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SUTRON CORP
Form 10QSB
August 11, 2003

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

FORM 10-QSB/A

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 30, 2003

Commission file number 0-12227

Sutron Corporation

(Exact name of registrant as specified in its charter.)

Virginia

54-1006352

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

21300 Ridgetop Circle, Sterling Virginia

20166

(Address of principal executive offices)

(Zip Code)

(703) 406-2800

(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 [X] No []

Indicate the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest practical date:

Common Stock, \$.01 Par Value - 4,289,551 shares of as of June 30, 2003.

PART I. - FINANCIAL INFORMATION

SUTRON CORPORATION
BALANCE SHEETS

(Unaudited)
June 30, December 31,
2003 2002

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Assets

Current Assets:

Cash	\$ 119,980	\$ 401,740	
Accounts receivables	1,526,732		1,814,269
Costs and estimated earnings in excess of billings on contracts in process	755,714		-
Inventory	2,410,194		2,028,985
Prepaid items and other	158,331	182,774	
Deferred income taxes	319,199		195,000
Total Current Asset	\$5,290,150	\$4,622,768	
Property, Plant, and Equipment			
Cost	2,646,572		2,567,421
Accumulated depreciation	(2,036,819)	(1,929,419)	
Net Property, Plant and Equipment	609,753		638,002
Income taxes receivable	151,000		151,000
Other		21,689	21,689
TOTAL ASSETS	\$6,072,592	\$5,433,459	

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$ 893,686	\$ 483,652	
Accrued payroll		137,771	157,196
Accrued expenses	1,040,420	590,798	
Line of credit	-	-	
Current maturities of long-term notes	93,204	93,204	
Total Current Liabilities	\$2,165,081	\$1,324,850	

Long-term liabilities:

Long-term notes payable	69,503	116,105	
Deferred income taxes	142,000		142,000
Total liabilities		2,376,584	1,582,955

Stockholders' Equity:

Common stock, \$.01 par value,	42,896	42,896	
Additional paid in capital	2,306,655	2,306,655	
Retained Earnings	1,346,457	1,500,953	
Total Stockholders' Equity	3,696,008	3,850,504	

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$6,072,592 \$5,433,459

See Accompanying Notes to Financial Statements

SUTRON CORPORATION

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STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,	
	2003	2002
Revenues	\$2,818,796	\$2,284,007
Cost of Goods Sold	1,826,539	1,479,648
Gross Profit	992,257	804,359
Research and Development Expenses		267,077 399,490
Selling, General, and Administrative Expenses	542,255	471,468
Income (Loss) from Operations	182,925	(66,599)
Interest Expense	4,233	11,191
Income (Loss) before Provision for Income Taxes		178,692 (77,790)
Provisions for Income Taxes	(50,000)	(45,000)
Net Income	\$128,692	\$ (32,790)
Net Income per Common Share	\$.03	\$ (.01)
Weighted Average Number of Common Shares	4,289,551	4,289,551
See Accompanying Notes to Financial Statements		

SUTRON CORPORTION STATEMENTS OF OPERATIONS (Unaudited)

	Six Months Ended June 30,	
	2003	2002
Revenues	\$5,078,597	\$3,586,535
Cost of Goods Sold	3,593,408	2,330,488
Gross Profit	1,485,190	1,256,047
Research and Development Expenses		584,014 725,919
Selling, General, and Administrative Expenses	1,193,150	1,033,806
Income (Loss) from Operations	(291,974)	(503,678)

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Other Expense	-	-	
Interest Expense	8,522	22,688	
Income (Loss) before Provision for Income Taxes		(300,496)	(526,366)
Provisions for Income Taxes	(146,000)	(227,000)	
Net Income	\$ (154,496)	\$ (299,366)	
Net Income per Common Share	\$ (.04)	\$ (.07)	
Weighted Average Number of Common Shares	4,289,551	4,289,551	
See Accompanying Notes to Financial Statements			

