KANSAS CITY SOUTHERN INDUSTRIES INC
Form 8-K
June 26, 2001

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
June 20, 2001

KANSAS CITY SOUTHERN INDUSTRIES, INC.
(Exact name of company as specified in its charter)

DELAWARE	1-4717	44-0663509
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS Employer Identification Number)

114 West 11th Street, Kansas City, Missouri 64105
(Address of principal executive offices) (Zip Code)

Company's telephone number, including area code:

(816) 983 - 1303

Not Applicable

(Former name or former address if changed since last report)

Item 4. Changes in Registrant's Certifying Accountant

This filing is made pursuant to the disclosure requirements of Item 304(a) of Regulation S-K, Changes in and disagreements with accountants on accounting and financial disclosure.

Changes in Registrant's Certifying Accountant

On June 20, 2001, Kansas City Southern Industries, Inc. ("the Registrant") notified the accounting firm of PricewaterhouseCoopers LLP ("PWC"), the Registrant's principal accountant during the two most recent fiscal years, that PWC had been replaced as the Registrant's principal accountant. Additionally on June 20, 2001, the Registrant engaged the accounting firm of KPMG LLP ("KPMG") as its principal accountant for the current fiscal year.

For the two most recent fiscal years, the reports of PWC on the Registrant's financial statements contained no adverse opinion or disclaimer of opinion and were not qualified as to uncertainty, audit scope or accounting principle.

The decision to change certifying accountants was discussed with Registrant's Audit Committee and approved by the Chairman of the Registrant's Audit Committee.

The selection of KPMG was made after the completion of a competitive proposal process, which involved all five major accounting firms and began in April 2001.

Disagreements with Accountants on Accounting and Financial Disclosure

In connection with its audits for the two most recent fiscal years and through June 20, 2001, there have been no disagreements with PWC on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PWC would have caused them to make reference thereto in their report on the financial statements for such years except that:

During the year ended December 31, 2000, the Registrant completed a transaction to monetize, for a one-time payment, the rights to the future income stream associated with certain billboard advertising sites located on the right of way of the Registrant's railroad operating property. The transaction was completed with a third party vendor to the Registrant, which provides advertising signage services to other companies in the railroad industry. Based upon the details of the transaction, the Registrant believed that the associated transaction should be accounted for under the guidance of Staff Accounting Bulletin No. 101 - "Revenue Recognition in Financial Statements" ("SAB 101") and consistent with railroad industry accounting practices. After reviewing industry practice and SAB 101 related to the specifics of this transaction, the Registrant concluded that the appropriate criteria, of both industry accounting practices and the guidance in SAB 101, were met to record the initial one-time payment as income in the Statement of Income for the year ended December 31, 2000. The Registrant's certifying accountant, PWC, believed that SAB 101 did not apply and railroad industry accounting practice would not take precedence over standards promulgated by the Financial Accounting Standards Board. PWC believed that the transaction should be evaluated under lease accounting rules which, in this instance, would require that the up-front payment be initially deferred and recognized over future periods. After further discussion between the Registrant and PWC, the Registrant recorded the transaction as recommended by PWC in the financial statements for the year ended December 31, 2000.

During the period of time that the Registrant was exploring with PWC the various accounting rules regarding this matter and following PWC's expression of its conclusion with regard to this matter, the Registrant inquired of PWC as to other avenues that might be available to the Registrant. PWC acknowledged that one alternative might be for the Registrant to seek a SAS 50 opinion from another independent accountant. In early February 2001, Registrant's management discussed this transaction with KPMG to obtain an understanding of relevant industry practice and application of SAB 101. Also, at the Registrant's request, PWC discussed the issue with representatives of the other major accounting firms, including KPMG. KPMG communicated to the Registrant that this issue was discussed with representatives of the major accounting firms and that PWC reaffirmed their earlier position on the proper accounting treatment of the transaction. The Registrant did not request a SAS 50 opinion or report from KPMG, and none was issued. Additionally, KPMG did not express any specific viewpoint to the Registrant regarding the accounting for the transaction.

The Registrant's management and PWC discussed this matter with the Registrant's Audit Committee.

