ELECTRO SENSORS INC
Form 10-Q
November 13, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

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

For the quarterly period ended September 30, 2017

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 000-09587

ELECTRO-SENSORS, INC.

(Exact name of registrant as specified in its charter)

Minnesota	41-0943459
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

6111 Blue Circle Drive
Minnetonka, Minnesota 55343-9108

(Address of principal executive offices)

(952) 930-0100

(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 of 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

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 definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, $0.10 par value, on November 10, 2017 was 3,395,521.

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ELECTRO-SENSORS, INC.

Form 10-Q

For the Periods Ended September 30, 2017

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
ELECTRO-SENSORS, INC.

BALANCE SHEETS
(in thousands except share and per share amounts)

	September 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,185	$ 840
Treasury bills	7,420	7,427
Trade receivables, less allowance for doubtful accounts of $8	1,042	770
Inventories	1,528	1,515
Other current assets	177	174
Income tax receivable	0	66
Total current assets	11,352	10,792
Deferred income tax asset, net	254	198
Intangible assets, net	858	1,035
Property and equipment, net	992	1,033
Total assets	$ 13,456	$ 13,058
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of contingent earn-out	$ 142	$ 0
Accounts payable	133	239
Accrued expenses	439	304
Accrued income tax	73	0
Total current liabilities	787	543
Long-term liabilities		
Contingent earn-out, net of current maturities	0	195
Total long-term liabilities	0	195
Commitments and contingencies		

Stockholders' equity		
Common stock par value $0.10 per share; authorized 10,000,000 shares; 3,395,521 shares issued and outstanding	339	339
Additional paid-in capital	2,001	1,953
Retained earnings	10,348	10,057
Accumulated other comprehensive loss (unrealized loss on available-for-sale securities, net of income tax benefit)	(19)	(29)
Total stockholders' equity	12,669	12,320
Total liabilities and stockholders' equity	$ 13,456	$ 13,058

See accompanying notes to unaudited financial statements

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ELECTRO-SENSORS, INC.

STATEMENTS OF COMPREHENSIVE INCOME
(in thousands except share and per share amounts)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales	$2,054	$1,837	$6,005	$5,562
Cost of goods sold	920	835	2,648	2,452
Gross profit	1,134	1,002	3,357	3,110
Operating expenses				
Selling and marketing	342	387	1,127	1,262
General and administrative	402	386	1,225	1,199
Research and development	168	200	590	561
Total operating expenses	912	973	2,942	3,022
Operating income	222	29	415	88
Non-operating income (expense)				
Interest expense	0	0	0	(1)
Interest income	9	3	22	18
Other income	3	3	8	12
Total non-operating income, net	12	6	30	29
Income before income taxes	234	35	445	117
Provision for income taxes	82	12	154	43
Net income	$152	$23	$291	$74
Other comprehensive income				
Change in unrealized value of available-for-sale securities, net of income tax	$6	$2	$10	$6
Other comprehensive income	6	2	10	6
Net comprehensive income	$158	$25	$301	$80

Net income per share data:

Basic				
Net income per share	$0.04	$0.01	$0.09	$0.02
Weighted average shares	3,395,521	3,395,521	3,395,521	3,395,521
Diluted				
Net income per share	$0.04	$0.01	$0.09	$0.02
Weighted average shares	3,400,988	3,396,776	3,396,899	3,396,102

See accompanying notes to unaudited financial statements

ELECTRO-SENSORS, INC.

STATEMENTS OF CASH FLOWS
(in thousands)

(unaudited)

	Nine Months Ended September 30, 2017	2016
Cash flows from (used in) operating activities		
Net income	$ 291	$ 74
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	233	235
Deferred income taxes	(62)	(26)
Stock-based compensation expense	48	66
Change in contingent earn-out fair value	(53)	(72)
Other	(21)	(18)
Change in:		
Trade receivables	(272)	(149)
Inventories	(13)	47
Other current assets	(3)	(17)
Accounts payable	(106)	21
Accrued expenses	135	11
Income tax receivable/accrued income taxes	139	(21)
Net cash from operating activities	316	151
Cash flows from (used in) investing activities		
Purchases of treasury bills	(5,956)	(7,425)
Proceeds from the maturity of treasury bills	6,000	7,889
Purchase of property and equipment	(15)	(2)
Net cash from investing activities	29	462
Cash flows used in financing activities		
Payments on long-term debt	0	(390)
Net cash used in financing activities	0	(390)
Net increase in cash and cash equivalents	345	223