SUTRON CORPORTION STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,		
	2003	2002	
Cash Flows from Operating Activities:			
Net income (loss)	\$ (154,496)	\$ (299,366)	
Depreciation and amortization	107,400	99,996	
(Increase) Decrease in:			
Accounts receivables	287,537	531,562	
Costs and estimated earnings in excess of billings on contracts in process	(755,714)	-	
Inventory		(381,209)	(409,840)
Prepaid items and other assets	24,443	(111,185)	
Deferred income taxes		(124,199)	-
Increase (Decrease) in:			
Accounts payable	410,034	19,898	
Accrued expenses		430,197	(146,776)
Net Cash Provided by Operating Activities	(156,007)	(315,711)	
Cash Flows from Investing Activities:			
Capital expenditures	(79,151)	(38,268)	
Net Cash Used in Investing Activities	(79,151)	(38,268)	
Cash Flows from Financing Activities:			
Proceeds from advances on line of credit	-	453,986	
Proceeds from term note		-	-
Payments on Term notes payable	(46,602)	(59,102)	
Purchase of Treasury Stock		-	-
Net Cash (Used) by Financing Activities	(46,602)	394,884	
Net Increase (Decrease) in Cash	(281,760)	40,905	

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Cash and Cash Equivalents, January 1	401,740	102,976	
Cash and Cash Equivalents, June 30		\$ 119,980	\$ 143,881
See Accompanying Notes to Financial Statements			

SUTRON CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

1. Basis of Presentation

The financial statements for the six months ended June 30, 2003 and 2002 were prepared from the books and records of the company. Management believes that all adjustments have been made to the financial statements to make a fair presentation of the financial condition of the company as of June 30, 2003 and 2002. The results of the six months are not indicative of a full year of operation for the Company.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2002 audited financial statements.

2. Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 128 which establishes standards for computing and presenting earnings per share (EPS) for entities with publicly held common stock. The standard requires presentation of two categories of earning per share, basic EPS and diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three months ended June 30, 2003 Compared to 2002

Net Revenues. The Company's revenues for the three months ended June 30, 2003 increased 23.4% to \$2,818,796 from \$2,284,007 in 2002 due to increased sales of standard products, systems and services. The Hydrological Services Division grew its revenue to \$189,403 from \$36,475 in 2002 due to increased contract backlog.

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Gross Profit. Gross profit for 2003 increased 23.4% to \$992,257 from \$804,359 in 2002. Gross margin as a percentage of revenues was 35.2% for both quarters.

Selling, General And Administrative. Selling, general and administrative expenses increased to \$542,255 in 2003 from \$471,468 in 2002, an increase of \$70,787 or 15%. The increase was due to increased sales commissions and systems and Hydrological Services Division selling expenses. Due to the completion of new systems software, XConnect, resources were shifted from R&D to sales resulting in the increase in systems selling expenses.

Research And Development. Research and development expenses were \$267,077 in 2003 compared with \$399,490 in 2002, a decrease of \$132,413 or 33%. Due to the completion of new systems software, XConnect, resources were shifted from R&D to sales resulting in the decrease in product development expenses. Product development expenditures were primarily focused on software enhancements to SatLink and the Xpert and XLite dataloggers.

Interest Expenses. Interest expenses decreased to \$4,233 in 2003 from \$11,191 in 2002.

Six months ended June 30, 2003 Compared to 2002

Revenues. The Company's revenues for the six months ended June 30, 2003 increased 41.8% to \$5,078,597 from revenues of \$3,586,535 in 2002 due to increased sales of standard products to approximately \$2,970,000 from approximately \$2,773,000 in 2002, increased sales of systems to approximately \$1,876,910 from approximately \$773,000 in 2002 and increased Hydrological Services Division revenues to approximately \$231,000 from approximately \$36,000 in 2002. Sales of the dataloggers were up approximately \$339,000 while sensor and ancillary product sales decreased approximately \$141,000 accounting for the increase in standard products. Systems and Hydrological Services Division revenues increased as a result of increased projects and contract awards.

The Company booked orders during the first six months of 2003 totalling approximately \$5,212,000 compared with \$6,494,000 in 2002. Orders for systems and services were up during the first six months and standard product orders were down. The result was a decline in the Company's backlog to approximately \$2,933,000 at June 30, 2003 as compared to \$4,466,000 at June 30, 2002.

