

RGC RESOURCES INC  
Form 10-K/A  
October 31, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K/A**

**Amendment No. 1**

**ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended September 30, 2007**

**Commission file number 000-26591**

**RGC RESOURCES, INC.**

(Exact name of registrant as specified in its charter)

**Virginia**  
(State or other jurisdiction of

**54-1909697**  
(I.R.S. Employer

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incorporation or organization)

519 Kimball Avenue, N.E., Roanoke, VA 24016

Identification No.)

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (540) 777-4427

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class  
Common Stock, \$5 Par Value

Name of Each Exchange on Which Registered  
OTC (Nasdaq National Market)

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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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. (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 Act). Yes  No

State the aggregate market value of the voting and non voting common equity held by nonaffiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity as of the last business day of the registrant's most recently completed second fiscal quarter: March 31, 2007. \$ 61,258,567

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

| Class                       | Outstanding at November 30, 2007 |
|-----------------------------|----------------------------------|
| COMMON STOCK, \$5 PAR VALUE | 2,192,916 SHARES                 |

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the RGC Resources, Inc. 2007 Annual Report to Shareholders are incorporated by reference into Parts II and IV hereof.

Portions of the RGC Resources, Inc. Proxy Statement for the 2008 Annual Meeting of Shareholders are incorporated by reference into Part III hereof.

EXPLANATORY NOTE:

This Amendment No. 1 to the Annual Report on Form 10-K of RGC Resources, Inc. and Subsidiaries for the fiscal year ended September 30, 2007 is being filed for the purpose of amending and revising Item 9A Controls and Procedures and Item 15 Exhibits of Financial Statement Schedules . The original Form 10-K is being amended to clarify management 's evaluation of the effectiveness of disclosure controls and procedures and the change to the Company 's internal control over financial reporting, provide additional information in explaining the nature of deductions on the valuation accounts and revise the Report of Independent Registered Public Accounting Firm as it relates to the financial statement schedules.

Item 9A. Controls and Procedures

Based on their evaluation of the Company's disclosure controls and procedures (as defined by Rule 13a-15(e) under the Securities Exchange Act of 1934) as of September 30, 2007, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls are effective. The Company made the following change to its internal control over financial reporting during the quarter ended September 30, 2007. In connection with the filing of a Form 10-Q/A for the quarter ended June 30, 2007, the Company identified and disclosed a material weakness in its internal control over financial reporting. It is the opinion of management that this control weakness was an isolated instance related to a one-time transaction and did not otherwise impact our disclosure controls or our internal controls over financial reporting. In regards to the identified material weakness, the Company undertook remediation measures that include a more formal evaluation of the income tax implications of material non-routine transactions.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) List of documents filed as part of this report:

1. Financial statements filed as part of this report:

All financial statements of the registrant as set forth under Item 8 of Form 10-K were previously filed on December 21, 2007.

2. Financial statement schedules filed as part of this report:

All schedules are omitted with the exception of the valuation and qualifying accounts, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes thereto.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON THE SCHEDULE**

Board of Directors and Stockholders

RGC Resources, Inc.

We have audited the consolidated financial statements of RGC Resources, Inc. and Subsidiaries (the Company) as of September 30, 2007 and 2006 and for the two years then ended, and have issued our report thereon dated November 14, 2007 (which report expresses an unqualified opinion and includes the audit of adjustments to the 2005 financial statements to retrospectively reflect the Bluefield, West Virginia and Virginia operations and the energy marketing business as discontinued operations as described in Note 2); such financial statements and report are included in your 2007 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the financial statement schedule of the Company listed in Part IV, Item 15 of the Form 10-K for the years ended September 30, 2007 and 2006 and the adjustments as of and for the year ended September 30, 2005 to retrospectively reflect the Bluefield, West Virginia and Virginia operations and the energy marketing business as discontinued operations. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule as of and for the years ended September 30, 2007 and 2006 and the adjustments as of and for the year ended September 30, 2005 to reflect the Bluefield, West Virginia and Virginia operations and energy marketing business as discontinued operations, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

The financial statements of RGC Resources, Inc. and Subsidiaries as of September 30, 2005, and for the year then ended, before the adjustment to reflect the Bluefield, West Virginia and Virginia operations and the energy marketing business as discontinued operations as described in Note 2, were audited by other auditors whose report, dated December 15, 2005, expressed an unqualified opinion on those statements. In addition, the prior auditors expressed an unqualified opinion on the financial statement schedule, before the effects of the retrospective adjustments for the discontinued operations of the energy marketing division, the discontinued operations of Bluefield Gas Company, and the change in reportable segments discussed in Notes 1 and 2 to the consolidated financial statements, when considered in relation to the basic financial statements taken as a whole.

/s/ Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

319 McClanahan Street, S.W.

Roanoke, Virginia

November 14, 2007

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders

RGC Resources, Inc.