Cash and cash equivalents, beginning	840	569
Cash and cash equivalents, ending	$ 1,185	$ 792
Supplemental cash flow information		
Cash paid for income taxes	$ 125	$ 90
Cash paid for interest	$ 0	$ 10

See accompanying notes to unaudited financial statements

ELECTRO-SENSORS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

(in thousands except share and per share amounts)

(unaudited)

Note 1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions and regulations of the Securities and Exchange Commission to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

This report should be read together with the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, including the audited financial statements and footnotes therein.

Management believes that the unaudited financial statements include all adjustments, consisting of normal recurring accruals, necessary to fairly state the financial position and results of operations as of September 30, 2017 and for the three and nine-month periods then ended in accordance with accounting principles generally accepted in the United States of America. The results of interim periods may not be indicative of results to be expected for the year.

Nature of Business

Electro-Sensors, Inc. manufactures and markets a complete line of monitoring and control systems for a variety of industrial machinery. The Company uses leading-edge technology to continuously improve its products and make them easier to use, with the ultimate goal of manufacturing the industry-preferred product for every market served. The Company sells these products through an internal sales staff, manufacturers’ representatives, and distributors to a wide variety of industries that use the products in a variety of applications to monitor process machinery operations. The Company markets its products to customers located throughout the United States, Canada, Latin America, Europe, and Asia.

Fair Value Measurements

The carrying value of trade receivables, accounts payable, and other financial working capital items approximates fair value at September 30, 2017 and December 31, 2016, due to the short maturity nature of these instruments.

Stock-Based Compensation

The Company records compensation expense for stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes-Merton ("BSM") option pricing model. The Company uses historical data, among other factors, to estimate the expected price volatility, the expected option life, and the expected forfeiture rate. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates, including the underlying assumptions, consist of economic lives of long-lived assets, realizability of trade receivables, valuation of deferred tax assets/liabilities, inventory, investments, contingent earn-out, and stock compensation expense. It is at least reasonably possible that these estimates may change in the near term.

ELECTRO-SENSORS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

(in thousands except share and per share amounts)

(unaudited)

Note 2. Investments

The cost and estimated fair value of the Company's investments are as follows:

	Cost	Gross unrealized gain	Gross unrealized loss	Fair value
September 30, 2017				
Commercial Paper	$ 693	$ 0	$ 0	$ 693
Treasury Bills	7,396	24	0	7,420
Equity Securities	54	0	(54)	0
	8,143	24	(54)	8,113
Less Cash Equivalents	693	0	0	693
Total Investments, September 30, 2017	$ 7,450	$ 24	$ (54)	$ 7,420
December 31, 2016				
Commercial Paper	$ 348	$ 0	$ 0	$ 348
Treasury Bills	7,419	8	0	7,427
Equity Securities	54	0	(54)	0
	7,821	8	(54)	7,775
Less Cash Equivalents	348	0	0	348
Total Investments, December 31, 2016	$ 7,473	$ 8	$ (54)	$ 7,427

ELECTRO-SENSORS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

(in thousands except share and per share amounts)

(unaudited)

Note 3. Fair Value Measurements

The following table provides information on those assets and liabilities measured at fair value on a recurring basis.

