

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

YORK WATER CO

CIK: **108985** | IRS No.: **231242500** | State of Incorpor.: **PA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-00690** | Film No.: **95535911**
SIC: **4941** Water supply

Mailing Address
PO BOX 15089

Business Address
*130 E MARKET ST
YORK PA 17405
7178453601*

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 March 31, 1995

Commission File No. 0-690

THE YORK WATER COMPANY
(Exact name of Registrant as specified in its Charter)

PENNSYLVANIA 23-1242500
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

130 East Market Street, York, Pennsylvania 17401
(Address of principal executive offices) (Zip Code)

Registrant's telephone number including Area Code 717-845-3601

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 latest practicable date.

Common stock, \$10 par value 631,585 Shares outstanding
as of March 31, 1995

THE YORK WATER COMPANY

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheet

(Unaudited)

	As Of Mar.31, 1995	As of Dec. 31, 1994
UTILITY PLANT, at original cost	\$84,628,027	\$83,642,650
Less-Reserve for depreciation	10,936,411	10,535,512
	73,691,616	73,107,138
OTHER PHYSICAL PROPERTY:		
Less-Reserve for depreciation of \$51,480 in 1995 and \$50,312 in 1994	428,995	430,162

CURRENT ASSETS:

Receivables, less reserves of \$90,000		
in 1995 and in 1994	2,112,829	2,211,288
Materials and supplies, at cost		
(first-in, first-out)	244,159	298,356
Prepaid expenses	50,250	111,278
Deferred income taxes	63,187	64,877
	2,470,425	2,685,799
OTHER LONG-TERM ASSETS:		
Prepaid pension cost	1,442,946	1,402,946
Deferred debt expense	431,879	445,713
Deferred rate case expense	115,523	139,864
Notes receivable	1,139,344	1,155,753
Deferred regulatory assets	6,980,756	6,885,508
Other	706,745	714,447
	10,817,193	10,744,231
	\$87,408,229	\$86,967,330

THE YORK WATER COMPANY
Balance Sheet

(Unaudited)

	As Of	As Of
	Mar.31, 1995	Dec. 31, 1994
CAPITALIZATION		
Common stock	\$ 6,315,845	\$ 6,296,836
Capital surplus	13,245,218	13,146,153
Earnings retained in the business	1,804,285	1,808,925
	21,365,348	21,251,914
LONG-TERM DEBT		
6.25% Ind. Dev. Auth. Rev. Refund		
Bonds, due 2000	4,300,000	4,300,000
10.05% Senior Notes, Series C,		
due 2020	6,500,000	6,500,000
10.17% Senior Notes, Series A,		
due 2019	6,000,000	6,000,000
9.6% Senior Notes, Series B, due 2019	5,000,000	5,000,000
8.43% Senior Notes, Series D, due 2022	7,500,000	7,500,000
4.75% Ind. Dev. Auth. Rev.		
Refunding Bonds, due 2009	2,700,000	2,700,000
	32,000,000	32,000,000
CURRENT LIABILITIES		
Short-term borrowings	1,324,000	1,302,000
Accounts payable	55,978	891,034
Dividends payable	465,566	464,295
Accrued taxes	770,214	331,847
Advance water revenues	186,246	169,110
Accrued interest	501,690	680,240
Other accrued expenses	1,194,971	991,079
	4,498,665	4,829,605
DEFERRED CREDITS		
Customers' advances for construction	15,744,484	15,037,501
Contributions in aid of construction	4,375,345	4,375,345
Deferred income taxes	7,948,986	7,969,029
Deferred regulatory liabilities	1,475,401	1,503,936
	29,544,216	28,885,811
	\$87,408,229	\$86,967,330

