

RGC RESOURCES INC
Form 10-Q/A
October 19, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

(Amendment No. 1)

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

For Quarterly Period Ended June 30, 2007

Commission File Number 000-26591

RGC Resources, Inc.

(Exact name of Registrant as Specified in its Charter)

VIRGINIA
(State or Other Jurisdiction of
Incorporation or Organization)

54-1909697
(I.R.S. Employer
Identification No.)

519 Kimball Ave., N.E.,
Roanoke, VA 24016

(Address of Principal Executive Offices, including zip code)

(540) 777-4427

(Registrant's Telephone Number, Including Area Code)

None

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 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.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2007
Common Stock, \$5 Par Value	2,171,005

Explanatory Note

On October 16, 2007, RGC Resources, Inc. (the Company) concluded that it should amend and restate the Company's quarterly report on Form 10-Q for the three months and nine months ended June 30, 2007. This Form 10-Q/A is being filed to correct the income tax expense estimate included in discontinued operations associated with the pending sale of Bluefield Gas Company (Bluefield) stock.

On February 16, 2007, Resources entered into a Purchase and Sale Agreement with ANGD, LLC for the sale of the capital stock of Bluefield at a sales price substantially equal to the book value of Bluefield's net assets on the date of closing. At June 30, when these operations were reclassified as discontinued operations, the gain or loss on the sale of the stock and the corresponding estimate of income tax expense on the transaction were not deemed to be significant. During the Company's subsequent year-end tax planning and review process, management determined that income tax expense included in discontinued operations may be understated by as much as \$580,000 based on the current estimate of tax basis of the Bluefield stock. For further information, see Note 6 to the condensed financial statements.

The Company is filing this Form 10-Q/A, which amends and restates the condensed financial statements and other information of the Company, including Management's Discussion and Analysis, and updates management's evaluation of disclosure controls and procedures and internal control over financial reporting. All other information is unchanged and reflects the disclosures made at the time of the original filing. In addition, currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer have been included as exhibits to this Form 10-Q/A.

RGC RESOURCES, INC. AND SUBSIDIARIESCONDENSED CONSOLIDATED BALANCE SHEETSUNAUDITED

	June 30, 2007 (As restated)	September 30, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,792,399	\$ 1,490,141
Accounts receivable - (less allowance for uncollectibles of \$463,137 and \$26,584, respectively)	4,834,605	4,558,458
Intercompany receivable		
Materials and supplies	603,959	553,773
Gas in storage	15,392,402	19,932,064
Assets available for sale	11,927,386	13,726,791
Prepaid income taxes	761,213	879,957
Deferred income taxes	1,307,961	2,654,548
Fair value of marked to market transactions	423,887	
Other	601,014	392,564
Total current assets	40,644,826	44,188,296
Utility Property:		
In service	107,051,309	102,822,594
Accumulated depreciation and amortization	(36,447,270)	(34,447,514)
In service, net	70,604,039	68,375,080
Construction work in progress	1,402,580	1,702,416
Utility Plant, Net	72,006,619	70,077,496
Other assets	379,451	396,780
Total Assets	\$ 113,030,896	\$ 114,662,572

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIESCONDENSED CONSOLIDATED BALANCE SHEETSUNAUDITED

	June 30, 2007 (As restated)	September 30, 2006
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Borrowings under lines of credit	\$ 88,000	\$ 3,353,000
Dividends payable	662,156	643,067
Accounts payable	10,831,838	8,328,365
Customer credit balances	2,711,033	4,027,668
Income taxes payable	3,206	
Customer deposits	1,481,320	1,245,508
Accrued expenses	3,402,619	3,484,476
Liabilities of assets available for sale	6,701,949	8,252,463
Over-recovery of gas costs	1,512,356	2,112,256
Fair value of marked to market transactions		1,486,699
Total current liabilities	27,394,477	32,933,502
Long-term Debt, Excluding Current Maturities	28,000,000	28,000,000
Deferred Credits and Other Liabilities:		
Asset retirement obligations	2,484,543	2,404,839
Regulatory cost of retirement obligations	5,816,851	5,319,198
Deferred income taxes	5,563,673	5,351,746
Deferred investment tax credits	135,550	158,419
Total deferred credits and other liabilities	14,000,617	13,234,202
Stockholders Equity:		
Common stock, \$5 par value; authorized, 10,000,000 shares; issued and outstanding 2,170,138 and 2,138,595 shares, respectively	10,850,690	10,692,975
Preferred stock, no par, authorized, 5,000,000 shares; no shares issued and outstanding		
Capital in excess of par value	15,162,925	14,521,812
Retained earnings	17,359,208	15,282,909
Accumulated other comprehensive income (loss)	262,979	(2,828)
Total stockholders equity	43,635,802	40,494,868
Total Liabilities and Stockholders Equity	\$ 113,030,896	\$ 114,662,572

