

YORK WATER CO
Form 10-Q
August 09, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

For Quarter ended June 30, 2007

Commission file number 0-690

THE YORK WATER COMPANY
(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

23-1242500
(I.R.S. Employer
Identification No.)

**130 EAST MARKET STREET
YORK, PENNSYLVANIA**
(Address of principal executive offices)

17401
(Zip Code)

(717) 845-3601
(Registrant's telephone number, including area code)

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 checkmark 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.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Indicate by checkmark 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.

Edgar Filing: YORK WATER CO - Form 10-Q

Common stock, No par value

11,232,700 Shares outstanding
as of August 9, 2007

THE YORK WATER COMPANY

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheets
(In thousands of dollars, except per share amounts)

	(Unaudited)	(Unaudited)
	As of	As of
	Jun. 30,	Dec. 31,
	2007	2006
ASSETS		
UTILITY PLANT, at original cost	\$ 211,728	\$ 203,101
Plant acquisition adjustments	(1,198)	(1,081)
Accumulated depreciation	(29,942)	(28,220)
Net utility plant	180,588	173,800
OTHER PHYSICAL PROPERTY:		
Less accumulated depreciation of \$143 in 2007 and \$138 in 2006	567	569
CURRENT ASSETS:		
Receivables, less reserves of \$173 in 2007 and 2006	2,903	2,304
Unbilled revenues	2,487	2,536
Recoverable income taxes	289	520
Materials and supplies inventories, at cost	805	820
Prepaid expenses	430	400
Deferred income taxes	118	118
Total current assets	7,032	6,698
OTHER LONG-TERM ASSETS:		
Deferred debt expense	1,217	1,263
Notes receivable	633	1,941
Deferred regulatory assets	9,301	8,993
Other	3,175	2,800
Total long-term assets	14,326	14,997
Total Assets	\$ 202,513	\$ 196,064

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY**Balance Sheets**
(In thousands of dollars, except per share amounts)

	(Unaudited) As of Jun. 30, 2007	(Unaudited) As of Dec. 31, 2006
STOCKHOLDERS' EQUITY AND LIABILITIES		
COMMON STOCKHOLDERS' EQUITY:		
Common stock, no par value, authorized 46,500,000 shares, issued and outstanding 11,232,700 shares in 2007 and 11,201,119 shares in 2006	\$ 56,066	\$ 55,558
Retained earnings	10,245	9,904
Accumulated other comprehensive income(loss)	162	(101)
Total common stockholders' equity	66,473	65,361
PREFERRED STOCK, authorized 500,000 shares, no shares issued	-	-
LONG-TERM DEBT, excluding current portion	61,075	61,095
COMMITMENTS		
CURRENT LIABILITIES:		
Short-term borrowings	2,536	-
Current portion of long-term debt	1,240	1,240
Accounts payable	3,458	1,627
Dividends payable	1,094	1,075
Accrued taxes	2	70
Accrued interest	915	916
Other accrued expenses	936	995
Total current liabilities	10,181	5,923
DEFERRED CREDITS:		
Customers' advances for construction	24,964	25,221
Contributions in aid of construction	16,171	15,952
Deferred income taxes	16,674	15,529
Deferred employee benefits	6,085	5,891
Other deferred credits	890	1,092
Total deferred credits	64,784	63,685
Total Stockholders' Equity and Liabilities	\$ 202,513	\$ 196,064

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Income
(In thousands of dollars, except per share amounts)

	(Unaudited) Three Months Ended June 30		(Unaudited) Six Months Ended June 30	
	2007	2006	2007	2006
WATER OPERATING REVENUES:				
Residential	\$ 5,023	\$ 4,409	\$ 9,690	\$ 8,539
Commercial and industrial	2,342	2,055	4,469	4,003
Other	597	552	1,188	1,088
	7,962	7,016	15,347	13,630
OPERATING EXPENSES:				
Operation and maintenance	1,593	1,446	3,158	2,842
Administrative and general	1,747	1,482	3,425	2,868
Depreciation and amortization	767	635	1,528	1,269
Taxes other than income taxes	252	254	441	547
	4,359	3,817	8,552	7,526
Operating income	3,603	3,199	6,795	6,104
OTHER INCOME (EXPENSES):				
Interest on long-term debt	(986)	(859)	(1,930)	(1,712)
Interest on short-term debt	(39)	(149)	(57)	(269)
Allowance for funds used during construction	44	41	71	91
Other expenses, net	(41)	(1)	(227)	(30)
	(1,022)	(968)	(2,143)	(1,920)
Income before income taxes	2,581	2,231	4,652	4,184
Federal and state income taxes	920	765	1,665	1,459
Net income	\$ 1,661	\$ 1,466	\$ 2,987	\$ 2,725
Basic Earnings Per Share	\$ 0.15	\$ 0.14	\$ 0.27	\$ 0.26
Cash Dividends Declared Per Share	\$ 0.118	\$ 0.112	\$ 0.236	\$ 0.224

