

SURREY BANCORP  
Form 10-Q  
May 12, 2014

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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 the quarterly period ended March 31, 2014

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

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

COMMISSION FILE NO. 000-50313

SURREY BANCORP

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(Exact name of registrant as specified in its charter)

North Carolina  
(State or other jurisdiction of incorporation or organization)

59-3772016  
(IRS Employer Identification No.)

145 North Renfro Street, Mount Airy, NC 27030

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(Address of principal executive offices)

(336) 783-3900

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(Registrant's telephone number)

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Check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer  Accelerated filer

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Non-accelerated filer  Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date:

On May 9, 2014 there were 3,542,984 common shares issued and outstanding.

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## Consolidated Balance Sheets

March 31, 2014 (Unaudited) and December 31, 2013 (Audited)

|   | March<br>2014        | December<br>2013     |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| Cash and due from banks   | \$5,915,986          | \$7,424,593          |
| Interest-bearing deposits with banks  | 46,120,451           | 34,351,505           |
| Federal funds sold  | 1,212,955            | 1,311,641            |
| Investment securities available for sale  | 4,555,287            | 4,549,702            |
| Restricted equity securities  | 617,859              | 676,799              |
| Loans, net of allowance for loan losses of \$3,364,054 at March 31, 2014 and \$3,375,350 at December 31, 2013   | 179,027,735          | 179,908,825          |
| Property and equipment, net   | 4,431,074            | 4,440,215            |
| Foreclosed assets   | 144,521              | -                    |
| Accrued income  | 955,229              | 966,042              |
| Goodwill  | 120,000              | 120,000              |
| Bank owned life insurance   | 5,502,346            | 5,462,336            |
| Other assets  | 1,786,401            | 1,707,319            |
| <b>Total assets</b>   | <b>\$250,389,844</b> | <b>\$240,918,977</b> |
| <b>Liabilities and Stockholders' Equity</b>   |                      |                      |
| <b>Liabilities</b>  |                      |                      |
| <b>Deposits:</b>  |                      |                      |
| Noninterest-bearing   | \$44,364,868         | \$42,713,122         |
| Interest-bearing  | 160,750,692          | 153,087,839          |
| <b>Total deposits</b>   | <b>205,115,560</b>   | <b>195,800,961</b>   |
| Long-term debt  | 7,750,000            | 7,750,000            |
| Dividends payable   | 45,227               | 790,259              |
| Accrued interest payable  | 152,587              | 123,558              |
| Other liabilities   | 2,476,602            | 2,236,573            |
| <b>Total liabilities</b>  | <b>215,539,976</b>   | <b>206,701,351</b>   |
| <b>Commitments and contingencies (Note 4)</b>   |                      |                      |
| <b>Stockholders' equity</b>   |                      |                      |
| Preferred stock, 1,000,000 shares authorized, 189,356 shares of Series A, issued and outstanding with no par value, 4.5% convertible non-cumulative, perpetual, with a liquidation value of \$14 per share; | 2,620,325            | 2,620,325            |
| 181,154 shares of Series D, issued and outstanding with no par value 5.0% convertible non-cumulative, perpetual; with a liquidation value of \$7.08 per share;  | 1,248,482            | 1,248,482            |
| Common stock, 10,000,000 shares authorized at no par value; 3,542,984 shares issued and outstanding at March 31, 2014 and December 31, 2013   | 12,061,153           | 12,061,153           |
| Retained earnings   | 18,960,262           | 18,329,089           |
| Accumulated other comprehensive loss  | (40,354 )            | (41,423 )            |
| <b>Total stockholders' equity</b>   | <b>34,849,868</b>    | <b>34,217,626</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$250,389,844</b> | <b>\$240,918,977</b> |

See Notes to Consolidated Financial Statements

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## Consolidated Statements of Income

Three months ended March 31, 2014 and 2013 (Unaudited)