Additionally, the Registrant has authorized PWC to respond fully to inquiries of KPMG concerning this matter.

Other Reportable Events

The Registrant became aware that as a result of a reorganization during 2001 between two of the participants in the Grupo TFM venture (in which the Registrant has a minority interest), Grupo TFM may be reported by one of the participants as a consolidated subsidiary under International Accounting Standards. The Registrant has historically treated Grupo TFM as a foreign corporate joint venture under US generally accepted accounting principles and, accordingly, has not provided deferred income taxes at the statutory rates on the difference between the financial accounting and income tax bases in its investment in Grupo TFM. PWC has informed the Registrant that at the time of their replacement, PWC had not completed the analysis and testing necessary to confirm the Registrant's continued accounting for Grupo TFM as a foreign corporate joint venture under these circumstances and, accordingly, that PWC believes this matter represents a reportable event under Regulation SK Section 304(a)(1)(v)(D).

The Registrant's management and PWC discussed this matter with the Registrant's Audit Committee.

Additionally, the Registrant has authorized PWC to respond fully to inquiries of KPMG concerning this matter.

Item 7. Exhibits

Exhibit No.	Document
16.1	Letter of PricewaterhouseCoopers LLP, addressed to the Securities and Exchange Commission indicating whether they agree with the Registrant's disclosures made pursuant to item 304(a).

.SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Kansas City Southern Industries, Inc.

Date: June 26, 2001 By: /s/ Louis G. Van Horn

Louis G. Van Horn
Vice President and Comptroller
(Principal Accounting Officer)

EXHIBIT 16.1

[PRICEWATERHOUSECOOPERS LLP LETTERHEAD]

June 25, 2001

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Commissioners:

We have read the statements made by Kansas City Southern Industries, Inc. (copy attached), which we understand will be filed with the Commission, pursuant to Item 4 of Form 8-K, as part of the Company's Form 8-K report dated June 20, 2001. We agree with the statements concerning our Firm in such Form 8-K. However, we make no comment with respect to comments regarding the Registrant's consultation with KPMG LLP relating to the matter described in such Form 8-K under "Disagreements with Accountants on Accounting and Financial Disclosure".

Very truly yours,

/s/ PRICEWATERHOUSECOOPERS LLP

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Kansas City Southern Industries, Inc.

Date: June 26, 2001

By: /s/ Louis G. Van Horn

Louis G. Van Horn
Vice President and Comptroller
(Principal Accounting Officer)

EXHIBIT 16.1

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Item 1.
Condensed Financial Statements (Unaudited)

Consolidated Statements of Income and Comprehensive Income
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Glossary

The following terms and abbreviations appear in the text of this report and are defined as follows:

AOCI	Accumulated Other Comprehensive Income (Loss)
Amended Credit Agreement	Credit Agreement dated as of May 28, 2014 by and between Winnebago Industries, Inc. and Winnebago of Indiana, LLC, as Borrowers, and General Electric Capital Corporation, as Agent
Apollo	Apollo Motorhome Holidays, LLC
ASC	Accounting Standards Codification
ASP	Average Sales Price
ASU	Accounting Standards Update
Credit Agreement	Credit Agreement dated as of October 31, 2012 by and between Winnebago Industries, Inc. and Winnebago of Indiana, LLC, as Borrowers, and General Electric Capital Corporation, as Agent (was amended May 28, 2014)
FASB	Financial Accounting Standards Board
FIFO	First In, First Out
GAAP	Generally Accepted Accounting Principles
GECC	General Electric Capital Corporation
IRS	Internal Revenue Service
IT	Information Technology
LIBOR	London Interbank Offered Rate
LIFO	Last In, First Out
NMF	Non-Meaningful Figure
NYSE	New York Stock Exchange
OCI	Other Comprehensive Income
RV	Recreation Vehicle
RVIA	Recreation Vehicle Industry Association
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
Stat Surveys	Statistical Surveys, Inc.
Towables	Winnebago of Indiana, LLC, a wholly-owned subsidiary of Winnebago Industries, Inc.
US	United States of America
XBRL	eXtensible Business Reporting Language
YTD	Year To Date