September 30, 2017

	Carrying amount in balance sheet	Fair Value	Fair Value Measurement Using Level 1	Level 2	Level 3
Assets:					
Cash equivalents					
Commercial paper	$ 693	$ 693	$ 693	$ 0	$ 0
Treasury bills	7,420	7,420	7,420	0	0
Equity Securities	0	0	0	0	0
Liabilities:					
Contingent earn-out	142	142	0	0	142

December 31, 2016

	Carrying amount in balance sheet	Fair Value	Fair Value Measurement Using Level 1	Level 2	Level 3
Assets:					
Cash equivalents					
Commercial paper	$ 348	$ 348	$ 348	$ 0	$ 0
Treasury bills	7,427	7,427	7,427	0	0
Equity Securities	0	0	0	0	0
Liabilities:					
Contingent earn-out	195	195	0	0	195

The fair value of the commercial paper and treasury bills is based on quoted market prices in an active market. There is not a significant market for the available-for-sale equity security owned by the Company. The Company has determined the fair value for this equity security based on financial and other factors that are considered level 3 inputs in the fair value hierarchy.

The contingent earn-out relates to the 2014 acquisition of the HazardPRO™ product line. Management estimated the probability of meeting the revenue targets over the measurement period to determine the fair value of the contingent earn-out, which is considered a level 3 input in the fair value hierarchy.

The change in level 3 liabilities at fair value on a recurring basis in the 2017 and 2016 three and nine-month periods is summarized as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Beginning Balance	$ 142	$ 383	$ 195	$ 455
Change in Fair Value	0	0	(53)	(72)
Ending Balance	$ 142	$ 383	$ 142	$ 383

Both the 2017 and 2016 decreases in the contingent liability reflect the Company's expectation of lower future contingent payments due to lower anticipated sales during the remaining term of the earn-out period.

ELECTRO-SENSORS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

(in thousands except share and per share amounts)

(unaudited)

Note 4. Stock-Based Compensation

During the first quarter of 2016, the Company granted its Chief Executive Officer options to purchase 50,000 shares of common stock. The options were priced at fair market value and vested 20% on the grant date, with an additional 20% vesting on the first four anniversaries of the grant date. The options expire ten years from the date of grant.

The assumptions made in estimating the fair value of the options on the grant date based upon the BSM option-pricing model for the nine months ended September 30, 2016 are as follows:

Dividend Yield	0.00	%
Expected Volatility	36.17	%
Risk Free Interest Rate	1.31	%
Expected Life	6 Years	

As of September 30, 2017, there was approximately $20 of unrecognized compensation expense related to unvested stock options. The Company expects to recognize this expense over the next three years.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. Forward-looking statements include, but are not limited to, statements relating to our marketing efforts or our efforts to accelerate growth; our business development activities; our efforts to maintain or reduce production costs; our expected use of cash on hand; our cash requirements; and the sufficiency of our cash flows. Any statement that is not based solely upon historical facts, including our strategies for the future and the outcome of events that have not yet occurred, is a forward-looking statement.

All forward-looking statements in this document are based on information available to us as of the date of this Form 10-Q, and we assume no obligation to update any of these forward-looking statements, other than as required by law. Our actual results could differ materially from those projected or indicated in these forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause future results to differ materially from our recent results or those projected in the forward-looking statements, including the accuracy of management’s assumptions with respect to industry trends, fluctuations in industry conditions, the accuracy of management’s assumptions regarding expenses and our cash needs and those listed under the heading “Cautionary Statements” under “Item 1—Business,” in our Annual Report on Form 10-K for the year ended December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make decisions based upon estimates, assumptions, and factors it considers relevant to the circumstances. These decisions include the selection of applicable accounting principles and the use of judgment in their application, and affect reported amounts and disclosures. Changes in economic conditions or other business circumstances may affect the outcomes of management’s estimates and assumptions. An in-depth description of our accounting estimates can be found in the interim financial statements included in this report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. We have not developed new estimates subsequent to those discussed in our Annual Report.

The following table contains selected financial information, for the periods indicated, from our statements of comprehensive income expressed as a percentage of net sales.