RGC RESOURCES, INC. AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENTS OF INCOMEFOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006UNAUDITED

	Three Months Ended		Nine Months Ended	
	June 30, 2007 (As restated)	2006	June 30, 2007 (As restated)	2006
Operating Revenues:				
Gas utilities	\$ 15,001,023	\$ 11,258,506	\$ 78,648,958	\$ 82,856,760
Other	130,352	236,542	472,174	510,841
Total operating revenues	15,131,375	11,495,048	79,121,132	83,367,601
Cost of Sales:				
Gas utilities	10,132,586	6,920,851	58,164,503	64,084,538
Other	51,511	186,733	225,801	298,439
Total cost of sales	10,184,097	7,107,584	58,390,304	64,382,977
Gross Margin	4,947,278	4,387,464	20,730,828	18,984,624
Other Operating Expenses:				
Operations	2,530,592	2,407,054	7,983,804	7,851,331
Maintenance	341,989	293,743	924,091	929,531
General taxes	283,381	269,458	848,937	845,789
Depreciation and amortization	1,026,432	959,712	3,078,860	2,895,135
Total other operating expenses	4,182,394	3,929,967	12,835,692	12,521,786
Operating Income	764,884	457,497	7,895,136	6,462,838
Other Income, net	(71,292)	(41,260)	(72,606)	(27,818)
Interest Expense	458,679	448,393	1,465,524	1,547,036
Income from Continuing Operations Before Income Taxes	377,497	50,364	6,502,218	4,943,620
Income Tax Expense from Continuing Operations	140,977	24,237	2,468,010	1,888,328
Income from Continuing Operations	236,520	26,127	4,034,208	3,055,292
Discontinued operations:				
Income (loss) from discontinued operations, net of income taxes of \$650,317, (\$58,254), \$955,133 and \$305,543, respectively	(459,586)	(83,086)	20,945	497,005
Net Income (Loss)	(223,066)	(56,959)	4,055,153	3,552,297
Other Comprehensive Income, net of tax	300,307	319,045	265,807	752,910
Comprehensive Income	\$ 77,241	\$ 262,086	\$ 4,320,960	\$ 4,305,207
Basic Earnings (Loss) Per Common Share:				

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Income from continuing operations	\$	0.11	\$	0.01	\$	1.87	\$	1.44
Discontinued operations		(0.21)		(0.04)		0.01		0.24
Net income (loss)	\$	(0.10)	\$	(0.03)	\$	1.88	\$	1.68
Diluted Earnings (Loss) Per Common Share:								
Income from continuing operations	\$	0.11	\$	0.01	\$	1.86	\$	1.44
Discontinued operations		(0.21)		(0.04)		0.01		0.23
Net income (loss)	\$	(0.10)	\$	(0.03)	\$	1.87	\$	1.67

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH PERIODSENDED JUNE 30, 2007 AND 2006UNAUDITED

	Nine Months Ended	
	June 30,	
	2007	2006
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net income from continuing operations	\$ 4,034,208	\$ 3,055,292
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	3,248,629	3,058,422
Cost of removal of utility plant, net	(218,873)	(174,097)
Changes in assets and liabilities which provided cash, exclusive of changes and noncash transactions shown separately	5,909,101	8,707,528
Net cash provided by continuing operating activities	12,973,065	14,647,145
Net cash provided by discontinued operations	1,192,047	506,836
Net cash provided by operating activities	14,165,112	15,153,981
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Additions to utility plant and nonutility property	(4,557,706)	(5,109,452)
Proceeds from disposal of utility property		3,416
Net cash used in continuing investing activities	(4,557,706)	