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

Winnebago Industries, Inc.
Consolidated Statements of Income and Comprehensive Income
(Unaudited)

(In thousands, except per share data)	Three Months Ended November 29, 2014	Three Months Ended November 30, 2013
Net revenues	$224,403	$222,670
Cost of goods sold	200,017	196,708
Gross profit	24,386	25,962
Operating expenses:		
Selling	4,707	4,333
General and administrative	5,237	5,623
Total operating expenses	9,944	9,956
Operating income	14,442	16,006
Non-operating income	7	91
Income before income taxes	14,449	16,097
Provision for taxes	4,554	4,951
Net income	$9,895	$11,146
Income per common share:		
Basic	$0.37	$0.40
Diluted	$0.37	$0.40
Weighted average common shares outstanding:		
Basic	26,969	27,851
Diluted	27,078	27,971
Net income	$9,895	$11,146
Other comprehensive (loss) income:		
Amortization of prior service credit (net of tax of $492 and $482)	(800)	(800)
Amortization of net actuarial loss (net of tax of $122 and $99)	199	164
Unrealized appreciation of investments (net of tax of $0 and $91)	—	151
Total other comprehensive loss	(601)	(485)
Comprehensive income	$9,294	$10,661

See notes to consolidated financial statements.

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Winnebago Industries, Inc.
Consolidated Balance Sheets
(Unaudited)

(In thousands, except per share data)	November 29, 2014	August 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$27,803	$57,804
Receivables, less allowance for doubtful accounts ($124 and $127)	62,801	69,699
Inventories	150,753	112,848
Net investment in operating leases	9,951	15,978
Prepaid expenses and other assets	6,520	5,718
Income taxes receivable and prepaid	5	5
Deferred income taxes	9,796	9,641
Total current assets	267,629	271,693
Property, plant and equipment, net	26,295	25,135
Investment in life insurance	25,303	25,126
Deferred income taxes	24,091	24,029
Goodwill	1,228	1,228
Other assets	10,021	11,091
Total assets	$354,567	$358,302
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$40,298	$33,111
Income taxes payable	4,471	2,927
Accrued expenses:		
Accrued compensation	14,659	20,763
Operating lease repurchase obligations	10,177	16,050
Product warranties	9,090	9,501
Self-insurance	5,108	4,941
Accrued loss on repurchases	1,121	2,212
Promotional	3,991	3,205
Other	5,379	7,009
Total current liabilities	94,294	99,719
Long-term liabilities:		
Unrecognized tax benefits	2,905	3,024
Postretirement health care and deferred compensations benefits	61,637	62,811
Total long-term liabilities	64,542	65,835
Contingent liabilities and commitments		
Stockholders' equity:		
Capital stock common, par value $0.50; authorized 60,000 shares, issued 51,776 shares	25,888	25,888
Additional paid-in capital	31,484	31,672
Retained earnings	561,949	554,496
Accumulated other comprehensive income	(2,409)	(1,808)
Treasury stock, at cost (24,865 and 24,727 shares)	(421,181)	(417,500)
Total stockholders' equity	195,731	192,748
Total liabilities and stockholders' equity	$354,567	$358,302

See notes to consolidated financial statements.

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Winnebago Industries, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Three Months Ended November 29, 2014	November 30, 2013
Operating activities:		
Net income	$9,895	$11,146
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,061	984
LIFO expense	380	431
Stock-based compensation	901	952
Deferred income taxes including valuation allowance	(447)	366
Postretirement benefit income and deferred compensation expense	(154)	(139)
Benefit for doubtful accounts	(4)	—
(Gain) loss on disposal of property	(17)	8
Increase in cash surrender value of life insurance policies	(187)	(286)
Change in assets and liabilities:		
Inventories	(38,285)	(10,368)
Receivables, prepaid and other assets	6,841	(13,928)
Investment in operating leases, net of repurchase obligations	154	—
Income taxes and unrecognized tax benefits	1,794	4,584
Accounts payable and accrued expenses	(632)	(4,675)
Postretirement and deferred compensation benefits	(922)	(970)
Net cash used in operating activities	(19,622)	(11,895)
Investing activities:		
Proceeds from the sale of investments, at par	—	2,350
Purchases of property and equipment	(2,310)	(1,693)
Proceeds from the sale of property	17	1
Other	293	153
Net cash (used in) provided by investing activities	(2,000)	811
Financing activities:		
Payments for purchases of common stock	(5,950)	(5,561)
Payments of cash dividends	(2,442)	—
Proceeds from exercise of stock options	—	2,080
Other	13	25
Net cash used in financing activities	(8,379)	(3,456)
Net decrease in cash and cash equivalents	(30,001)	(14,540)
Cash and cash equivalents at beginning of period	57,804	64,277
Cash and cash equivalents at end of period	$27,803	$49,737
Supplement cash flow disclosure:		
Income taxes paid, net of refunds	$3,207	$—

