

AQUA AMERICA INC
Form 10-Q
November 06, 2006

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, 2006

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 1-6659

AQUA AMERICA, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of
incorporation or organization)

23-1702594

(I.R.S. Employer
Identification No.)

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania

(Address of principal executive offices)

19010 3489

(Zip Code)

Registrant's telephone number, including area code: (610) 527-8000

(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 October 23, 2006.

132,092,253 .

AQUA AMERICA, INC. AND SUBSIDIARIES

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Part I Financial Information

Item 1. Financial Statements

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except per share amounts)

(UNAUDITED)

	September 30, 2006	December 31, 2005
	<hr/>	<hr/>
Assets		
Property, plant and equipment, at cost	\$3,094,279	\$2,900,585
Less: accumulated depreciation	676,685	620,635
	<hr/>	<hr/>
Net property, plant and equipment	2,417,594	2,279,950
	<hr/>	<hr/>
Current assets:		
Cash and cash equivalents	14,085	11,872
Accounts receivable and unbilled revenues, net	74,408	62,690
Income tax receivable		8,321
Inventory, materials and supplies	9,185	7,798
Prepayments and other current assets	11,167	7,596
	<hr/>	<hr/>
Total current assets	108,845	98,277
	<hr/>	<hr/>
Regulatory assets	133,875	130,953
Deferred charges and other assets, net	59,388	57,241
Funds restricted for construction activity	36,452	68,625
	<hr/>	<hr/>
	\$2,756,154	\$2,635,046
	<hr/>	<hr/>
Liabilities and Stockholders' Equity		
Common stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 132,772,930 and 129,658,806 in 2006 and 2005	\$66,387	\$64,829
Capital in excess of par value	543,326	478,508
Retained earnings	293,401	285,132
Treasury stock, 692,782 and 688,625 shares in 2006 and 2005	(13,031)	(12,914)
Accumulated other comprehensive loss	(2,756)	(3,082)
Unearned compensation		(550)

Total common stockholders' equity			887,327	811,923
Minority interest			1,738	1,551
Long-term debt, excluding current portion			917,227	878,438
Commitments and contingencies				
Current liabilities:				
Current portion of long-term debt			30,485	24,645
Loans payable			121,150	138,505
Accounts payable			34,316	55,455
Accrued interest			12,590	13,052
Accrued taxes			12,970	9,432
Dividends payable			15,189	
Other accrued liabilities			31,251	30,571
Total current liabilities			257,951	271,660
Deferred credits and other liabilities:				
Deferred income taxes and investment tax credits	259,216	250,346		
Customers' advances for construction	80,213	74,828		
Regulatory liabilities	12,874	11,751		
Other	34,487	31,969		
Total deferred credits and other liabilities	386,790	368,894		
Contributions in aid of construction	305,121	302,580		
	\$2,756,154	\$2,635,046		

See notes to consolidated financial statements beginning on page 8 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In thousands, except per share amounts)

(UNAUDITED)

**Nine Months Ended
September 30,****2006** **2005**

Operating revenues	\$396,648	\$373,871
Costs and expenses:		
Operations and maintenance	165,876	150,866
Depreciation	52,419	44,890
Amortization	3,128	3,627
Taxes other than income taxes	24,991	24,033
	<u>246,414</u>	<u>223,416</u>
Operating income	150,234	150,455
Other expense (income):		
Interest expense, net	43,668	38,615
Allowance for funds used during construction	(2,901)	(1,497)
Gain on sale of other assets	(834)	(582)
	<u>110,301</u>	<u>113,919</u>
Income before income taxes	110,301	113,919
Provision for income taxes	44,020	44,913
	<u>\$66,281</u>	<u>\$69,006</u>
Net income	\$66,281	\$69,006
Net income	\$66,281	\$69,006
Other comprehensive income, net of tax:		
Unrealized holding gain on investments	326	
	<u>\$66,607</u>	<u>\$69,006</u>
Comprehensive income	\$66,607	\$69,006
Net income per common share:		
Basic	<u>\$0.51</u>	<u>\$0.54</u>
Diluted	<u>\$0.50</u>	<u>\$0.53</u>
Average common shares outstanding during the period:		
Basic	130,242	127,823

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Diluted	<u>131,310</u>	<u>129,635</u>
Cash dividends declared per common share	<u>\$0.4438</u>	<u>\$0.3994</u>

See notes to consolidated financial statements on page 8 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended September 30,	
	2006	2005
Operating revenues	\$146,950	\$136,783
Costs and expenses:		
Operations and maintenance	59,127	52,666
Depreciation	18,334	15,578
Amortization	1,126	1,172
Taxes other than income taxes	8,840	8,276
	<u>87,427</u>	<u>77,692</u>
Operating income	59,523	59,091
Other expense (income):		
Interest expense, net	14,752	13,279
Allowance for funds used during construction	(703)	(433)
Gain on sale of other assets	(91)	(77)
	<u>45,565</u>	<u>46,322</u>
Income before income taxes	45,565	46,322
Provision for income taxes	18,234	18,405
	<u>\$27,331</u>	<u>\$27,917</u>
Net income	\$27,331	\$27,917
Net income	\$27,331	\$27,917
Other comprehensive income, net of tax:		
Unrealized holding gain on investments	127	
	<u>\$27,458</u>	<u>\$27,917</u>
Comprehensive income	\$27,458	\$27,917
Net income per common share:		
Basic	<u>\$0.21</u>	<u>\$0.22</u>
Diluted	\$0.21	\$0.21

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Average common shares outstanding during the period:		
Basic	<u>131,660</u>	<u>128,246</u>
Diluted	<u>132,666</u>	<u>130,231</u>
Cash dividends declared per common share	<u>\$0.2300</u>	<u>\$0.2044</u>

See notes to consolidated financial statements beginning on page 8 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION

(In thousands of dollars, except per share amounts)

(UNAUDITED)

	September 30, 2006	December 31, 2005
	<hr/>	<hr/>
Common stockholders' equity:		
Common stock, \$.50 par value	\$ 66,387	\$64,829
Capital in excess of par value	543,326	478,508
Retained earnings	293,401	285,132
Treasury stock	(13,031)	(12,914)
Accumulated other comprehensive loss	(2,756)	(3,082)
Unearned compensation		(550)