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|   | 2014 |         |
|---|------|---------|
| Interest income                                     |      |         |
| Loans and fees on loans                             | \$   | 2,592   |
| Federal funds sold                                  |      | 684     |
| Investment securities, taxable                      |      | 16,26   |
| Investment securities, dividends                    |      | 3,617   |
| Deposits with banks                                 |      | 19,61   |
| Total interest income                               |      | 2,632   |
| Interest expense                                    |      |         |
| Deposits  |      | 274,9   |
| Fed funds purchased                                 |      | 17      |
| Short-term debt                                     |      | -       |
| Long-term debt                                      |      | 71,87   |
| Total interest expense                              |      | 346,8   |
| Net interest income                                 |      | 2,285   |
| Provision for loan losses                           |      | (62,36) |
| Net interest income after provision for loan losses |      | 2,348   |
| Noninterest income                                  |      |         |
| Service charges on deposit accounts                 |      | 199,0   |
| Realized gain on the sale of investment securities  |      | 2,898   |

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|   |       |
|---|-------|
| Fees on loans delivered to correspondents | 530   |
| Other service charges and fees            | 146,0 |
| Income from Bank Owned Life Insurance     | 40,01 |
| Other operating income                    | 193,3 |
| Total noninterest income                  | 581,9 |

|                                |       |
|--------------------------------|-------|
| Noninterest expense            |       |
| Salaries and employee benefits | 1,009 |

1,071,850

|        |  |
|--------|--|
| 10,000 | GROWTH, Series 2004, 5.250%, 12/01/20  |
| 1,500  | Greenville County School District, South Carolina, Installment Purchase Revenue Bonds, Series 2002, 5.875%, 12/01/19 (Pre-refunded 12/01/12)           |
| 2,500  | Lexington County Health Service District, South Carolina, Hospital Revenue Refunding and Improvement Bonds, Series 2003, 6.000%, 11/01/18              |
| 1,720  | South Carolina JOBS Economic Development Authority, Economic Development Revenue Bonds, Bon Secours Health System Inc., Series 2002A, 5.625%, 11/15/30 |
|        | Tobacco Settlement Revenue Management Authority, South Carolina, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 6.000%, 5/15/22                  |

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16,720 Total South Carolina

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**Texas □ 9.3%**

|       |  |
|-------|--|
| 5,000 | Brazos River Harbor Navigation District, Brazoria County, Texas, Environmental Facilities Revenue Bonds, Dow Chemical Company Project, Series 2002A-6, 6.250%, 5/15/33 (Mandatory put 5/15/17) (Alternative Minimum Tax) |
| 1,000 | Dallas Area Rapid Transit, Texas, Senior Lien Sales Tax Revenue Bonds, Series 2001, 5.000%, 12/01/31 □ AMBAC Insured   |
| 6,150 | Dallas Independent School District, Dallas County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/15/20   |
| 360   | Dallas-Fort Worth International Airport Public Facility Corporation, Texas, Airport Hotel Revenue Bonds, Series 2001, 5.500%, 1/15/20 □ FSA Insured  |
| 2,300 | Harris County Health Facilities Development Corporation, Texas, Thermal Utility Revenue Bonds, TECO Project, Series 2003, 5.000%, 11/15/30 □ MBIA Insured  |
| 1,620 | Harris County-Houston Sports Authority, Texas, Senior Lien Revenue Refunding Bonds, Series 2001A, 0.000%, 11/15/38 □ MBIA Insured  |
| 3,500 | Irving Independent School District, Dallas County, Texas, General Obligation Refunding Bonds, Series 2002A, 5.000%, 2/15/31  |
| 95    | San Antonio, Texas, Water System Revenue Refunding Bonds, Series 1992: 6.000%, 5/15/16 (Pre-refunded 5/15/07) □ MBIA Insured   |

