

RGC RESOURCES INC
Form 10-Q/A
April 21, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A Amendment No. 1

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

For Quarter Ended December 31, 2003

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)

519 Kimball Ave., N.E., Roanoke, VA
(Address of Principal Executive Offices)

54-1909697
(I.R.S. Employer

Identification No.)

24016
(Zip Code)

(540) 777-4427

(Registrant's Telephone Number, Including Area Code)

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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 x No "

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

<u>Class</u>	<u>Outstanding at December 31, 2003</u>
Common Stock, \$5 Par Value	2,014,576

EXPLANATORY NOTE

This Amendment No. 1 to the Quarterly Report on Form 10-Q of RGC Resources Inc. and Subsidiaries for the quarter ended December 31, 2003 is being filed for the purpose of amending and revising the Condensed Consolidated Balance Sheets Unaudited and Condensed Note 10 to the Condensed Consolidated Financial Statements Unaudited. In accordance with accounting guidance issued subsequent to the original 10-Q filing on February 13, 2004, the originally filed Quarterly Report on Form 10-Q is being amended to reflect the reclassification of amounts recorded for the cost of removal of utility plant, previously recognized within accumulated depreciation, as a separate liability and a regulatory liability for the periods ended December 31, 2003, and September 30, 2003. This amendment does not reflect events occurring after the original filing of the Form 10-Q or modify or update those disclosures except as stated in the preceding sentence.

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED

	December 31, 2003	September 30, 2003
	<u> </u>	<u> </u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,412,945	\$ 135,998
Accounts receivable - (less allowance for uncollectibles of \$741,799 and \$318,899, respectively)	18,902,360	6,183,162
Inventories	2,710,830	2,559,306
Prepaid gas service	10,995,800	14,782,752
Prepaid income taxes		1,079,802
Deferred income taxes	2,007,411	1,605,509
Under-recovery of gas costs	862,513	790,126
Unrealized gains on marked-to-market transactions	503,330	
Other	1,032,883	541,322
	<u> </u>	<u> </u>
Total current assets	38,428,072	27,677,977
	<u> </u>	<u> </u>
Property, Plant And Equipment:		
Utility plant in service	97,035,515	96,385,022
Accumulated depreciation and amortization	(33,788,153)	(33,136,643)
	<u> </u>	<u> </u>
Utility plant in service, net	63,247,362	63,248,379
Construction work in progress	2,476,600	1,992,222
	<u> </u>	<u> </u>
Utility Plant, Net	65,723,962	65,240,601
	<u> </u>	<u> </u>
Nonutility property	21,019,094	20,793,278
Accumulated depreciation and amortization	(9,018,341)	(8,832,823)
	<u> </u>	<u> </u>
Nonutility property, net	12,000,753	11,960,455
	<u> </u>	<u> </u>
Total property, plant and equipment	77,724,715	77,201,056
	<u> </u>	<u> </u>
Other Assets:		
Goodwill	298,314	298,314
Other assets	774,220	769,754
	<u> </u>	<u> </u>
Total other assets	1,072,534	1,068,068
	<u> </u>	<u> </u>
Total Assets	\$ 117,225,321	\$ 105,947,101
	<u> </u>	<u> </u>

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED

	December 31, 2003	September 30, 2003
	<u>2003</u>	<u>2003</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 32,959	\$ 1,032,372
Borrowings under lines of credit	19,080,000	12,992,000
Dividends payable	574,562	571,458
Accounts payable	12,222,268	9,289,899
Income taxes payable	613,371	
Customer deposits	620,628	477,465
Accrued expenses	4,273,320	4,798,106
Refunds from suppliers due customers	44,776	42,320
Overrecovery of gas costs	2,611,624	1,172,585
Unrealized losses on marked to market transactions	189,381	319,264
	<u>40,262,889</u>	<u>30,695,469</u>
Total current liabilities	40,262,889	30,695,469
	<u>30,211,523</u>	<u>30,219,987</u>
Long-term Debt, Excluding Current Maturities	30,211,523	30,219,987
Deferred Credits:		
Asset retirement obligations	5,706,666	5,449,702
Deferred income taxes	5,584,358	5,457,991
Deferred investment tax credits	258,046	266,338
	<u>11,549,070</u>	<u>11,174,031</u>
Total deferred credits	11,549,070	11,174,031
Stockholders' Equity:		
Common stock, \$5 par value; authorized, 10,000,000 shares; issued and outstanding 2,014,576 and 2,003,232 shares, respectively	10,072,880	10,016,160
Preferred stock, no par, authorized, 5,000,000 shares; no shares issued and outstanding		
Capital in excess of par value	12,179,869	11,977,084
Retained earnings	13,043,761	12,018,920
Accumulated other comprehensive loss	(94,671)	(154,550)
	<u>35,201,839</u>	<u>33,857,614</u>
Total stockholders' equity	35,201,839	33,857,614
	<u>\$ 117,225,321</u>	<u>\$ 105,947,101</u>
Total Liabilities and Stockholders' Equity	\$ 117,225,321	\$ 105,947,101