Roanoke, Virginia

We have audited, before the effects of the retrospective adjustments for the discontinued operations of the energy marketing division, the discontinued operations of Bluefield Gas Company, and the change in reportable segments discussed in Note 1, Summary of Significant Accounting Policies – General, and Note 2, Discontinued Operations, to the consolidated financial statements, the consolidated statements of income and comprehensive income, stockholders’ equity and cash flows of RGC Resources, Inc. and subsidiaries (the Company) for the year ended September 30, 2005 (the 2005 consolidated statements of income and comprehensive income and of cash flows before the effects of the retrospective adjustments discussed in Notes 1 and 2 to the consolidated financial statements are not presented herein), and have issued our report thereon dated December 15, 2005. Our audit also included the financial statement schedule of the Company listed in Item 15 for the year ended September 30, 2005. This financial statement schedule is the responsibility of the Company’s management. Our responsibility is to express an opinion on such schedule based on our audit. In our opinion, such financial statement schedule, before the effects of the retrospective adjustments for the discontinued operations of the energy marketing division, the discontinued operations of Bluefield Gas Company, and the change in reportable segments discussed in Notes 1 and 2 to the consolidated financial statements, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP  
Charlotte, North Carolina  
December 15, 2005



Valuation allowances exclude the discontinued activities of the Bluefield Operations.

RGC Resources, Inc.

Valuation and Qualifying Accounts

For the Years Ended September 30, 2007, 2006 and 2005

| Description                            | Year | Beginning<br>Balance | Charged to<br>Expense | Additions                    |  | Deductions<br>(1) (2) (3) | Ending<br>Balance |
|--|------|----------------------|-----------------------|------------------------------|--|---------------------------|-------------------|
|  |      |                      |                       | Charged to<br>Other Accounts |  |                           |                   |
| <b>Allowance for Doubtful Accounts</b> |      |                      |                       |                              |  |                           |                   |
|  | 2005 | 25,866               | 282,313               |                              |  | (234,454)                 | 73,725            |
|  | 2006 | 73,725               | 354,947               |                              |  | (402,088)                 | 26,584            |
|  | 2007 | 26,584               | 120,671               |                              |  | (100,545)                 | 46,710            |
| <b>Accrued Medical Self-Insurance</b>  |      |                      |                       |                              |  |                           |                   |
|  | 2005 | 299,093              | (39,567)              |                              |  | (240,526)                 | 19,000            |
|  | 2006 | 19,000               | (17,501)              |                              |  | 4,501                     | 6,000             |
|  | 2007 | 6,000                | (6,000)               |                              |  |                           |                   |
| <b>Other</b>                           |      |                      |                       |                              |  |                           |                   |
|  | 2005 | 85,000               | 37,100                |                              |  | (38,226)                  | 83,874            |
|  | 2006 | 83,874               | 58,047                |                              |  | (19,774)                  | 122,147           |
|  | 2007 | 122,147              | 25,000                |                              |  | (30,747)                  | 116,400           |

- (1) Allowance for doubtful accounts deductions reflect the write-off of uncollectible accounts net of collections associated with accounts previously written-off.
- (2) Accrued medical self-insurance deductions reflect the medical claim payments, net of refunds, under the Company's self-insured plan. (The Company transitioned to a fully insured plan effective January 1, 2005 with a two year run-out under the self-insured plan.)
- (3) Other deductions reflect payments for corporate property and liability insurance deductibles associated with corporate insurance coverage.

3. Exhibits to this Form 10-K/A filed as part of this report:

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 23.1               | Consent of Brown Edwards & Company LLP   |
| 23.2               | Consent of Deloitte & Touche LLP   |
| 31.1               | Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer revised October 31, 2008 |
| 31.2               | Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer revised October 31, 2008 |
| 32.1               | Section 1350 Certification of Principal Executive Officer revised October 31, 2008             |
| 32.2               | Section 1350 Certification of Principal Financial Officer revised October 31, 2008             |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

RGC RESOURCES, INC.

|  |                          |
|--|--------------------------|
| By: /s/ Howard T. Lyon<br>Howard T. Lyon<br>Vice President, Treasurer and CFO (principal<br>accounting officer and principal financial<br>officer) | October 31, 2008<br>Date |
|--|--------------------------|

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K/A has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

|  |                          |   |
|--|--------------------------|---|
| /s/ John B. Williamson, III<br>John B. Williamson, III | October 31, 2008<br>Date | Chairman of the Board, President and Chief Executive Officer  |
| /s/ Howard T. Lyon<br>Howard T. Lyon                   | October 31, 2008<br>Date | Vice President, Treasurer and CFO<br><br>(principal accounting officer and principal financial officer) |
| /s/ Nancy H. Agee<br>Nancy H. Agee                     | October 31, 2008<br>Date | Director  |
| /s/ Abney S. Boxley, III<br>Abney S. Boxley, III       | October 31, 2008<br>Date | Director  |
| /s/ Frank T. Ellett<br>Frank T. Ellett                 | October 31, 2008<br>Date | Director  |
| /s/ Maryellen F. Goodlatte<br>Maryellen F. Goodlatte   | October 31, 2008<br>Date | Director  |
| /s/ J. Allen Layman<br>J. Allen Layman                 | October 31, 2008<br>Date | Director  |
| /s/ George W. Logan<br>George W. Logan                 | October 31, 2008<br>Date | Director  |
| /s/ S. Frank Smith<br>S. Frank Smith                   | October 31, 2008<br>Date | Director  |
| /s/ Raymond D. Smoot, Jr.<br>Raymond D. Smoot, Jr.     | October 31, 2008<br>Date | Director  |