

GORMAN RUPP CO
Form 11-K
June 25, 2015
Table of Contents

UNITED STATES
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, 2014

OR

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

For the transition period from _____ to _____

Commission file number: 1-6747

a. Full Title of the plan and the address of the plan, if different from that of the issuer named below:
THE GORMAN-RUPP COMPANY 401(k) PLAN

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

The Gorman-Rupp Company

600 South Airport Road Mansfield, Ohio 44903

The Exhibit Index is located on Page 14

Table of Contents

Required Information

Audited plan financial statements and schedules prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, as amended, are filed herewith in lieu of the requirements of audited statements of financial condition and audited statements of income and changes in plan equity.

Financial Statements and Exhibits

A) The following financial statements and schedules (including the report of Meaden & Moore) are filed as part of this annual report:

- 1) Statements of Net Assets Available for Benefits-December 31, 2014 and 2013
- 2) Statement of Changes in Net Assets Available for Benefits-Year ended December 31, 2014
- 3) Schedule of Assets (Held at End of Year)

B) The following exhibit is filed as part of this annual report:
(23) Consent of Independent Registered Public Accounting Firm

Table of Contents

AUDITED FINANCIAL STATEMENTS AND

SUPPLEMENTAL SCHEDULES

The Gorman-Rupp Company 401(k) Plan

December 31, 2014 and 2013, and Year Ended December 31, 2014

With Report of Independent Registered Public Accounting Firm

Table of Contents

The Gorman-Rupp Company 401(k) Plan

Audited Financial Statements

and Supplemental Schedules

December 31, 2014 and 2013, and

Year Ended December 31, 2014

Contents

<u>Report of Independent Registered Public Accounting Firm</u>	1
Audited Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4
Supplemental Schedules	
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year)</u>	12

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

The Gorman-Rupp Company 401(k) Plan

Mansfield, Ohio

We have audited the accompanying Statement of Net Assets Available for Benefits of The Gorman-Rupp Company 401(k) Plan (the Plan) as of December 31, 2014 and 2013, and the related Statement of Changes in Net Assets Available for Benefits for the year then ended. 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 audits 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 its 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 also 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, 2014 and 2013, and the changes in net assets available for benefits of the Plan for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2014 has been subjected to audit procedures performed in conjunction with the audit of the Plan s financial statements. The supplemental schedule is the responsibility of the Plan s management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with Department of Labor s (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Meaden & Moore, Ltd.

Cleveland, Ohio

June 25, 2015

Table of Contents

The Gorman-Rupp Company 401(k) Plan
 Statements of Net Assets Available for Benefits

	December 31	
	2014	2013
Assets		
Investments	\$ 57,095,248	\$ 56,067,006
Receivables:		
Notes receivable from participants	\$ 1,373,800	\$ 1,393,442
Net assets available for benefits, at fair value	\$ 58,469,048	\$ 57,460,448

See accompanying notes.

Table of Contents

The Gorman-Rupp Company 401(k) Plan
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2014

Additions	
Investment income:	
Net depreciation in fair value of investments	\$ (777,157)
Interest and dividends	2,022,456
	1,245,299
Interest income on notes receivable from participants	45,998
Contributions	
Participants	2,893,210
Employer	1,197,850
Rollovers	445,317
Total Contributions	4,536,377
Total Additions	5,827,674
Deductions	
Benefits paid to participants	4,819,074
Net increase	1,008,600
Net assets available for benefits:	
Beginning of year	57,460,448
End of year	\$ 58,469,048

See accompanying notes.

Table of Contents

The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

December 31, 2014 and 2013, and

Year Ended December 31, 2014

1. Description of the Plan

The following description of The Gorman Rupp Company 401(k) Plan (Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering substantially all employees of the Corporate, Mansfield and Industries Divisions of The Gorman Rupp Company (Company and Plan Administrator) and Patterson Pump Company, a subsidiary of the Company. Bank of America Merrill Lynch is the trustee and record keeper of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Each year, participants may contribute up to 40% of pretax annual compensation (15% for highly compensated employees), as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company contributes 40% of the first 4% of compensation that a participant contributes to the Plan provided such participant was hired prior to January 1, 2008. For employees hired after January 1, 2008, the Company contributes 50% of the first 6% of compensation that a participant contributes to the Plan. The Company also contributes a percentage of the employee's income based on the age of the employee and the years of service with the Company for employees hired on or after January 1, 2008.

Full-time employees are eligible to participate in the Plan upon hiring. The additional Company contribution for employees hired on or after January 1, 2008 has a 90 day waiting period.

Upon enrollment, a participant may direct employee contributions in whole increments to any of the investment fund options offered by the Plan. Employees may elect to transfer all or a portion (in 1% increments) of their account balance to any fund offered in the Plan (including the employer match contributions which are invested in the Gorman-Rupp Stock Fund), based on the value of their account on the immediately preceding valuation date. Rollovers are currently allowed by the Plan.

