

Global Water Resources, Inc.
Form 10-Q
November 14, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from _____ to _____

Commission File Number: 001-37756

Global Water Resources, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	90-0632193
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
21410 N. 19th Avenue #220, Phoenix, AZ	85027
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (480) 360-7775

Edgar Filing: Global Water Resources, Inc. - Form 10-Q

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 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 (§ 232.405 of this chapter) 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions 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

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 14, 2016, the registrant had 19,581,266 shares of common stock, \$0.01 par value per share, outstanding.

EXPLANATORY NOTE

On April 28, 2016, the Company effected a 100.68 to 1.00 stock split. Certain prior period information has been adjusted to conform to the current year presentation to reflect the stock split. All share and per share amounts presented within the financial statements and management's discussion and analysis of financial condition and results of operations have been retrospectively adjusted to reflect the impact of the stock split.

TABLE OF CONTENTS

PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Operations</u>	4
<u>Condensed Consolidated Statement of Shareholders' Equity</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
Item 4. <u>Controls and Procedures</u>	41
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	41
Item 1A. <u>Risk Factors</u>	41
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
Item 3. <u>Defaults Upon Senior Securities</u>	54
Item 4. <u>Mine Safety Disclosures</u>	54
Item 5. <u>Other Information</u>	54
Item 6. <u>Exhibits</u>	55
<u>Signatures</u>	56
Exhibit Index	

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

GLOBAL WATER RESOURCES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	\$ 267,692	\$ 258,244
Less accumulated depreciation	(71,367)	(64,092)
Net property, plant and equipment	196,325	194,152
CURRENT ASSETS:		
Cash and cash equivalents	26,282	11,513
Accounts receivable — net	1,509	1,132
Due from affiliates	314	306
Accrued revenue	1,892	1,745
Prepaid expenses and other current assets	1,132	1,179
Assets held for sale	—	2,840
Total current assets	31,129	18,715
OTHER ASSETS:		
Intangible assets — net	12,772	12,772
Regulatory asset	136	227
Deposits	—	13
Bond service fund and other restricted cash	263	9,042
Equity method investment	487	821
Total other assets	13,658	22,875
TOTAL ASSETS	\$ 241,112	\$ 235,742
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,653	\$ 1,322
Accrued expenses	8,101	5,137
Deferred revenue	2	11
Customer and meter deposits	1,504	1,706
Long-term debt and capital leases — current portion	138	1,994
Liabilities relating to assets held for sale	—	493
Total current liabilities	12,398	10,663
NONCURRENT LIABILITIES:		
Long-term debt and capital leases	114,464	102,417
Deferred regulatory gain - ICFA	19,733	19,730
Regulatory liability	7,859	7,859

Edgar Filing: Global Water Resources, Inc. - Form 10-Q

Advances in aid of construction	61,911	61,480
Contributions in aid of construction — net	4,674	4,426
Deferred income tax liabilities, net	2,426	4,164
Acquisition liability	934	4,688
Other noncurrent liabilities	826	252
Total noncurrent liabilities	212,827	205,016
Total liabilities	225,225	215,679
Commitments and contingencies (see Note 13)		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.01 par value, 60,000,000 shares authorized; 28,308,013 and 18,241,746 shares		
issued as of September 30, 2016 and December 31, 2015, respectively	283	2
Treasury Stock, 8,726,747 and no shares at September 30, 2016 and December 31, 2015, respectively	(87)	—
Paid in capital	20,116	21,659
Accumulated deficit	(4,425)	(1,598)
Total shareholders' equity	15,887	20,063
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 241,112	\$ 235,742

See accompanying notes to the condensed consolidated financial statements

GLOBAL WATER RESOURCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUES:				
Water services	\$4,067	\$4,131	\$10,703	\$13,138
Wastewater and recycled water services	4,093	3,848	11,822	11,243
Unregulated revenues	20	164	60	466
Total revenues	8,180	8,143	22,585	24,847
OPERATING EXPENSES:				
Operations and maintenance	1,561	1,690	4,769	5,607
Operations and maintenance - related party	467	483	1,403	1,712
General and administrative	1,963	2,020	7,110	5,891
Depreciation	1,524	1,894	4,751	6,526
Total operating expenses	5,515	6,087	18,033	19,736
OPERATING INCOME	2,665	2,056	4,552	5,111
OTHER INCOME (EXPENSE):				
Interest income	5	4	12	8
Interest expense	(1,315)	(2,367)	(10,595)	(6,496)
Gain on condemnation of Valencia	—	43,074	—	43,074
Other	436	402	1,866	564
Other - related party	72	(31)	(70)	29
Total other income (expense)	(802)	41,082	(8,787)	37,179
INCOME (LOSS) BEFORE INCOME TAXES	1,863	43,138	(4,235)	42,290
INCOME TAX (EXPENSE) BENEFIT	(717)	(21,233)	1,473	(20,897)
NET INCOME (LOSS)	\$1,146	\$21,905	\$(2,762)	\$21,393
Basic earnings (loss) per common share	\$0.06	\$1.20	\$(0.15)	\$1.17
Diluted earnings (loss) per common share	\$0.06	\$1.20	\$(0.15)	\$1.17
Dividends declared per common share	\$0.07	\$1.24	\$0.20	\$1.37
Weighted average number of common shares used in the determination of:				
Basic	19,581,266	18,287,080	19,000,566	18,310,328
Diluted	19,610,604	18,287,080	19,000,566	18,310,328

See accompanying notes to the condensed consolidated financial statements

GLOBAL WATER RESOURCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except share and per share amounts)

(Unaudited)

	Shares	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Deficit	Total Equity
BALANCE – December 31, 2015	18,241,746	\$ 2	\$ —	\$21,659	\$ (1,598)	\$20,063
Net proceeds from sale of stock	1,339,520	281	—	5,258	—	5,539
Dividend declared \$0.20 per share	—	—	—	(3,730)	—	(3,730)
Merger of GWRC	—	—	(87)	(2,806)	—	(2,893)
Deemed distribution to related party	—	—	—	(648)	—	(648)
Stock compensation	—	—	—	—	—	—