits paid to participants

Upon termination of service, the participant may elect to receive benefits equal to the vested value of his or her account in one lump-sum payment or transfer/rollover the vested value to another qualified investment plan. The Plan allows in-service distributions for participants that have reached Normal Retirement Age as defined in the Plan, but are still working for the Company. The Plan allows hardship withdrawals. Any Safe Harbor Match account balance is excluded from a hardship withdrawal eligibility.

Plan termination

Although termination of the Plan is not presently contemplated, the Company does have the right to terminate the Plan at any time. In the event of termination, participants would become 100% vested in the aggregate value of their respective accounts.

NOTE 2 – ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Plan are prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual basis of accounting.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment valuation

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Income recognition

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. The net appreciation/depreciation in fair value of investments consists of both the realized gains or losses and unrealized appreciation and depreciation of those investments.

Payment of benefits

Benefits are recorded when paid. The Plan accounts for benefits due to participants who have terminated employment with the Company as a component of net assets available for benefits until such amounts have been paid.

New accounting standards

In May 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The ASU eliminates the requirement to categorize within the fair value hierarchy investments whose fair values are measured at net asset value (“NAV”). The guidance will be applied retrospectively for public business entities for fiscal years beginning after December 15, 2015 and interim periods within those years. Early adoption is permitted. There is no impact on the Company's financial statements resulting from the adoption of the update.

In July 2015 FASB issued ASU 2015-12, Plan Accounting: Defined Contribution Pension Plans (Topic 962) I. Fully Benefit-Responsive Investment Contracts; II. Plan Investment Disclosures; and III. Measurement Date Practical Expedient. The amendments remove the requirement to:

- disclose individual investments held which exceed 5% of net assets available for benefits.
- disclose net appreciation in fair value of investments by type of investment held.
- disaggregate investments reported in the fair value hierarchy table by class of investment. They may be presented by general type only.

ASU 2015-12 has been adopted for the December 31, 2015 plan year end, however, the retrospective approach required that the above items, applicable to the prior year, be presented in accordance with ASU 2015-12 as well.

Subsequent events

Subsequent events are events or transactions that occur after the statement of net assets available for benefits date but before financial statements are issued. The Plan recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net assets available for benefits, including the estimates inherent in the process of preparing the financial statements. The Plan's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net assets available for benefits but arose after the statement of net assets available for benefits date and before financial statements are issued.

NOTE 3 – FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Registered investment companies (Mutual funds): Shares of registered investment company funds are valued at the NAV of shares held by the Plan and are valued at the closing price reported on the active market on which the individual securities are traded. Accordingly, mutual funds are classified within Level 1 of the valuation hierarchy.

Common stock of United Security Bancshares and other common stock: Common stock is valued at quoted market prices. Accordingly, investments in common stock are classified within Level 1 of the valuation hierarchy. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following tables sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2015 and 2014.

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
Self-directed Brokerage	\$93,246	\$—	\$—	\$93,246
Common stock of United Security Bancshares	2,274,611	—	—	2,274,611
Mutual Funds	3,286,360	—	—	3,286,360
Total assets at fair value	\$5,654,217	\$—	\$—	\$5,654,217

Assets at Fair Value as of December 31, 2014

	Level 1	Level 2	Level 3	Total
Self-directed Brokerage	\$92,515	\$—	\$—	\$92,515
Common stock of United Security Bancshares	2,602,929	—	—	2,602,929
Mutual Funds	3,008,171	—	—	3,008,171
Total assets at fair value	\$5,703,615	\$—	\$—	\$5,703,615

NOTE 4 – INVESTMENTS

At December 31, 2015, a substantial amount of the Plan's assets were invested in the common stock of the Company and are held by TD Ameritrade. The remaining portion of the Plan's assets are held in the form of cash, money market mutual funds and self-directed brokerage accounts at Plan's Trustee, Nationwide Trust Company (NTC), or at TD Ameritrade.

The Plan's investments include 425,161 allocated shares of Company stock at December 31, 2015. The Company common stock is valued at the quoted market price of \$5.35 per share.

The Plan's investments include 476,727 allocated shares of Company stock at December 31, 2014. The Company common stock is valued at the quoted market price of \$5.46 per share.

NOTE 5 – TAX STATUS

The plan document is a prototype standardized defined contribution plan that received a favorable opinion letter from the Internal Revenue Service on March 31, 2014, which stated that the prototype plan, as then designed, was in accordance with applicable sections of the Internal Revenue Code. As a result of the

favorable determination received from the Internal Revenue Service, no provision for income taxes has been included in the Plan's financial statements.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Plan's assets are held by NTC and TD Ameritrade. Some of the Plan assets are invested in funds managed by NTC. NTC also provides record keeping and investment services to the Plan. Plan assets held at TD Ameritrade include investments in the Company's stock and other self-directed investments.

Company contributions are managed by NTC, which invests cash received, interest and dividend income and makes distributions to participants.

NTC expenses incurred at the participant level are absorbed by the Plan and allocated among the related participant's accounts. The independent auditors' fees are paid directly by the Company.