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Common Stockholders' Equity and Comprehensive Income
(In thousands of dollars, except per share amounts)
For the Periods Ended June 30, 2007 and 2006
(Unaudited)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2006	\$ 55,558	\$ 9,904	\$ (101)	\$ 65,361
Net income	-	2,987	-	2,987
Other comprehensive income:				
Unrealized gain on interest rate swap, net	-	-	263	263
Comprehensive income				3,250
Dividends (\$.236 per share)	-	(2,646)	-	(2,646)
Issuance of common stock under dividend reinvestment and employee stock purchase plans, net of issuance costs	508	-	-	508
Balance, June 30, 2007	\$ 56,066	\$ 10,245	\$ 162	\$ 66,473

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2005	\$ 42,015	\$ 8,633	\$ (233)	\$ 50,415
Net income	-	2,725	-	2,725
Other comprehensive income:				
Unrealized gain on interest rate swap, net	-	-	400	400
Comprehensive income				3,125
Dividends (\$.224 per share)	-	(2,332)	-	(2,332)
Issuance of common stock under dividend reinvestment and employee stock purchase plans, net of issuance costs	536	-	-	536
Balance, June 30, 2006	\$ 42,551	\$ 9,026	\$ 167	\$ 51,744

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Cash Flows
(In thousands of dollars, except per share amounts)

	(Unaudited) Six Months Ended June 30, 2007	(Unaudited) Six Months Ended June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,987	\$ 2,725
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,528	1,269
Increase in deferred income taxes	709	523
Other	(9)	(34)
Changes in assets and liabilities:		
Increase in accounts receivable, unbilled revenues and recoverable income taxes	(404)	(757)
Decrease in materials and supplies	15	74
Increase in prepaid expenses	(30)	(554)
Increase (decrease) in accounts payable, accrued expenses, regulatory and other liabilities, and deferred employee benefits and credits	714	(146)
Decrease in accrued interest and taxes	(69)	(7)
Increase in regulatory and other assets	(404)	(288)
Net cash provided by operating activities	5,037	2,805
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions, including allowance for funds used during construction of \$40 in 2007 and \$51 in 2006	(6,453)	(6,340)
Acquisition of water system	(896)	-
Decrease in notes receivable	835	109
Net cash used in investing activities	(6,514)	(6,231)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customers' advances for construction and contributions in aid of construction	1,174	3,138
Repayments of customer advances	(678)	(925)
Repayments of long-term debt	(20)	(19)
Borrowings under line-of-credit agreements	2,536	3,127
Changes in cash overdraft position	584	(99)
Issuance of common stock	508	536
Dividends paid	(2,627)	(2,332)
Net cash provided by financing activities	1,477	3,426
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	\$ -	\$ -

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest, net of amounts capitalized	\$	1,930	\$	1,916
Income taxes		764		1,039

Supplemental schedule of non cash investing and financing activities:

Accounts payable includes \$1,706 in 2007 and \$2,346 in 2006 for the construction of utility plant.

Accounts payable and other deferred credits includes \$208 in 2007 and \$271 in 2006 for the acquisition of water systems.

The change in notes receivable includes \$473 in 2007 offset by like amounts of customer advances.

The accompanying notes are an integral part of these statements.

Page 6

THE YORK WATER COMPANY

**Notes to Interim Financial Statements
(In thousands of dollars, except per share amounts)**

1. **Basis of Presentation**

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of results for such periods. Because the financial statements cover an interim period, they do not include all disclosures and notes normally provided in annual financial statements, and therefore, should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report to Shareholders for the year ended December 31, 2006.

Operating results for the three and six month periods ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

2. **Basic Earnings Per Share**

Basic earnings per share for the three months ended June 30, 2007 and 2006 were based on weighted average shares outstanding of 11,217,748 and 10,415,756, respectively.

Basic earnings per share for the six months ended June 30, 2007 and 2006 were based on weighted average shares outstanding of 11,210,905 and 10,409,237, respectively.

Since the Company has no common stock equivalents outstanding, there is no required calculation for diluted earnings per share.

3. **Reclassification**

Certain 2006 amounts have been reclassified to conform to the 2007 presentation. Such reclassifications had no effect on net income.

4. **Capital Commitments**

As of June 30, 2007 the Company had committed a total of \$2.4 million for a portion of a new residuals handling system which is one piece of a larger water treatment expansion project. As of the end of the quarter, the Company had yet to make any expenditures for this system.

The Company announced the acquisition of the West Manheim Township water system in York County, Pennsylvania during the second quarter of 2007. The purchase price per the agreement is approximately \$2.1 million. Settlement on this acquisition is expected to take place in July, 2008.

5. Pensions**Components of Net Periodic Pension Cost**

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Service Cost	\$ 181	\$ 171	\$ 362	\$ 342
Interest Cost	287	264	575	529
Expected return on plan assets	(274)	(249)	(548)	(497)