

HICKORY TECH CORP
Form 10-Q/A
November 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q/A
Amendment No. 1

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2012

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 0-13721

HICKORY TECH CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

41-1524393
(I.R.S. Employer
Identification No.)

221 East Hickory Street
Mankato, Minnesota 56002-3248
(Address of principal executive offices and zip code)

(800) 326-5789
(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

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

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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 definition 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 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

The total number of shares of the Registrant’s common stock outstanding as of April 27, 2012: 13,479,677.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A amends our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, which was filed on May 1, 2012 with the Securities and Exchange Commission.

The amendment is a result of the restatement of our consolidated financial statements for the quarters ended March 31, 2012 and 2011.

We are restating our previously reported financial information for these periods to change our accounting for interest rate swaps. We utilize interest rate swap agreements to manage our exposure to interest rate fluctuations on a portion of our variable-interest rate debt.

We account for our financial derivative instruments in accordance with FASB ASC 815 "Derivatives and Hedging" ("the Standard"). The Standard requires all derivative instruments (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value, and that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. We applied a method of cash flow hedge accounting under FASB ASC 815 to account for the interest rate swap agreements that allowed us to record changes in the instruments' fair value in other comprehensive income (the "cash flow" method). After discussing the matter with our independent registered public accounting firm, we recently concluded that the interest rate swap agreements did not qualify as a "cash flow" hedge in prior periods because of insufficient contemporaneous documentation. Under FASB ASC 815, cash flow hedge accounting is not allowed retrospectively because the documentation required was not in place at the inception of the hedge as well as on an ongoing basis. Eliminating the application of cash flow hedge accounting reverses the fair value adjustments that were made in other comprehensive income and transfers the fair value adjustments to earnings.

We have amended each item of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 that has been affected by the restatement. This Amendment No. 1 does not reflect events occurring after the May 1, 2012 filing of our Form 10-Q or modify or update the disclosures set forth therein in any way, except as required to reflect the effects of the restatement.

There is no effect on previously reported cash flows from operating, investing, or financing activities for this change. The change in the accounting treatment has not impacted the economics of the interest rate swap agreements. Likewise, this change has no effect on total comprehensive income, operating income, total stockholders' equity, EBITDA as defined by our debt agreement, or the Company's ability to pay dividends.

None of the financial covenants to our senior credit agreement were breached as a result of this restatement. We did notify the lenders in the agreement that restatement did result in breach of our representation to them about our financial statements being prepared in accordance with Generally Accepted Accounting Principles (GAAP). We have requested, and we did receive waivers regarding this temporary breach from the lenders involved in our credit agreements. No event of default exists regarding our credit agreement.

We have reassessed our disclosure controls and procedures as shown in Item 4 related to the material weakness in our internal control over financial reporting with respect to accounting for derivative instruments.

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Part I Financial Information

Item 1. Financial Statements

HICKORY TECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31	
	2012	2011
(Dollars in thousands, except share and per share amounts)	(Restated)	(Restated)
Operating revenue:		
Equipment	\$ 15,299	\$ 8,195
Services	31,645	30,427
Total operating revenue	46,944	38,622
Costs and expenses:		
Cost of sales, excluding depreciation and amortization	13,466	6,999
Cost of services, excluding depreciation and amortization	15,326	14,735
Selling, general and administrative expenses	6,706	6,543
Depreciation	6,056	5,591
Amortization of intangibles	138	88
Total costs and expenses	41,692	33,956
Operating income	5,252	4,666
Other income and expense:		
Interest and other income	20	10
Interest expense	(1,411)	(729)
Total other (expense)	(1,391)	(719)
Income before income taxes	3,861	3,947
Income tax provision	1,567	1,601
Net income	\$ 2,294	\$ 2,346
Basic earnings per share		
	\$ 0.17	\$ 0.18
Weighted average common shares outstanding		
	13,450,850	13,329,603
Diluted earnings per share		
	\$ 0.17	\$ 0.18
	13,468,749	13,341,871

Weighted average common and equivalent shares
outstanding

Dividends per share	\$	0.14	\$	0.135
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The accompanying notes are an integral part of the consolidated financial statements.

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HICKORY TECH CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

(Dollars in thousands)	Three Months Ended March 31	
	2012 (Restated)	2011 (Restated)
Net Income	\$ 2,294	\$ 2,346
Other comprehensive income:		
Post-retirement benefit plan:		
Amounts included in net periodic benefit cost:		
Net actuarial loss	135	107
Prior service credit	(19)	(14)
Transition asset	15	15
Income tax expense	(52)	(43)