Table of Contents

The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

1. Description of the Plan (continued)

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of the Company's contributions and allocations of Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Participants are also fully vested in the Company contribution portion of their accounts plus actual earnings thereon. Vesting in the Company age and service contribution is based on years of continuous service; a participant is 100% vested after three years of service.

Forfeitures

Upon termination of employment, participants forfeit their nonvested balances. If a participant is rehired within a five year period, the forfeited contributions are reinstated. Forfeited balances of terminated participant's nonvested accounts are used to reduce future Company contributions. Unallocated forfeitures balances as of December 31, 2014 and 2013 were \$17 and \$1, respectively.

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% of their vested account balance. The term of the loan shall not exceed 5 years, or 20 years for the purchase of a primary residence. A participant may not have more than one loan at any point in time. The loans are secured by the balance in the participant's account and bear interest at the prime rate, as quoted in *The Wall Street Journal* at the date of loan origination. Principal and interest is paid ratably through payroll deductions.

Table of Contents

The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

December 31, 2014 and 2013, and

Year Ended December 31, 2014

1. Description of the Plan (continued)

Payment of Benefits

Upon retirement or termination of employment, a participant may receive a lump-sum amount equal to the vested value of his or her account. A lump-sum payment is required at a participant's death. Participants may also receive payments upon reaching the age of 59 ½ or with proof of hardship as determined by the Plan Administrator.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event the Plan terminates, participants will become 100 percent vested in their accounts.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2014 or 2013. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

Table of Contents

The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

December 31, 2014 and 2013, and

Year Ended December 31, 2014

2. Summary of Significant Accounting Policies (continued)

Common Collective Trust

The Federated Capital Preservation Fund (Class R6) is a common collective trust. The Fund Holds guaranteed investment contracts (traditional GICs), separate account guaranteed investment contracts (separate account GICs) and synthetic guaranteed investment contracts (synthetic GICs). The fair value of traditional GICs is determined based on the present value of the contract's expected cash flows, discounted by current market interest rates for like-duration and like-quality investments. The fair value of a separate account GIC and a synthetic GIC is determined based on the fair value of the securities underlying each GIC. The Fund attempts to maintain a stable price per unit of \$10.00, however, there can be no assurance that the value of the units in the Fund will not fluctuate. Participants can transact with the trust on a daily basis.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. The shares of registered investment companies are valued at quoted market prices which represent the net asset values of shares held by the Plan at year-end. The Company stock is valued at its quoted market price as of the last business day of the Plan's year.

In accordance with ASC 820, *Fair Value Measurements* (formerly FASB Statement No. 157), assets and liabilities measured at fair value are categorized into the following fair value hierarchy:

Level 1 Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the Plan has the ability to access at the measurement date.

Level 2 Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs include the following:

Quoted prices for similar assets or liabilities in active markets

Quoted prices for identical or similar assets or liabilities in inactive markets

Table of Contents

The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Observable inputs other than quoted prices that are used in the valuation of the asset or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals)

Inputs that are derived from corroborated by observable market data by correlation or other means
Level 3 Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes and supplemental schedules. Actual results could differ from those estimates.

Subsequent Events

Management evaluated subsequent events for the Plan through the date the financial statements were available to be issued.

3. Investments

During 2014, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated in fair value as follows:

Table of Contents

The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

December 31, 2014 and 2013, and

Year Ended December 31, 2014

3. Investments (continued)

	Net Appreciation/ (Depreciation) in Fair Value of Investments
Common stock	(\$ 1,125,417)
Shares of registered investment companies	348,260
	(\$ 777,157)

The fair value of individual investments that represent 5% or more of the Plan's net assets are as follows:

	2014	2013
The Gorman-Rupp Company Stock Fund	\$ 18,027,139	\$ 19,299,927
Nuveen Dividend Value Class 1	3,157,787	3,582,827
FFI Institutional Fund	N/A	4,826,827
Lord Abbett Total Return Fund Class 1	4,720,290	4,185,369
Columbia Balanced Fund Class R4	4,146,131	3,822,087
American Funds EuroPacific Growth Fund Class R6	3,324,155	N/A
Federated Capital Preservation Class R6	3,949,269	N/A

4. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The level of the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety.

Table of Contents

The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

4. Fair Value Measurement (continued)

The following is a description of the valuation methodologies used for major categories of assets measured at fair value by the plan.

Fair Value for Level 1 is based upon quoted market prices of common stock (unitized fund), money market and mutual funds.

Fair Value for Level 2 is determined by dividing the common collective trust's net assets by its units outstanding at the valuation dates.

	Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
The Gorman-Rupp Company Stock Fund	\$ 18,027,139	\$	\$	\$ 18,027,139
Mutual Funds:				
U.S. equities	14,945,549			14,945,549
International equities	5,276,526			5,276,526
Other	7,755,629			7,755,629
Fixed Income	7,141,136			7,141,136
Stable Value Fund		3,949,269		3,949,269
Total assets at fair value	\$ 53,145,979	\$ 3,949,269	\$	\$ 57,095,248

	Assets at Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
The Gorman-Rupp Company Stock Fund	\$ 19,299,927	\$	\$	\$ 19,299,927
Mutual Funds:				
U.S. equities	12,268,671			12,268,671
International equities	5,184,429			5,184,429
Other	7,495,960			7,495,960
Fixed Income	6,991,192			6,991,192
Money Market Fund	4,826,827			4,826,927
Total assets at fair value	\$ 56,067,006	\$	\$	\$ 56,067,006

Table of Contents

The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

December 31, 2014 and 2013, and

Year Ended December 31, 2014

5. Party in Interest Transactions

The investments held in The Gorman-Rupp Company Stock Fund received dividends on the shares from the Plan Sponsor.

6. Administrative Costs

Fees for legal, accounting and other services rendered to the Plan are paid by the Company.

7. Risks and Uncertainties

The Plan has investments in The Gorman-Rupp Company Stock Fund of \$18,027,139 or 30.8% of net assets as of December 31, 2014.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities 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.

8. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated July 23, 2012, stating that the Plan is qualified under section 401(a) of the Internal Revenue Code (Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan has subsequently been amended; however, the Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and believes that the Plan is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Table of Contents

The Gorman-Rupp Company 401(k) Plan

EIN: 34-0253990 Plan Number: 005

Schedule H, Line 4i Schedule of Assets

(Held at End of Year)

December 31, 2014

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Par or Maturity Value	(d) Cost	(e) Current Value
*	The Gorman-Rupp Company Stock Fund	Stock Fund (Unitized Fund)	N/A	\$ 18,027,139
	BIF Money Fund	Money Market Fund	N/A	\$ 150
	Federated Capital Preservation Class R6	Common Collective Trust	N/A	3,949,269
	American Capital World Bond Fund Class R-6	Mutual Fund	N/A	493,104
	American Funds EuroPacific Growth Fund Class R-6	Mutual Fund	N/A	3,324,155
	First Eagle Global Fund Class 1	Mutual Fund	N/A	762,974
	Prudential Jennison Mid-Cap Growth Fund Class Z	Mutual Fund	N/A	324,319
	PIMCO Low Duration Fund Class 1	Mutual Fund	N/A	534,762
	American Century Equity Growth Fund Class 1	Mutual Fund	N/A	2,292,993
	DFA US Small Cap Portfolio Fund Class Institutional	Mutual Fund	N/A	2,684,599
	Nuveen Dividend Value Class 1	Mutual Fund	N/A	3,157,787
	John Hancock Disciplined Value Mid Cap Fund Class Institutional	Mutual Fund	N/A	2,251,111
	Putnam Dynamic Asset Allocation Conservative Fund Class Y	Mutual Fund	N/A	1,316,317
	Principal Investors Real Estate Securities Fund Institutional Fund	Mutual Fund	N/A	879,850
	Lord Abbett Total Return Fund Class 1	Mutual Fund	N/A	4,720,290
	Oppenheimer Global Fund Class Y	Mutual Fund	N/A	1,381,162
	JPMorgan Market Expansion Enhanced Index Fund Select Class	Mutual Fund	N/A	2,439,276
	American Century Strategic Allocation Aggressive Fund Class 1	Mutual Fund	N/A	1,529,997
		Mutual Fund	N/A	571,209

Parametric Emerging Market Fund Class Institutional			
Columbia Strategic Income Fund Class R4	Mutual Fund	N/A	1,392,830
Columbia Balanced Fund Class R4	Mutual Fund	N/A	4,146,131
Franklin Growth Fund Advisor Class	Mutual Fund	N/A	915,614
Pending Settlement Fund	Mutual Fund	N/A	210
* Notes Receivable From Participants	At interest rate of 3.25%-6.75%	N/A	1,373,800
with maturity dates through 2034			\$ 58,469,048

*Indicates party in interest to the plan

Table of Contents

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

THE GORMAN-RUPP COMPANY 401(k) PLAN

By: The Gorman-Rupp Company, as Plan
Administrator

Date: June 25, 2015

By: /s/ Jeffrey S. Gorman
Jeffrey S. Gorman, President and Chief Executive
Officer

Date: June 25, 2015

By: /s/ Wayne L. Knabel
Wayne L. Knabel, Executive Vice President, Chief
Financial Officer and Treasurer

Date: June 25, 2015

By: /s/ Brigette A. Burnell
Brigette A. Burnell, General Counsel and Secretary

Date: June 25, 2015

By: /s/ Ronald D. Pittenger
Ronald D. Pittenger, Vice President, Assistant
Treasurer, Assistant Secretary

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
23	Consent of Independent Registered Public Accounting Firm