

ARTESIAN RESOURCES CORP
Form 10-Q
May 03, 2018

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

FORM 10-Q

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

For the quarterly period ended March 31, 2018

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 000-18516

ARTESIAN RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

51-0002090

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

664 Churchmans Road, Newark, Delaware 19702

Address of principal executive offices

(302) 453 – 6900

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

Edgar Filing: ARTESIAN RESOURCES CORP - Form 10-Q

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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12(b)-2 of the Exchange Act.:

Large Accelerated Filer	Accelerated Filer	Non-Accelerated Filer	Smaller Reporting Company	Emerging Growth Company
-------------------------	-------------------	-----------------------	---------------------------	-------------------------

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

As of May 1, 2018, 8,348,902 shares of Class A Non-Voting Common Stock and 881,452 shares of Class B Common Stock were outstanding.

TABLE OF CONTENTS

ARTESIAN RESOURCES CORPORATION FORM 10-Q

Part I - Financial Information:

<u>Item 1</u>	- <u>Financial Statements</u>	Page(s)
	<u>Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017 (unaudited)</u>	3
	<u>Condensed Consolidated Statements of Operations for the three ended March 31, 2018 and 2017 (unaudited)</u>	4
	<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017 (unaudited)</u>	5
	<u>Notes to the Condensed Consolidated Financial Statements</u>	6 – 17
<u>Item 2</u>	- <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18-25

<u>Item 3</u>	- <u>Quantitative and Qualitative Disclosures about Market Risk</u>	26
<u>Item 4</u>	- <u>Controls and Procedures</u>	26
<u>Part II</u>	- <u>Other Information:</u>	
<u>Item 1</u>	- <u>Legal Proceedings</u>	26
<u>Item 1A</u>	- <u>Risk Factors</u>	27
<u>Item 2</u>	- <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u>	27
<u>Item 4</u>	<u>Mine Safety Disclosures</u>	27
<u>Item 5</u>	<u>Other Information</u>	27
<u>Item 6</u>	- <u>Exhibits</u>	28

Signatures

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

ARTESIAN RESOURCES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETSUnaudited
(In thousands)

	March 31, 2018	December 31, 2017
ASSETS		
Utility plant, at original cost (less accumulated depreciation 2018 - \$ 119,766; and 2017 - \$116,945)	\$467,393	\$460,502
Current assets		
Cash and cash equivalents	293	952
Accounts receivable (less allowance for doubtful accounts 2018 - \$294; 2017 - \$288)	8,073	8,897
Income tax receivable	651	2,353
Unbilled operating revenues	1,296	1,427
Materials and supplies	1,417	1,519
Prepaid property taxes	892	1,795
Prepaid expenses and other	1,751	2,042
Total current assets	14,373	18,985
Other assets		
Non-utility property (less accumulated depreciation - 2018- \$708; 2017 - \$689)	3,877	3,882
Other deferred assets	3,967	3,721
Total other assets	7,844	7,603
Regulatory assets, net	7,515	7,549
Total Assets	\$497,125	\$494,639
LIABILITIES AND STOCKHOLDERS' EQUITY		
Stockholders' equity		
Common stock	\$9,230	\$9,215
Preferred stock	—	—
Additional paid-in capital	99,951	99,526
Retained earnings	39,213	37,903
Total stockholders' equity	148,394	146,644
Long-term debt, net of current portion	105,179	105,587
	253,573	252,231
Current liabilities		
Lines of credit	14,447	9,610
Overdraft payable	1,354	1,344
Current portion of long-term debt	4,676	8,853
Accounts payable	2,982	2,888
Accrued expenses	660	304
Accrued interest	1,132	1,805
Customer deposits	992	969
Other	4,054	2,688
Total current liabilities	30,297	28,461

Commitments and contingencies

Deferred credits and other liabilities

Net advances for construction	7,685	7,797
Regulatory liabilities	23,202	23,201
Deferred investment tax credits	522	526
Deferred income taxes	53,549	54,137
Total deferred credits and other liabilities	84,958	85,661
Net contributions in aid of construction	128,297	128,286
	\$497,125	\$494,639

See notes to the condensed consolidated financial statements.

3

Table of ContentsARTESIAN RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

(In thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2018	2017
Operating revenues		
Water sales	\$16,645	\$16,935
Other utility operating revenue	999	1,020
Non-utility operating revenue	1,262	1,235
Total Operating Revenues	18,906	19,190
Operating expenses		
Utility operating expenses	9,083	8,905
Non-utility operating expenses	663	686
Depreciation and amortization	2,568	2,319
State and federal income taxes	1,339	2,095
Property and other taxes	1,282	1,194
Total Operating Expenses	14,935	15,199
Operating income	3,971	3,991
Other income, net		
Allowance for funds used during construction (AFUDC)	88	70
Miscellaneous income		