See notes to consolidated financial statements.

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Winnebago Industries, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

Note 1: Basis of Presentation
The "Company," "we," "our" and "us" are used interchangeably to refer to Winnebago Industries, Inc. and its wholly-owned subsidiary, Winnebago of Indiana, LLC, as appropriate in the context.

We were incorporated under the laws of the state of Iowa on February 12, 1958 and adopted our present name on February 28, 1961. Our executive offices are located at 605 West Crystal Lake Road in Forest City, Iowa. Our telephone number is (641) 585-3535; our website is www.winnebagoind.com. Our common stock trades on the NYSE under the symbol “WGO.”

In our opinion, the accompanying condensed unaudited consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly our consolidated financial position as of November 29, 2014 and the consolidated results of income and comprehensive income and consolidated cash flows for the first three months of Fiscal 2015 and 2014. The consolidated statement of operations and comprehensive income for the first three months of Fiscal 2015 is not necessarily indicative of the results to be expected for the full year. The consolidated balance sheet data as of August 30, 2014 was derived from audited financial statements, but does not include all of the information and footnotes required by GAAP for complete financial statements. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto appearing in our Annual Report on Form 10-K for the fiscal year ended August 30, 2014.

Fiscal Period
We follow a 52-/53-week fiscal year, ending the last Saturday in August. Both Fiscal 2015 and Fiscal 2014 are 52-week years.

New Accounting Pronouncements
In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740), which clarifies the presentation requirements of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists at the reporting date. ASU 2013-11 became effective for fiscal years beginning after December 15, 2013 (our Fiscal 2015). We adopted this guidance in Fiscal 2015 which resulted in no significant impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which specifies how and when to recognize revenue as well as providing informative, relevant disclosures. ASU 2014-09 will become effective for fiscal years beginning after December 15, 2016 (our Fiscal 2018). We are currently evaluating the impact on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Going Concern (Subtopic 205-40), which provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and related footnote disclosures. ASU 2014-15 will become effective for years ending after December 15, 2016 (our Fiscal 2017). We are currently evaluating the impact of ASU 2014-15 on our consolidated financial statements.

Note 2: Concentration Risk

One of our dealer organizations accounted for 19.0% and 11.2% of our consolidated net revenue for the first three months of Fiscal 2015 and Fiscal 2014, respectively. A second dealer organization accounted for 18.0% and 19.8% of our consolidated net revenue for the first three months of Fiscal 2015 and Fiscal 2014, respectively. The loss of either or both of these dealer organizations could have a significant adverse effect on our business. In addition, deterioration in the liquidity or creditworthiness of these dealers could negatively impact our sales and could trigger repurchase obligations under our repurchase agreements.

Note 3: Investments and Fair Value Measurements

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

We account for fair value measurements in accordance with ASC 820, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measurement and expands disclosure about fair value measurement. The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Cash Equivalents

The carrying value of cash equivalents approximates fair value as original maturities are less than three months. Our cash equivalents are comprised of money market funds traded in an active market with no restrictions.

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The following tables set forth by level within the fair value hierarchy our financial assets that were accounted for at fair value on a recurring basis at November 29, 2014 and August 30, 2014 according to the valuation techniques we used to determine their fair values:

	Fair Value Measurements Using Inputs Considered As
(In thousands)	