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2003 AND 2002

UNAUDITED

	Three Months Ended	
	December 31,	
	2003	2002
Operating Revenues:		
Gas utilities	\$ 25,232,488	\$ 21,093,267
Propane operations	4,367,615	4,449,776
Energy marketing	4,493,413	2,716,562
Other	207,256	196,522
Total operating revenues	<u>34,300,772</u>	<u>28,456,127</u>
Cost of Sales:		
Gas utilities	18,632,493	14,931,493
Propane operations	2,385,019	2,104,523
Energy marketing	4,436,987	2,643,631
Other	88,700	110,683
Total cost of sales	<u>25,543,199</u>	<u>19,790,330</u>
Operating Margin	<u>8,757,573</u>	<u>8,665,797</u>
Other Operating Expenses:		
Operations	3,431,849	3,410,902
Maintenance	354,071	360,906
General taxes	470,463	459,076
Depreciation and amortization	1,369,518	1,335,529
Total other operating expenses	<u>5,625,901</u>	<u>5,566,413</u>
Operating Income	3,131,672	3,099,384
Other Expenses, net	(881)	39,309
Interest Expense	544,966	554,576
Income Before Income Taxes	<u>2,587,587</u>	<u>2,505,499</u>
Income Tax Expense	988,184	967,362
Net Income	<u>\$ 1,599,403</u>	<u>\$ 1,538,137</u>

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Basic Earnings Per Common Share	\$ 0.80	\$ 0.78
Diluted Earnings Per Common Share	\$ 0.79	\$ 0.78

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2003 AND 2002

UNAUDITED

	Three Months Ended	
	December 31,	
	2003	2002
	<u> </u>	<u> </u>
Net Income	\$ 1,599,403	\$ 1,538,137
Reclassification of loss (gain) transferred to net income	19,650	(73,772)
Unrealized gain (loss) on cash flow hedges	40,229	(83,038)
	<u> </u>	<u> </u>
Other comprehensive income (loss), net of tax	59,879	(156,810)
	<u> </u>	<u> </u>
Comprehensive Income	<u>\$ 1,659,282</u>	<u>\$ 1,381,327</u>

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2003 AND 2002

UNAUDITED

	Three Months Ended	
	December 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,599,403	\$ 1,538,137
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,428,757	1,391,516
Gain on asset disposition	(14,853)	(3,467)
Deferred taxes and investment tax credits	(283,827)	350,236
Changes in assets and liabilities which provided (used) cash, exclusive of changes and noncash transactions shown separately	(4,540,104)	(7,627,352)
Net cash used in operating activities	(1,810,624)	(4,350,930)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to utility plant and nonutility property	(1,712,366)	(1,891,849)
Cost of removal of utility plant, net	(26,239)	1,415
Proceeds from sales of assets	58,006	10,861
Net cash used in investing activities	(1,680,599)	(1,879,573)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	2,000,000	8,000,000
Retirement of long-term debt and capital leases	(2,132,876)	(32,330)
Net borrowings (repayments) under lines of credit	5,213,000	(1,396,000)
Cash dividends paid	(571,459)	(559,070)
Proceeds from issuance of stock	259,505	215,070
Net cash provided by financing activities	4,768,170	6,227,670
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,276,947	(2,833)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	135,998	288,030
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,412,945	\$ 285,197
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 718,438	\$ 922,940
Income taxes refunded, net	(383,928)	(825,067)

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Noncash transactions:

The Company executed a \$2,000,000 intermediate term note in October 2003, which resulted in the reclassification of \$1,125,000 from current maturities of long-term debt and \$875,000 from borrowings under lines of credit to long-term debt on the September 30, 2003 balance sheet as the Company met the requirements for making the reclassification.