NOTE 7 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

The Plan is subject to concentrations of market risk with respect to common stock of United Security Bancshares stock held by the Plan. At December 31, 2015, 39.7% of the Plan assets are invested in United Security Bancshares stock, which is publicly traded on the NASDAQ stock exchange. United Security Bancshares stock, adjusted for stock dividends, traded at a high closing price of \$5.49 per share and a low closing price of \$4.90 per share during 2015. Company performance and other environmental factors impact the market value of this investment on a daily basis.

United Security Bank
401K Cash or Deferred Stock Ownership Plan

SCHEDULE H, LINE 4i

Schedule of Assets (Held at End of Year)

Employer Identification Number 77-0103429

Plan Number 002

December 31, 2015

(a)	(b) Identity of issuer, borrower, lessor or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current Value
*	United Security Bancshares	United Security Bancshares common stock held		\$2,274,611
	Nationwide/TD Ameritrade	Other various self- directed common stock		75,025
*	Nationwide	Self directed money market		18,221
Nationwide Trust Company - Blend Funds:				
	Dimensional Fund Advisors	DFA Emerging Markets Core Equity I		36,090
	Dimensional Fund Advisors	DFA Global Real Estate Secured Inst		63,403
	Harbor	Harbor International Inst		70,906
	JP Morgan	JPMorgan Mid Cap Value Inst		1
	Vanguard	Vanguard 500 Index Signal		34,315
	Vanguard	Vanguard Target Retirement 2010		75,823
	Vanguard	Vanguard Target Retirement 2015		11,130
	Vanguard	Vanguard Target Retirement 2020		238,885
	Vanguard	Vanguard Target Retirement 2025		177,294
	Vanguard	Vanguard Target Retirement 2030		105,062
	Vanguard	Vanguard Target Retirement 2035		136,390
	Vanguard	Vanguard Target Retirement 2040		192,810
	Vanguard	Vanguard Target Retirement 2045		152,404
	Vanguard	Vanguard Target Retirement 2050		92,880
	Vanguard	Vanguard Target Retirement 2055		27,344
	Vanguard	Vanguard Target Retirement 2060		20,278
	Vanguard	Vanguard Target Retirement Income		383,619
	Vanguard	Vanguard Total Stock Market Index Signal		154,530
	Total			1,973,164
Nationwide Trust Company - Growth Funds:				
	American Funds	American Funds Capital R6		64,467
	Fidelity Investments	Fidelity Advisor Real Estate		1
	MFS	MFS Research R4		93,396
*	Nationwide	Nationwide Bailard Tech & Science		8,231
	Oppenheimer Funds	Oppenheimer Global Y		70,631
	Principal Funds	Principal Large Cap Growth Inst		1
	Vanguard	Vanguard Health Care Investment		30,523

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Vanguard	Vanguard Small Cap Grade Index Inv	17,504
Vanguard	Vanguard Precious Metals Mining Inv	2,779
Vanguard	Vanguard REIT Index Adm	5,152
Vanguard	Vanguard Explorer Adm	27,461
Total		320,146
Nationwide Trust Company - Value Funds:		
American Beacon	American Beacon International Equity Inst	92,984
American Funds	American Funds Am Hi Income Tr R6	1
Invesco	Invesco Growth and Income Y	90,878
JP Morgan	JP Morgan Small Cap Value Select	16,979
MFS	MFS Utilities R4	3,408
Principal Funds	Principal Equity Income Inst	61,027
Vanguard	Vanguard Select Value Investment	5,501
Total		270,778
Nationwide Trust Company - Bonds:		
American Century Investments	American Century Inflation Adjusted Bond Inst	1
American Century Investments	American Century Short Duration Inflation Protected Bond	83,322
American Funds	American Funds Capital World Bond R6	1
Federated	Federated Total Return Bond Inst	1
JP Morgan	JPMorgan Strategic Income Opps R5	40,604
Legg Mason	Legg Mason BW Global Opp Bond A	50,056
Pimco	Pimco Real Return Inst	1
Prudential Investments	Prudential Hi Yield Z	51,179
Prudential Investments	Prudential Total Return Bond Z	67,134
TCW	TCW Total Return Bond Fund	126,965
Legg Mason	Western Asset Inflation Index Plus Bond	1
Vanguard	Vanguard Short-term Investment-grade Inv	563
Vanguard	Vanguard Total Bond Market Index Signal	1
Total		419,829
Nationwide Trust Company - Exchange Traded Funds:		
SPDR Gold ETFs	SPDR Gold Trust Gold Shares	4,058
		4,058
Nationwide Trust Company - Money Market Funds:		
Dreyfus	Dreyfus Cash Management Fund	10
Dreyfus	Dreyfus Inst Preferred Money Market Premium	3,781
* Nationwide	Nationwide Bank FDIC Insured Account	294,594
		298,385
* Participant Loans	4.25% rate; Maturities through September 2029	— 71,666
		\$5,725,883

(d) Investments are participant directed; therefore, cost information is not required.

* Indicates party-in-interest to the Plan

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

United Security Bank 401K Cash or Deferred Ownership Plan

April 15, 2016

By: /s/ Bhavneet Gill
Senior Vice President
and Chief Financial Officer of United Security Bank

EXHIBIT INDEX

EXHIBIT
NUMBER

EXHIBIT

23.1

Consent of Moss Adams LLP