THE YORK WATER COMPANY

Statements of Income

	(Unaudited) Three Months 1995	(Unaudited) Ended March 31 1994
WATER OPERATING REVENUES		
Residential	\$2,095,687	\$1,984,738
Commercial and industrial	1,290,280	1,193,168
Other	309,041	282,269
	3,695,008	3,460,175
OPERATING EXPENSES		
Operation and maintenance	754,120	786,081
Administrative and general	838,809	856,751
	1,592,929	1,642,832
Depreciation	377,480	332,084
Taxes other than income taxes	249,537	243,122
Federal and state income taxes	329,654	264,715
	2,549,600	2,482,753
Operating Income	1,145,408	977,422
INTEREST EXPENSE AND OTHER EXPENSE/(INCOME)		
Interest on long-term debt	693,175	734,237
Interest on interim bank loans	27,051	1,942
Allowance for funds used during construction	(79,257)	(8,418)
Gain on sale of land	-	(215,417)
Other income, net	(57,635)	(138,652)
	583,334	373,692
Net Income	\$ 562,074	\$ 603,730
Earnings Per Share	\$0.89	\$0.97
Cash Dividends Per Share	\$0.90	\$0.90

<TABLE>

THE YORK WATER COMPANY
Statements of Cash Flows

<CAPTION>

	(Unaudited) Three Months Ended March 31, 1995 <C>	(Unaudited) Three Months Ended March 31, 1994 <C>
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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 562,074	\$ 603,730
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of land	-	(215,417)
Depreciation	377,480	332,084
Provision for losses on accounts receivable	22,500	22,500
(Decrease) increase in deferred income taxes (including regulatory assets and liabilities)	(142,136)	165,762
Changes in assets and liabilities:		
Decrease in accounts receivable	75,959	17,497
Decrease in materials and supplies	54,197	26,595
Decrease in prepaid expenses	21,028	31,941

Decrease in accounts payable, accrued expenses and other liabilities	(612,757)	(431,651)
Increase (decrease) in accrued interest and taxes	259,817	(88,730)
Decrease in other assets	73,909	13,007
Net cash provided by operating activities	692,071	477,318
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of temporary investments	-	(8,072)
Maturities of temporary investments	-	1,007,310
Proceeds from the sale of land	-	249,000
Costs incurred relating to the sale of land	-	(33,583)
Construction expenditures	(988,823)	(365,885)
Customers' advances for construction and contributions in aid of construction	706,983	131,670
Net cash (used in) provided by investing activities	(281,840)	980,440
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) under line-of-credit agreements	22,000	(452,000)
Issuance of common stock under dividend reinvestment plan	100,995	97,016
Issuance of common stock under employee stock purchase plan	17,079	14,685
Dividends paid	(566,714)	(559,637)
Decrease in notes receivable	16,409	5,721
Net cash (used in) financing activities	(410,231)	(894,215)
Net increase in cash and cash equivalents	-	563,543
Cash and cash equivalents at beginning of period	-	42,634
Cash and cash equivalents at end of period	\$ -	\$ 606,177
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest, net of amounts capitalized	\$ 792,468	\$ 914,410
Income taxes	43,219	104,612

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THE YORK WATER COMPANY

Notes to Interim Financial Statements

1. Interim Financial Information

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair presentation of results for such periods. These financial statements 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 1994.

2. Earnings Per Share

Earnings per share for the three months ended March 31, 1995 and 1994 were based on weighted average shares outstanding of 631,121 and 623,324, respectively.

THE YORK WATER COMPANY

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

Results of Operations

Three Months Ended March 31, 1995 Compared
with Three Months Ended March 31, 1994

Net income for the three months ended March 31, 1995 was \$562,074, a decrease of \$41,656 compared to the three months ended March 31, 1994.

Operating revenues for the three months ended March 31, 1995 increased \$234,833 (6.8%) compared to the three months ended March 31, 1994. The revenue increase resulted primarily from an increase in rates of 3.7% approved by the Pennsylvania Public Utility Commission (PPUC) effective September 23, 1994 and an increase in the volume of water sold as a result of adding 1,104 customers since March 31, 1994.

Operation and maintenance expenses for the three months ended March 31, 1995 decreased \$31,961 (4.1%) compared to the three months ended March 31, 1994 generally due to operation and maintenance expenses associated with the abnormal freezing weather which occurred during the three months ended March 31, 1994.