Gross Profit. Gross profit for 2003 increased to \$1,485,190 from \$1,256,047 in 2002. Gross margin as a percentage of revenues for 2003 decreased to 29% as compared to 35% in 2002. The decrease in the Company's gross margin as a percentage of sales is attributed to manufacturing overruns that the Company has experienced in the production of the SatLink-G312 satellite transmitter, increased warranty costs associated with the SatLink and inventory revaluation costs. Also the gross margins achieved on two projects in India and one in Mexico were not significant as these projects were all bid at reduced margins but accounted for revenue of approximately \$614,000.

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Selling, General and Administrative. Selling, general and administrative expenses increased to \$1,193,150 in 2003 from \$1,033,806 in 2002, an increase of \$159,344 due to increased sales commissions and systems and Hydrological Services Division selling expenses. Due to the completion of new systems software, XConnect, resources were shifted from R&D to sales that also increased systems selling expenses.

Research and Development. Research and development expenses decreased \$141,905 to \$584,014 in 2003 from \$725,919 in 2002. Due to the completion of new systems software, XConnect, resources were shifted from R&D to sales resulting in the decrease in product development expenses. Product development expenditures were primarily focused on software enhancements to SatLink and the Xpert and XLite dataloggers.

Interest Expenses. Interest expenses decreased to \$8,522 in 2003 from \$22,688 in 2002.

Backlog. The Company's backlog of orders at June 30, 2003 was approximately \$2,933,000 as compared to \$4,466,000 at June 30, 2002. The Company anticipates that 64% of its June backlog will be shipped in 2003.

Liquidity and Capital Resources

Cash and cash equivalents decreased to \$119,980 at June 30, 2003, compared to \$401,740 at December 31, 2002.

The ratio of current assets to current liabilities was 2.4:1 as of June 30, 2003, compared to 3.5:1 as of December 31, 2002. Working capital decreased to \$3,125,070 at the end of the second quarter of fiscal 2003 compared to \$3,297,918 at the end of fiscal 2002.

The Company has a revolving credit facility of \$500,000 that expires on June 12, 2004. Management believes that its existing cash resources, cash flow from operations and short-term borrowings on the existing line of credit and anticipated future line of credit will provide adequate financial resources for supporting operations during fiscal 2003.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

On May 14, 2003, an Annual Meeting of Shareholders of Sutron Corporation was held. Directors elected at the meeting were Raul S. McQuivey, Thomas N. Keefer, Daniel W. Farrell, Sidney C. Hooper and Robert F. Roberts, Jr.

Thompson, Greenspon & Co., P.C. were appointed as independent accountants for 2003. The election of directors and the appointment of the independent accountants were the only matters voted upon at the meeting. The number of shares eligible to vote at the meeting were 4,289,551. The results of the voting on these three matters are shown below.

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1. Election of Directors

Name	Votes For	Votes Withheld
Raul S. McQuivey	3,855,815	191,348
Thomas N. Keefer	3,855,815	191,348
Daniel W. Farrell	3,855,815	191,348
Sidney C. Hooper	3,855,815	191,348

2. Appointment of Thompson, Greenspon & Co., P.C. as Independent Accountants.

For	Against	Abstain
3,855,935	191,228	--

Item 6. Exhibits and Reports on Form 8-K

(A) No reports on Form 8-K were filed or required to be filed during the quarter ended June 30, 2003.

(B) The following exhibits are included as part of this report:
99.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Item 14. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Based on their evaluation of the Companys disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of a date within 90 days of the filing date of this Quarterly Report on Form 10-QSB the Companys chief executive officer and chief financial officer have concluded that the Companys disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and are operating in an effective manner.

(b) Changes in internal controls. There were no significant changes in the Companys internal controls or in other factors that could significantly affect these controls subsequent to the date of their most recent evaluation.