	Three Months Ended September 30,	Nine Months Ended September 30,

	2017	2016	2017	2016
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	44.8	45.5	44.1	44.1
Gross profit	55.2	54.5	55.9	55.9
Operating expenses				
Selling and marketing	16.7	21.1	18.8	22.7
General and administrative	19.5	21.0	20.4	21.5
Research and development	8.2	10.9	9.8	10.1
Total operating expenses	44.4	53.0	49.0	54.3
Operating income	10.8	1.5	6.9	1.6
Non-operating income				
Interest income	0.4	0.2	0.4	0.3
Other income	0.2	0.2	0.1	0.2
Total non-operating income, net	0.6	0.4	0.5	0.5
Income before income taxes	11.4	1.9	7.4	2.1
Provision for income taxes	4.0	0.7	2.6	0.8
Net income	7.4 %	1.2 %	4.8 %	1.3 %

The following paragraphs discuss the Company's performance for the three and nine months ended September 30, 2017 and 2016.

RESULTS OF OPERATIONS (in thousands)

Net Sales

Net sales for the three-month period ended September 30, 2017 were $2,054, an increase of $217, or 11.8% over the same period in 2016. Net sales for the nine-month period ended September 30, 2017 were $6,005, an increase of $443, or 8.0% over the same period in 2016. Growth for the three-month period was primarily due to an increase in the average size of large orders, which we define as orders over five thousand dollars. The increase drove growth in both the HazardPRO Wireless Monitoring system and legacy product families. Furthermore, international sales were a significant contributor to our growth and were up 34% in the 2017 nine-month period as compared to the same period in 2016. In addition, the Company benefitted from significant growth in sales into the bulk material handling and OEM markets as compared to the same three-month period in 2016.

Gross Profit

Gross profit for the three months ended September 30, 2017 increased $132, or 13.2%, over the same period in 2016. Gross profit for the nine months ended September 30, 2017 increased $247, or 7.9%, over the same period in 2016. Both the three and nine-month gross profit increases were due to the higher level of sales. Gross margin, as a percentage of net sales, increased to 55.2% in the 2017 three-month period from 54.5% in the prior year, but remained constant at 55.9% in the 2017 and 2016 nine-month periods. The slight increase in gross margin percentage during the 2017 third quarter was due to a change in product mix.

Operating Expenses

Total operating expenses decreased $61, or 6.3%, for the three months ended September 30, 2017 compared to the same period in 2016 and decreased as a percentage of sales to 44.4% from 53.0%. Total operating expenses decreased $80, or 2.6%, for the nine months ended September 30, 2017 compared to the same period in 2016 and decreased as a percentage of sales to 49.0% from 54.3%. The decreases in operating expenses as a percentage of sales were primarily due to increased revenues.

Selling and marketing expenses in the 2017 third quarter decreased $45, or 11.6%, from the 2016 third quarter, decreasing as a percentage of net sales to 16.7% from 21.1%. Selling and marketing expenses decreased $135, or 10.7%, in the 2017 nine-month period over the prior year period, decreasing as a percentage of net sales to 18.8% from 22.7%. The decrease for both the three and nine-month periods resulted primarily from the Company using fewer outside sales representatives in 2017. The decrease in the three-month period was partially offset by an increase in sales demo expenses. The decrease in the nine-month period also reflected lower travel expenses; partially offset by an increase in wages and benefits.

General and administrative expenses increased $16, or 4.1%, for the 2017 three-month period compared to the same period in 2016 but decreased as a percentage of net sales to 19.5% from 21.0%. For the 2017 nine-month period, general and administrative expenses increased $26, or 2.2%, compared to the 2016 period and decreased as a percentage of net sales to 20.4% from 21.5%. The increase for the three and nine-month periods was due to a smaller reversal of the HazardPRO contingent earn-out liability in 2017. The Company decreased the accrual for the HazardPRO contingent payment by $53 in the 2017 nine-month period and by $72 in the 2016 nine-month period.

Research and development expenses decreased $32, or 16.0%, in the 2017 three-month period from the same period in 2016, and decreased as a percentage of net sales to 8.2% from 10.9%. For the 2017 nine-month period, research and development expenses increased $29, or 5.2%, over the 2016 period, but decreased as a percentage of net sales to 9.8% from 10.1%. The decrease for the three-month period was due to a decrease in contract engineering, lab testing and certification expenses for our HazardPRO product line. The increase for the nine-month period was the result of increased contract engineering fees related to product enhancements; partially offset by a decrease in lab testing and certification expenses for our HazardPRO product line.