Interest on long-term debt for the three months ended March 31, 1995 decreased \$41,062 (5.6%) compared to the three months ended March 31, 1994. The decrease in interest on long-term debt is primarily related to the issuance of \$2,700,000 4.75% Revenue Refunding Bonds to replace a like amount of bonds with an interest rate of 7.0% during the first quarter of 1994.

During the three months ended March 31, 1994, the Company had a gain on the sale of one parcel of land of \$215,417 (\$124,759 after tax).

Rate Developments

Within the last several years the Company has filed written applications for rate increases with the PPUC and has been granted rate relief as a result of such requests. The most recent formal rate request was filed by the Company on April 29, 1994 seeking a 6.7% increase in annual revenues. Effective September 23, 1994, the PPUC authorized an increase in rates designed to produce approximately \$550,000 in additional annual revenues, an increase of 3.7%.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

Liquidity and Capital Resources

During the first three months of 1995, the per capita volume of water sold did not significantly change compared to the first three months of 1994. The Company does not anticipate any change in the level of water usage which would have a material impact on future results of operations.

During the three months ended March 31, 1995, the Company had \$988,823 of construction expenditures. The Company financed such expenditures through internally generated funds, customers' advances and proceeds from the issuance of common stock under its dividend reinvestment plan (stock issued in lieu of cash dividends) and employee stock purchase plan and short-term borrowings.

The Company anticipates annual construction expenditures for 1995 and 1996 of approximately \$4,491,000 and \$3,645,000, respectively. The Company plans to finance such expenditures with internally generated funds, customers' advances short-term borrowings and proceeds from the issuance of common stock under its dividend reinvestment plan (stock issued in lieu of cash dividends) and employee stock purchase plan.

The Company anticipates that it will submit an application in the future with the PPUC proposing increases in rates to provide a fair rates of return on the capital expenditures associated with its 1995 and 1996 construction projects.

During three months ended March 31, 1995, net cash used in investing and financing activities exceeded net cash provided by operating activities. The Company anticipates that during the remainder of 1995 net cash used in investing and financing activities will again exceed net cash provided by operating activities. Customers' advances, borrowings against the Company's lines of credit and proceeds from the issuance of common stock under its dividend reinvestment plan (stock issued in lieu of cash dividends) and employee stock purchase plan are used to satisfy the need for additional cash.

As of March 31, 1995, current liabilities exceeded current assets by \$2,028,240. As of December 31, 1994, current liabilities exceeded current assets by \$2,143,806. Generally, the Company finances a portion of its construction expenditures with borrowings against its lines of credit until such borrowings reach an amount which would justify issuing long-term debt. Accordingly, current liabilities frequently exceed current assets on the Company's balance sheets.

Short-term borrowings from lines of credit as of March 31, 1995 and December 31, 1994 were \$1,324,000 and \$1,302,000, respectively. The Company maintains lines of credit aggregating \$10,000,000. Loans granted under these lines bear interest based on the prime or Libor rates. The Company is not required to maintain compensating balances on its lines of credit.

During the three months ended March 31, 1995, the Company's dividend payout ratios relative to net income and cash provided by operating activities were 100.1% and 81.9%, respectively. The Company believes that these payout ratios are appropriate for the first quarter of 1995.

Shareholders investment as a percent of total capitalization was 40.0% as of March 31, 1995 compared with 39.9% as of December 31, 1994. This increase was the result of an increase in the amount of shareholder equity.

The Company like all other businesses is affected by inflation most notably by the continually increasing costs incurred to maintain and expand its service capacity. The cumulative effect of inflation results in significantly higher facility replacement costs which must be recovered from future cash flows. The ability

of the Company to recover this increased investment in facilities is dependent upon future revenue increases which are subject to approval by the PPUC.

Impact of Recent Accounting Pronouncements

There are no issued but not effective accounting pronouncements of the Financial Accounting Standards Board that would have a material impact on the Company's financial position or results of operations.

THE YORK WATER COMPANY

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE YORK WATER COMPANY

/s/William T. Morris
William T. Morris
Principal Executive
Officer

Date: May 10, 1995

/s/Jeffrey S. Osman
Jeffrey S. Osman
Principal Financial and
Accounting Officer

Date: May 10, 1995

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