SUTRON CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Sutron Corporation
(Registrant)

August 11, 2003

/s/Raul S. McQuivey

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Date

Raul S. McQuivey
Principal Executive Officer

August 11, 2003

Date

/s/Sidney C. Hooper
Sidney C. Hooper
Principal Accounting Officer

CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE
SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Raul S. McQuivey, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of
Sutron Corporation;

2. Based on my knowledge, this quarterly report does not
contain any untrue statement of a material fact or omit
to state a material fact necessary to make the statements
made, in light of the circumstances under which such
statements were made, not misleading with respect to
the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and
other financial information included in this quarterly report,
fairly present in all material respects the financial
condition, results of operations and cash flows of the
registrant as of, and for, the periods presented in this
quarterly report;

4. The registrants other certifying officers and I are
responsible for establishing and maintaining disclosure
controls and procedures (as defined in Exchange Act Rules
13a-14 and 15d-14) for the registrant and have: a) designed
such disclosure controls and procedures to ensure that
material information relating to the registrant, including
its consolidated subsidiaries, is made known to us by
others within those entities, particularly during the period
in which this annual report is being prepared; b) evaluated
the effectiveness of the registrants disclosure controls and
procedures as of a date within 90 days prior to the filing
date of this quarterly report (the "Evaluation Date"); and
c) presented in this quarterly report our conclusions about
the effectiveness of the disclosure controls and procedures
based on our evaluation as of the Evaluation Date;

5. The registrants other certifying officers and I have
disclosed, based on our most recent evaluation, to the
registrants auditors and the audit committee of the registrant
board of directors (or persons performing the equivalent
functions): a) all significant deficiencies in the design
or operation of internal controls which could adversely
affect the registrants ability to record, process,
summarize and report financial data and have identified for
the registrants auditors any material weaknesses in internal
controls; and b) any fraud, whether or not material, that
involves management or other employees who have a significant
role in the registrants internal controls; and

6. The registrants other certifying officers and I have

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indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 11, 2003

By /s/ Raul S. McQuiviey

Raul S. McQuiviey, Chairman of
the Board of Directors
and President

CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE
SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sidney C. Hooper, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of
Sutron Corporation;

2. Based on my knowledge, this quarterly report does not
contain any untrue statement of a material fact or omit
to state a material fact necessary to make the statements
made, in light of the circumstances under which such
statements were made, not misleading with respect to
the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and
other financial information included in this quarterly report,
fairly present in all material respects the financial
condition, results of operations and cash flows of the
registrant as of, and for, the periods presented in this
quarterly report;

4. The registrants other certifying officers and I are
responsible for establishing and maintaining disclosure
controls and procedures (as defined in Exchange Act Rules
13a-14 and 15d-14) for the registrant and have: a) designed
such disclosure controls and procedures to ensure that
material information relating to the registrant, including
its consolidated subsidiaries, is made known to us by
others within those entities, particularly during the period
in which this annual report is being prepared; b) evaluated
the effectiveness of the registrants disclosure controls and
procedures as of a date within 90 days prior to the filing
date of this quarterly report (the "Evaluation Date"); and
c) presented in this quarterly report our conclusions about
the effectiveness of the disclosure controls and procedures
based on our evaluation as of the Evaluation Date;

5. The registrants other certifying officers and I have
disclosed, based on our most recent evaluation, to the
registrants auditors and the audit committee of the registrant
board of directors (or persons performing the equivalent
functions): a) all significant deficiencies in the design
or operation of internal controls which could adversely
affect the registrants ability to record, process,
summarize and report financial data and have identified for
the registrants auditors any material weaknesses in internal
controls; and b) any fraud, whether or not material, that
involves management or other employees who have a significant

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role in the registrants internal controls; and

6. The registrants other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 11, 2003

By /s/ Sidney C. Hooper

Sidney C. Hooper,
Director and
Chief Accounting
Officer

Exhibit 11
Sutron Corporation
Computation of Per Share Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Basic EPS				
Average shares outstanding	4,289,551	4,289,551	4,289,551	4,289,551
Net Income		\$128,692	\$ (32,790)	\$ (154,496)
Net Income per common share	\$.03	\$ (.01)	\$ (.04)	\$ (.07)
Dilutive EPS				
Average shares outstanding	4,289,551	4,289,551	4,289,551	4,289,551
Effect of dilutive securities	77,857	-	98,769	-
Total average shares outstanding	4,367,408	4,289,551	4,388,320	4,289,551
Net earnings	\$ 128,692	\$ (32,790)	\$ (154,496)	\$ (299,366)
Net income per diluted share	\$.03	\$ (.01)	\$ (.04)	\$ (.07)