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|                             |   |
|-----------------------------|---|
| 465                         | 6.000%, 5/15/16 (Pre-refunded 5/15/12) ☐ MBIA Insured   |
| 1,750                       | Texas, General Obligation Bonds, Water Financial Assistance Program, Series 2003A, 5.125%, 8/01/42 (Alternative Minimum Tax)  |
| 22,240                      | Total Texas   |
| <b>Utah ☐ 0.3%</b>          |   |
| 775                         | Utah State Building Ownership Authority, Lease Revenue Bonds, State Facilities Master Lease Program, Series 2001B, 5.250%, 5/15/24                                  |
| <b>Washington ☐ 9.7%</b>    |   |
| 250                         | Energy Northwest, Washington, Electric Revenue Refunding Bonds, Columbia Generating Station ☐ Nuclear Project 2, Series 2002C, 5.500%, 7/01/17 ☐ MBIA Insured       |
| 5,700                       | Snohomish County Public Utility District 1, Washington, Generation System Revenue Bonds, Series 1989, 6.750%, 1/01/12 (ETM)   |
| 3,000                       | Washington State Healthcare Facilities Authority, Revenue Bonds, Catholic Health Initiatives, Series 1997A, 5.125%, 12/01/17 (Pre-refunded 12/01/07) ☐ MBIA Insured |
| 9,750                       | Washington State Healthcare Facilities Authority, Revenue Bonds, Sisters of Providence Health System, Series 2001A, 5.125%, 10/01/17 ☐ MBIA Insured                 |
| 2,415                       | Washington State Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2002, 6.500%, 6/01/26  |
| 2,115                       | Washington State, Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003F, 0.000%, 12/01/27 ☐ MBIA Insured  |
| 23,230                      | Total Washington  |
| <b>West Virginia ☐ 0.7%</b> |   |
| 1,635                       | Marshall County, West Virginia, Special Obligation Refunding Bonds, Series 1992, 6.500%, 5/15/10 (ETM)  |
| <b>Wisconsin ☐ 1.6%</b>     |   |
| 230                         | Badger Tobacco Asset Securitization Corporation, Wisconsin, Tobacco Settlement Asset-Backed Bonds, Series 2002, 6.125%, 6/01/27                                     |
| 1,000                       | Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Wheaton Franciscan Services Inc., Series 2003A, 5.500%, 8/15/17                               |
| 2,500                       | Wisconsin, General Obligation Refunding Bonds, Series 2003-3, 5.000%, 11/01/26  |
| 3,730                       | Total Wisconsin   |
| \$ 244,590                  | Total Investments (cost \$223,963,681) ☐ 98.9%  |
|                             | Other Assets Less Liabilities ☐ 1.1%  |
|                             | Net Assets ☐ 100%   |



- (1) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
  - (2) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
  - (3) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- N/R Not rated.  
 (ETM) Escrowed to maturity.

**Income Tax Information**

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to the treatment of paydown gains and losses, timing differences in recognizing taxable market discount and timing differences in recognizing certain gains and losses on investment transactions.

At December 31, 2006, the cost of investments was \$223,555,743.

Gross unrealized appreciation and gross unrealized depreciation of investments at December 31, 2006, were as follows:

|   |              |
|---|--------------|
| Gross unrealized:   |              |
| Appreciation  | \$15,442,630 |
| Depreciation  | (27,429)     |
| <hr/>   |              |
| Net unrealized appreciation (depreciation) of investments | \$15,415,201 |

**Item 2. Controls and Procedures.**

- a. The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- b. There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits.**

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File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)), exactly as set forth below: EX-99 CERT Attached hereto.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Select Tax-Free Income Portfolio

By (Signature and Title)\* /s/ Jessica R. Droeger  
Jessica R. Droeger  
Vice President and Secretary

Date March 1, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* /s/ Gifford R. Zimmerman  
Gifford R. Zimmerman  
Chief Administrative Officer (principal executive officer)

Date March 1, 2007

By (Signature and Title)\* /s/ Stephen D. Foy  
Stephen D. Foy  
Vice President and Controller (principal financial officer)

Date March 1, 2007

\* Print the name and title of each signing officer under his or her signature.