

AUTOMATIC DATA PROCESSING INC  
Form 10-Q  
November 09, 2006

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

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**FORM 10-Q**

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2006

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 1-5397

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**AUTOMATIC DATA PROCESSING, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of incorporation)

**22-1467904**  
(IRS Employer Identification No.)

**One ADP Boulevard, Roseland, New Jersey**  
(Address of principal executive offices)

**07068**  
(Zip Code)

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Registrant's telephone number, including area code: (973) 974-5000

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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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No   
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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock as of October 31, 2006 was 550,607,173.

## Part I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Automatic Data Processing, Inc. and Subsidiaries

#### Statements of Consolidated Earnings

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended September 30,	
	2006	2005
REVENUES:		
Revenues, other than interest on funds held for Employer Services clients and PEO revenues	\$ 1,888.0	\$ 1,657.5
Interest on funds held for Employer Services clients	134.6	108.4
PEO revenues (A)	195.0	155.8
TOTAL REVENUES	2,217.6	1,921.7
EXPENSES:		
Operating expenses	1,111.9	925.4
Selling, general and administrative expenses	528.4	454.5
Systems development and programming costs	137.6	142.0

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Depreciation and amortization	81.8	70.1
Other income, net	(54.8 )	(2.4 )
<b>TOTAL EXPENSES</b>	<b>1,804.9</b>	<b>1,589.6</b>
<b>EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>412.7</b>	<b>332.1</b>
Provision for income taxes	155.2	126.0
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	<b>\$ 257.5</b>	<b>\$ 206.1</b>
Earnings from discontinued operations, net of provision for income taxes of \$7.1 for the three months ended September 30, 2005		13.9
<b>NET EARNINGS</b>	<b>\$ 257.5</b>	<b>\$ 220.0</b>
Basic Earnings Per Share from Continuing Operations	\$ 0.46	\$ 0.36
Basic Earnings Per Share from Discontinued Operations		0.02
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.46</b>	<b>\$ 0.38</b>
Diluted Earnings Per Share from Continuing Operations	\$ 0.46	\$ 0.35
Diluted Earnings Per Share from Discontinued Operations		0.02
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.46</b>	<b>\$ 0.38</b>
Basic weighted average shares outstanding	554.2	577.3
Diluted weighted average shares outstanding	559.5	582.8
Dividends declared per common share	\$ 0.1850	\$ 0.1550

(A) Professional Employer Organization ( PEO ) revenues are net of direct pass-through costs of \$1,902.8 and \$1,490.7 for the three months ended September 30, 2006 and 2005, respectively.

See notes to the consolidated financial statements.

**Automatic Data Processing, Inc. and Subsidiaries**

**Consolidated Balance Sheets**

(In millions, except per share amounts)

(Unaudited)

<u>Assets</u>	<b>September 30, 2006</b>	<b>June 30, 2006</b>
Current assets:		
Cash and cash equivalents	\$ 1,401.2	\$ 1,900.6
Short-term marketable securities (includes \$40.2 and \$40.3 of segregated securities deposited with clearing organizations or segregated for regulatory purposes, respectively)	468.7	367.9
Accounts receivable, net	1,178.9	1,202.4
Securities clearing receivables	1,030.7	836.8
Other current assets	511.8	452.4
Total current assets	4,591.3	4,760.1
Long-term marketable securities	210.7	334.0
Long-term receivables, net	203.9	215.4
Property, plant and equipment, net	773.5	782.4
Other assets	857.5	830.1
Goodwill	2,486.0	2,466.2

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Intangible assets, net	606.3	618.0
Total assets before funds held for clients	9,729.2	10,006.2
Funds held for clients	16,480.1	17,483.9
Total assets	\$ 26,209.3	\$ 27,490.1

Liabilities and Stockholders Equity

Current liabilities:

Accounts payable	\$ 166.6	\$ 207.3
Accrued expenses and other current liabilities	1,423.9	1,566.1
Securities clearing payables	795.0	613.6
Income taxes payable	201.6	205.7
Total current liabilities	2,587.1	2,592.7

Long-term debt	74.4	74.3
Other liabilities	394.1	373.4
Deferred income taxes	182.4	123.7
Deferred revenues	523.8	527.0
Total liabilities before client funds obligations	3,761.8	3,691.1
Client funds obligations	16,599.6	17,787.4
Total liabilities	20,361.4	21,478.5

Stockholders equity: