FIRST COMMUNITY CORP /SC/
Form 11-K
June 26, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK

PURCHASE, SAVINGS AND SIMILAR PLANS

PURSUANT TO SECTION 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

OR

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

Commission file number 000-28344

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

First Community Bank 401(k) Plan

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

First Community Corporation

5455 Sunset Blvd

Lexington, South Carolina 29072

REQUIRED INFORMATION

The following financial statements and supplemental schedule for the First Community Bank 401(k) Plan are being filed herewith:

Audited Financial Statements:

Report of Independent Registered Public Accounting Firm – Elliott Davis, LLC

Statements of Net Assets Available for Benefits as of December 31, 2017 and 2016

Statements of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2017

Notes to Financial Statements for the Year Ended December 31, 2017

Supplemental Schedule:

Schedule of Assets Held – December 31, 2017

The following exhibit is being filed herewith:

Exhibit No.	Description
23.1	Consent of Independent Registered Public Accounting Firm – Elliott Davis, LLC

First Community Bank

401(k) Plan

Report on Financial Statements

For the year ended December 31, 2017

First Community Bank 401(k) Plan

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Report of Independent Registered Public Accounting Firm

To the Trustees of

First Community Bank 401(k) Plan

Lexington, South Carolina

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of First Community Bank 401(k) Plan (the "Plan") as of December 31, 2017 and 2016, the related statements of changes in net assets available for benefits for the years then ended, and the related notes (collectively referred to as the "financial statements"). 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, 2017 and 2016, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Report on Supplemental Information

The supplemental information in the accompanying schedule of assets (held at end of year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule 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 schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the schedule of assets (held at end of year) as of December 31, 2017 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ Elliott Davis, LLC

We have served as the Plan's auditor since 2006.

Columbia, South Carolina

June 26, 2018

First Community Bank 401(k) Plan

Statements of Net Assets Available for Benefits

December 31, 2017 and 2016

	2017	2016
Assets		
Investments at fair value (see Note 4)	$15,699,215	$12,486,155
Receivables		
Participant contributions	21,217	27,035
Employer contributions	190,385	133,891
Notes receivable from participants	292,998	331,360
Total receivables	504,600	492,286
Total assets	16,203,815	12,978,441
Liabilities		
Fees payable	3,937	4,480
Net assets available for benefits	$16,199,878	$12,973,961

See Notes to Financial Statements

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First Community Bank 401(k) Plan

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2017

Additions:	
Investment income	
Net appreciation in fair value of investments	$1,719,672
Interest and dividends	785,191
Total investment income	2,504,863
Contributions	
Employer contributions	581,302
Employee contributions	865,349
Total contributions	1,446,651
Interest income on notes receivable from participants	12,473
Total additions	3,963,987
Deductions:	
Administrative expenses	43,863
Distributions paid to participants	694,207
Total deductions	738,070
Net increase	3,225,917
Net assets available for benefits, beginning of year	12,973,961
Net assets available for benefits, end of year	$16,199,878

See Notes to Financial Statements

First Community Bank 401(k) Plan

Notes to Financial Statements

December 31, 2017

Note 1. Description of the Plan

The following description of First Community Bank (the “Bank”) 401(k) Plan (the “Plan”) provides only general information. The Bank is a subsidiary of First Community Corporation (the “Company”). The Plan is currently sponsored and maintained by the Bank. 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 all employees of the Bank who have completed at least three months of service and are age eighteen or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Contributions:

Each year, participants may elect to defer a portion of their eligible compensation, as defined by the Plan. Participants who have attained the age of fifty before the end of the plan year are eligible to make catch up contributions. Participants may also contribute amounts representing distributions from other qualified benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Bank makes a matching contribution equal to 100% of employee contributions which do not exceed 3% of compensation, plus 50% of employee contributions which exceed 3% but do not exceed 5% of compensation. Additional profit sharing amounts may be contributed at the option of the Bank’s board of directors to each eligible participant equal to a uniform percentage of each participant’s compensation. Eligible participants are defined as those having one year of service and employed as of year end. The exact percentage, if any, will be determined by the Bank. During the year ended December 31, 2017, the Bank made $180,659 in additional profit sharing contributions. Contributions are subject to certain Internal Revenue Service (“IRS”) limitations.

Participant accounts:

Each participant’s account is credited with the participant’s contributions, Bank contributions and Plan earnings. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Vesting:

Participants are immediately vested in their contributions and in the employer safe harbor matching contributions, plus actual earnings thereon. Vesting in the Bank’s discretionary contribution portion of their accounts is based on years of continuous service. A participant is 100% vested after six years of credited service.

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First Community Bank 401(k) Plan

Notes to Financial Statements

December 31, 2017

Note 1. Description of the Plan, Continued

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. The $50,000 maximum amount will be reduced by the participant’s highest outstanding note balance in the previous 12 months, even if amounts have been repaid. The notes are secured by the balance in the participant’s account. The interest rate is the prime interest rate as set by the Wall Street Journal plus 1%, or such other rate as determined by the Plan Administrator on the basis of relevant factors including but not limited to the rates charged by local banks for notes of similar duration and security level. The rate of interest will be constant throughout the term of the note. All notes are required to be repaid within five years of the note. If a participant notifies the Plan Administrator in writing that the entire proceeds of the note was used to acquire a dwelling unit that will, within a reasonable time, be used as the principal residence of the participant the note will be required to be repaid within 15 years of the original date of the note. Notes are to be repaid on the basis of substantially level amortization over the term of the note with payments made through salary reduction each pay period if available. All or any part of the outstanding balance of a note can be repaid at any time.

Payment of benefits:

On termination of service, a participant may elect to receive a lump-sum amount equal to the value of the participant’s vested interest in his or her account, less any notes outstanding. Hardship distributions are permitted upon demonstration of financial hardship. All fully vested balances are available for distribution after the participant reaches the age of 59½.

Forfeited accounts:

At December 31, 2017 and 2016, forfeited nonvested accounts totaled $0 and $337, respectively. Forfeitures may be used to reduce the Bank’s future contributions to the Plan as well as in payment of administrative expenses. Also in

2017, administrative expenses were reduced by $6,713 from forfeited nonvested accounts.

Note 2. Summary of Significant Accounting Policies and Activities

Basis of accounting:

The financial statements of the Plan are prepared on the accrual basis of accounting.

Investment valuation and income recognition:

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan Administrative Committee determines the Plan's valuation policies utilizing information provided by the investment advisors. See Note 4 for discussion of fair value measurements.

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First Community Bank 401(k) Plan

Notes to Financial Statements

December 31, 2017

Note 2. Summary of Significant Accounting Policies and Activities, Continued

Investment valuation and income recognition, continued:

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Concentration of credit risk:

At both December 31, 2017 and 2016, investments in First Community Corporation Unitized Stock Fund comprised 16% of the Plan's assets. At December 31, 2017 and 2016, the unitized common stock fund was valued at $2,577,555 and $2,097,923, respectively. At December 31, 2017 and 2016, the actual number of shares of the Company's common stock in the unitized stock fund held by the Plan was 107,282 and 115,572 shares, respectively.

Notes receivable from participants:

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2017 or 2016. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Payment of benefits:

Benefits are recorded when paid.

Expenses:

Certain expenses of maintaining the Plan are paid directly by the Bank and are excluded from these financial statements. Fees related to the administration of notes receivable from participants and other distributions to participants are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation of fair value of investments.

First Community Bank 401(k) Plan

Notes to Financial Statements

December 31, 2017

Note 2. Summary of Significant Accounting Policies and Activities, Continued

Recently issued accounting pronouncements:

In January 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. With certain exceptions, early adoption is not permitted. Plan management is currently evaluating the impact that ASU 2016-01 will have on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Plan's net assets or changes in net assets.

Note 3. Plan Termination

Although it has not expressed any intent to do so, the Bank 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 Plan termination, participants would become 100% vested in their employer contributions.

Note 4. Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

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;
- 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: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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First Community Bank 401(k) Plan

Notes to Financial Statements

December 31, 2017

Note 4. Fair Value Measurements, Continued

The asset's 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 relevant observable inputs and minimize the use of unobservable inputs.

The 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, 2017 and 2016.

Mutual funds**:** Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Common collective trust fund: Valued at NAV. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily. Were the Plan to initiate a full redemption of the collective trust, the investment adviser reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

First Community Corporation Unitized Stock Fund**:** Valued at the closing price of First Community Corporation's common stock reported on the active market on which the individual securities are traded plus the carrying value of the cash component of the fund, which approximates fair value.

The following tables set forth by level, within the fair value hierarchy, the Plan's fair value measurements as of December 31, 2017 and 2016:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	$12,646,828	$ —	$ —	$12,646,828
First Community Corporation Unitized Stock Fund	2,577,555	—	—	2,577,555
Total assets in the fair value hierarchy	$15,224,383	$ —	$ —	15,224,383
Investments measured at NAV [(a)]				474,832
Investments at fair value				$15,699,215

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	$9,964,296	$ —	$ —	$9,964,296
First Community Corporation Unitized Stock Fund	2,097,923	—	—	2,097,923
Total assets in the fair value hierarchy	$12,062,219	$ —	$ —	12,062,219
Investments measured at NAV [(a)]				423,936
Investments at fair value				