

BADGER METER INC
Form 11-K
June 14, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

x ANNUAL REPORT PURSUANT TO SECTION 15-(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the fiscal year ended December 31, 2011

OR

.. TRANSITION REPORT PURSUANT TO SECTION 15-(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from to

Commission file number 001-06706

A. Full title of the Plan and the address of the Plan, if different from that of the issuer named below:

Badger Meter Employee Savings and Stock Ownership Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

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Badger Meter, Inc.

4545 W. Brown Deer Road

Milwaukee, WI 53223

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REQUIRED INFORMATION

The Badger Meter Employee Savings and Stock Ownership Plan (the Plan) is subject to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Attached hereto is a copy of the most recent financial statements and schedules of the Plan prepared in accordance with the financial reporting requirements of ERISA.

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Badger Meter Employee Savings and Stock

Ownership Plan

Financial Statements and Supplemental Schedules

December 31, 2011 and 2010

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Report of Independent Registered Public Accounting Firm

Employee Benefit Plans Committee of the Board of Directors of Badger Meter, Inc.

Badger Meter Employee Savings and Stock Ownership Plan

Milwaukee, WI

We have audited the accompanying statements of net assets available for benefits of Badger Meter Employee Savings and Stock Ownership Plan as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2011 and 2010, and the changes in its net assets available for benefits for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets (held at end of year) as of December 31, 2011 and schedule of delinquent participant contributions for the year ended December 31, 2011 are presented for the purpose of analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Wipfli LLP

June 14, 2012

Milwaukee, Wisconsin

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Statement of Net Assets Available for Benefits

December 31, 2011

	Unallocated	Allocated	Total
Assets:			
Investments, at fair value	\$ 3,358,844	\$ 61,358,872	\$ 64,717,716
Company contributions receivable	201,468	1,626,035	1,827,503
Interest and dividends receivable	4	11,248	11,252
Notes receivable from participants		1,172,603	1,172,603
Total assets	3,560,316	64,168,758	67,729,074
Liabilities:			
Note payable	(1,484,680)		(1,484,680)
Pending trades		(133,709)	(133,709)
Total Liabilities	(1,484,680)	(133,709)	(1,618,389)
Net assets available for benefits, at fair value	2,075,636	64,035,049	66,110,685
Adjustment from fair value to contract value for interest in the fully benefit-responsive investment contract		(2,669,107)	(2,669,107)
Net assets available for benefits	\$ 2,075,636	\$ 61,365,942	\$ 63,441,578

See accompanying notes to financial statements

Table of Contents**Badger Meter Employee Savings and Stock****Ownership Plan**

Statement of Net Assets Available for Benefits

December 31, 2010

	Unallocated	Allocated	Total
Assets:			
Investments, at fair value	\$ 5,436,891	\$ 72,924,383	\$ 78,361,274
Company contributions receivable	51,364		51,364
Interest and dividends receivable		25,659	25,659
Pending trades		57,232	57,232
Notes receivable from participants		1,304,408	1,304,408
Total assets	5,488,255	74,311,682	79,799,937
Liability:			
Note payable	(1,536,037)		(1,536,037)
Net assets available for benefits, at fair value	3,952,218	74,311,682	78,263,900
Adjustment from fair value to contract value for interest in the fully benefit-responsive investment contract		(1,992,118)	(1,992,118)
Net assets available for benefits	\$ 3,952,218	\$ 72,319,564	\$ 76,271,782

See accompanying notes to financial statements

Table of Contents**Badger Meter Employee Savings and Stock****Ownership Plan**

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2011

	Unallocated	Allocated	Total
Investment loss:			
Net depreciation in fair value of investments	(\$ 1,643,904)	(\$ 9,046,493)	(\$ 10,690,397)
Interest	11	480,261	480,272
Dividends	66,687	550,997	617,684
Total investment loss	(1,577,206)	(8,015,235)	(9,592,441)
Interest income from notes receivable from participants		48,751	48,751
Contributions:			
Company	201,468	1,626,035	1,827,503
Roll over		385,922	385,922
Participants		2,992,305	2,992,305
Total contributions	201,468	5,004,262	5,205,730
Deductions:			
Benefits paid to participants		8,464,659	8,464,659
Interest expense	26,135		26,135
Loan fees		1,450	1,450
Total deductions	26,135	8,466,109	8,492,244
Allocation of shares	(474,709)	474,709	
Net decrease	(1,876,582)	(10,953,622)	(12,830,204)
Net assets available for benefits:			
Balance at beginning of year	3,952,218	72,319,564	76,271,782
Balance at end of year	\$ 2,075,636	\$ 61,365,942	\$ 63,441,578

See accompanying notes to financial statements

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Badger Meter Employee Savings and Stock

Ownership Plan

Note 1 Description of the Plan

General

The following description of Badger Meter Employee Savings and Stock Ownership Plan (the Plan) is for general information purposes only. Participants should refer to the summary plan description for a more complete description of the Plan. The Plan has three components: a 401(k) savings component, a leveraged employee stock ownership plan (ESOP) component, and a defined contribution component.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan purchased common shares of Badger Meter, Inc. (the Company) in the open market using proceeds from borrowings from the Company (Note 5).

Eligibility

Substantially all domestic employees of the Company are eligible to participate in the Plan.

Contributions

Participants may elect to contribute up to 20% of their eligible compensation to the Plan, subject to amounts allowable by the Code. Participants do not contribute to the ESOP component of the Plan.

The Company may make a discretionary matching contribution to the Plan. In order to be eligible to receive a Company match, a participant must be employed as of the last day of the plan year, retired within the year, or terminated employment during the plan year having attained age 55 with 5 years of service. The Company made a matching contribution to participant accounts in 2011 equal to 25% of the first 7% of participants' compensation.

Effective January 2011, the Company froze its pension plan for its non-union participants and formed a defined contribution component within this Plan into which each participant received a similar benefit. The first contributions of \$1,626,035 for 2011 were accrued in 2011 and paid in early 2012.

The Company may make additional discretionary contributions to the Plan. Other discretionary contributions are allocated equally to all participants' accounts. No other additional discretionary contributions were made by the Company to the Plan in 2011.

Dividends on unallocated shares of the Company's common stock within the ESOP component are allocated as an additional employer matching contribution to all participants' accounts annually based on the December 31 balance of such dividends.

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Badger Meter Employee Savings and Stock Ownership Plan

As fixed principal payments and interest payments are made by the Plan on the note payable (see Note 5), dividends on unallocated shares of the Company's common stock, which serve as collateral on the note payable, are released and allocated to participant accounts. The fair value of the Company's common stock as of December 31 is used to determine the fair value of the allocated shares. The Company is obligated to contribute sufficient cash to the Plan to enable it to repay the loan principal and interest amounts.

Participant Accounts

Each participant's account is credited with:

the participant's contributions,

the Company's matching contribution,

the Company's defined contribution, if eligible,

an allocation of the Company's discretionary contribution, if any,

dividends on the Company's unallocated common stock shares, if any, and

the Plan earnings.

The Company's discretionary contribution (excluding the matching contribution) is based upon eligible participant compensation. Plan earnings are allocated based on the participant's account balances in relation to total participant account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting

Participants are immediately fully vested in amounts in their accounts, except there is a three-year cliff vesting requirement for the defined contribution component of the Plan.

Payment of Benefits

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Upon retirement, death, disability, or termination of employment, the participant's account is distributed in a single lump sum. Distributions are generally made in the year following termination of service. At the participant's option in certain circumstances, distributions can be delayed. Final distributions from the ESOP component of the Plan are made in shares of Company common stock plus cash in lieu of fractional shares or entirely in cash.

Withdrawals

A participant's contribution may not be withdrawn prior to retirement, death, disability, termination of employment or termination of the Plan, except for financial hardship, a one-time distribution after age 59 1/2 or in the form of loans to the participant. The Plan defines financial hardship as expenses related to secondary education, unreimbursed medical expense, purchase of the participant's principal residence or other financial need as allowed under IRS regulations. All withdrawals are subject to approval by the Plan Administrator.

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Badger Meter Employee Savings and Stock

Ownership Plan

Forfeitures

Any amounts not vested upon the termination of a participant may be used to make future employer matching contributions. As of December 31, 2011 and 2010, there were no forfeited nonvested amounts.