Non-Operating Income (Expense)

Non-operating income increased by $6, or 100.0%, for the 2017 three-month period compared to the same 2016 period. Non-operating income increased $1, or 3.4%, in the nine months ended September 30, 2017, when compared to the same period in 2016. The increase for both periods was primarily due to an increase in interest income.

Income Before Income Taxes

Income before income taxes was $234 for the three months ended September 30, 2017, representing an increase of $199, or 568.6%, when compared to the same period in 2016. Income before income taxes was $445 for the nine months ended September 30, 2017, representing an increase of $328, or 280.3%, when compared to the same period in 2016. The increase for both 2017 periods was the result of higher 2017 gross profit, primarily due to increased revenues, and a decrease in operating expenses.

Income Taxes

The Company's income tax expense percentage remained relatively constant at 35.0% and 34.6% in the respective three and nine-month periods compared to 34.3% and 36.8% in the comparable 2016 three and nine-month periods.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $1,185 at September 30, 2017 and $840 at December 31, 2016. The increase was mainly the result of an increase in cash generated from operating activities.

Cash generated from operating activities was $316 and $151 for the nine months ended September 30, 2017 and 2016, respectively. The $165 increase was due to the increase in net income and accrued expenses; partially offset by an increase in trade receivables and a decrease in accounts payable. The increase in net income is due to higher gross profit and decreased expenses. The increase in accrued expenses is due to increased payroll related expenses. The increase in accounts receivable is due to increased sales in the 2017 third quarter. The decrease in accounts payable is due to the timing of payments.

Cash generated from investing activities was $29 and $462 for the nine months ended September 30, 2017 and 2016, respectively. During the nine months ended September 30, 2017 and 2016, the Company had net proceeds of Treasury Bills with a maturity date of more than three months of $44 and $464, respectively. In addition, we purchased $15 and $2 of property and equipment during the nine-month periods of 2017 and 2016, respectively.

There was no cash used or provided by financing activities in the nine months ended September 30, 2017. Cash used in financing activities was $390 in the nine months ended September 30, 2016 to make the final payment on the long-term debt owed to Harvest Engineering, Inc. for the technology purchased in February 2014.

Our ongoing cash requirements will be primarily for capital expenditures, the contingent earn-out payment, research and development, and working capital. Management believes that our cash on hand and any cash generated from operations will be sufficient to meet our cash requirements through at least the next 12 months.

Off-balance Sheet Arrangements

As of September 30, 2017, the Company had no off-balance sheet arrangements or transactions.

Future Business Development Activities

The Company continues to seek growth opportunities, both internally through the Company’s existing portfolio of products, technologies and markets, as well as externally through technology partnerships or related-product acquisitions. Although the Company is continuing to explore these external opportunities, it currently has no agreements or understandings with any third parties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer has concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") were effective as of September 30, 2017 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the third quarter of 2017, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings – None
Item 1A. Risk Factors – Not Applicable
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds – None
Item 3. Defaults Upon Senior Securities – None
Item 4. Mine Safety Disclosures – Not Applicable
Item 5. Other Information – None
Item 6. Exhibits

Exhibit Description

31.1	Certification of CEO and CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Electro-Sensors, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, formatted in eXtensible Business Reporting Language XBRL: (i) Balance Sheets as of September 30, 2017 and December 31, 2016, (ii) Statements of Comprehensive Income for the three and nine months ended September 30, 2017 and September 30, 2016, (iii) Statements of Cash Flows for the nine months ended September 30, 2017 and September 30, 2016, and (iv) Notes to Financial Statements.

SIGNATURES

Pursuant to the requirements 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.

	Electro-Sensors, Inc.
November 13, 2017	/s/ David L. Klenk
	David L. Klenk
	Chief Executive Officer and Chief Financial Officer
November 13, 2017	/s/ Gloria M. Grundhoefer
	Gloria M. Grundhoefer
	Controller