Investment Options

The Plan provides for various investment options in mutual funds, common collective trusts, Company common stock and a general investment account with an insurance company. As of December 31, 2011, participants could select from twenty investment options. Participants can direct up to 50% of their contributions into the Badger Meter Company Stock Fund, which is a unitized fund comprised primarily of the Company's common stock and a money market fund. Information about changes in nonparticipant directed investments is presented in the unallocated portion of the Statement of Changes in Net Assets Available for Benefits.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their account balance. The loans are secured by the balance in the participant's account and bear interest at rates that range from 3.34 percent to 8.25 percent, which are commensurate with local prevailing rates at the time of the loan origination as determined quarterly by the Plan Administrator. Principal and interest is repaid ratably through monthly payroll deductions.

Loan maturities cannot exceed 60 months and are secured by the participant's vested interests in the Plan. Amounts loaned to a participant do not share in the allocations of Plan earnings (see Participant Accounts above), but are credited with the interest earned on the loan balance.

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Badger Meter Employee Savings and Stock

Ownership Plan

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value, as further defined in Note 3.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Notes Receivable from Participants

Notes receivable from participants are recorded at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan document.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with U.S. generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates and are subject to change in the near term.

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Badger Meter Employee Savings and Stock

Ownership Plan

Expenses

Expenses related to the administration of the Plan are paid by the Company. Investment expenses are paid by the Plan and reimbursed by the Company at its discretion. Loan fees are charged to the participant's account requesting the loan.

Payment of Benefits

Benefits are recorded when paid.

Risk and Uncertainties

The Plan's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

Subsequent Events

Subsequent events have been evaluated through June 14, 2012, the date the financial statements were issued.

Effective January 2012, the Company froze its pension plan for its union participants and included them in the recently formed defined contribution component within this Plan into which each of these participants received a similar benefit. The first contribution for these participants will be accrued in 2012 and is expected to be paid in early 2013.

Future Adoption of Accounting Standards

In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (ASU 2011-04), which was issued to create a consistent framework for the application of fair value measurement across jurisdictions. The amendments include wording changes to GAAP in order to clarify the FASB's intent about the application of existing fair value measurements and disclosure requirements, as well as to change a particular principle or existing requirement for measuring fair value or disclosing information about fair value measurements. There are no additional fair value measurements required upon the adoption of ASU 2011-04. The amendments are effective, prospectively, for interim and annual reporting periods beginning December 15, 2011. Early adoption is prohibited. The Plan will adopt the provisions of ASU 2011-04 effective January 1, 2012. The adoption is not expected to have a material effect on the financial statements of the Plan.

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Badger Meter Employee Savings and Stock

Ownership Plan

Note 3 Fair Value Measurements

Accounting Standards Codification 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for determining the fair value of assets or liabilities that reflect assumptions that market participants would use in pricing assets or liabilities. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Shares of mutual funds are valued at quoted market prices, which represent the net asset value (NAV) of shares. Shares of the Badger Meter, Inc. common stock are valued at quoted market prices. The Badger Meter, Inc. Stock Fund (Stock Fund) is a unitized fund. The Stock Fund consists of Badger Meter, Inc. common stock and short-term cash equivalents which provide liquidity for trading. The common stock is valued at the quoted market price from an active market and the short-term cash equivalents are valued at cost, which approximate fair value. Common collective trust funds are valued at NAV as determined by the issuer of the common collective trust funds based on the fair value of the underlying investments. The fair value of the general investment account is calculated by discounting the related cash flows based on current yields of similar investments with comparable durations.

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The following summarizes the Plan's investments, set forth by level within the fair value hierarchy, on a recurring basis as of December 31:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2011				
Mutual funds:				
Small cap equity funds	\$ 6,947,438	\$ 6,947,438	\$	\$
Mid cap equity funds	2,881,040	2,881,040		
Large cap equity funds	3,189,312	3,189,312		
International equity funds	1,902,186	1,902,186		
Other equity funds	949,010	949,010		
Fixed income securities	3,853,525	3,853,525		
Common collective trusts	7,280,599		7,280,599	
Other equity:				
Company common stock	3,270,997	3,270,997		
Stock fund: common stock	14,996,704		14,996,704	
Stock fund: money market	&			