DOUGLAS DYNAMICS, INC
Form 11-K
June 21, 2018
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, 2017

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

For the transition period from to

Commission file number 001-34728

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

Douglas Dynamics, L.L.C. 401(k) Plan

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

Douglas Dynamics, Inc.

7777 North 73rd Street

Milwaukee, Wisconsin 53223

Table of Contents

REQUIRED INFORMATION

The following financial statements and supplemental information of the Douglas Dynamics, L.L.C. 401(k) Plan, prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, as amended, are filed herewith.

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

Milwaukee, Wisconsin

FINANCIAL STATEMENTS AND

SUPPLEMENTAL INFORMATION

December 31, 2017 and 2016

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

TABLE OF CONTENTS

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Administrative Committee

Douglas Dynamics, L.L.C. 401(k) Plan

Milwaukee, Wisconsin

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of Douglas Dynamics, L.L.C. 401(k) Plan (the Plan) as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of Douglas Dynamics, L.L.C. 401(k) Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on the Plan s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

1

Table of Contents

Supplemental Information

The supplemental schedule of assets (held at end of year) and schedule of delinquent participant contributions (collectively, the supplemental information) has been subjected to audit procedures performed in conjunction with the audit of the Plan s financial statements. The supplemental information is the responsibility of the Plan s management. Our audit procedures included determining whether the supplemental information 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 information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ CliftonLarsonAllen LLP

We have served as the Plan s auditor since 2011.

Milwaukee, Wisconsin

June 21, 2018

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2017 and 2016

		2017		2016
ASSETS				
Participant-directed investments, at fair value	$	67,230,824	$	54,805,670
Net contributions receivable		75,385		
Notes receivable from participants		1,538,481		1,330,200
NET ASSETS AVAILABLE FOR BENEFITS	$	68,844,690	$	56,135,870

The accompanying notes are an integral part of the financial statements

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31, 2017

ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment income:		
Interest and dividends	$	241,536
Net appreciation in fair value of investments		9,331,899
Net investment income		9,573,435
Interest income from notes receivable from participants		81,152
Contributions:		
Company		2,123,792
Participants		4,481,427
Rollover		825,168
Total contributions		7,430,387
Total additions		17,084,974
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Benefits paid to participants		4,340,153
Administrative expenses		30,301
Deemed distributions		5,700
Total deductions		4,376,154
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS		12,708,820
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year		56,135,870
End of year	$	68,844,690

The accompanying notes are an integral part of the financial statements

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - DESCRIPTION OF PLAN

The following is a brief description of Douglas Dynamics, L.L.C. 401(k) Plan (the Plan). Participants should refer to the Plan agreement for a more complete discussion of the provisions of the Plan.

General

The Plan is a defined contribution plan established on January 1, 1988. All employees (other than leased employees and certain interns) are eligible for participation in the Plan. Employees become participants on the first day of each calendar quarter following the employment commencement date. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. As of January 1, 1998, any employee of Douglas Dynamics, L.L.C. (the Company) or its subsidiary, Fisher, LLC, who is employed as a regular full-time or regular part-time employee is eligible to participate, subject to certain exceptions specified in the Plan. Effective January 1, 2015, employees of the Company s Madison Heights facility, TrynEx, became eligible to participate in the Plan. Effective January 1, 2016, the Henderson Products, Inc. 401(k) Plan was merged into the Plan and employees of Henderson Products, Inc., a subsidiary of the Company, became eligible to participate (Henderson participants). The merged assets totaled $12,064,660. Effective January 1, 2018, the Dejana Truck & Utility Equipment Co., Inc. 401(k) Plan was merged into the Plan and employees of Dejana Truck & Utility Equipment Company LLC, a subsidiary of the Company, became eligible to participate (Dejana participants).

Contributions

Contributions to the Plan are made by the participants in the Plan and by the Company and are subject to the provisions of Section 401(k) of the Internal Revenue Code (IRC).

New employees that meet the requirements to participate in the Plan will be automatically enrolled with a default 3 percent deferral rate, increasing each year until the participant reaches a 6 percent deferral rate, unless otherwise elected by the Plan participant.

Participants may contribute from 1 to 30 percent of their eligible compensation, as defined, to the Plan, subject to limits set forth by the IRC. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. The Company will contribute an amount equal to 20 percent of the participant s contribution (excluding catch-up contributions) up to 5 percent of the participant s eligible compensation. Additional contributions may be made at the option of the Company s Board of Managers subject to certain limitations set forth in the Plan. In 2017, there were no such additional discretionary contributions. Additionally, the Company makes a nondiscretionary 3 percent contribution of participant s eligible compensation each pay period. Employee contributions and employer matching contributions are 100 percent vested. Meanwhile, employer nondiscretionary contributions are subject to three year cliff vesting based on vesting service.

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

Contributions (Continued)

For TrynEx, Henderson and Dejana participants, the Company is not obligated to make automatic matching contributions but may instead make a discretionary matching contribution. The percentage of contributions matched for TrynEx, Henderson and Dejana participants, if any, is a percentage as determined by the Company. Any percentage shall apply to TrynEx, Henderson and Dejana participants for the entire Plan year. Elective contributions over this percentage made by the employee will not be matched. The nondiscretionary 3 percent contribution described in the preceding paragraph also does not apply to TrynEx, Henderson or Dejana participants.

In 2017, the Company made a discretionary matching contribution for TrynEx and Henderson participants and participants hired or rehired on or after January 1, 2017 of 50 percent of the participant s contribution up to 6 percent of the participant s eligible compensation.

The Plan was amended effective January 1, 2017 to make matching contributions discretionary for all active participants who have an employment or reemployment commencement date on or after January 1, 2017. Additionally, any participant with an employment or reemployment commencement date on or after January 1, 2017, TrynEx participants, Henderson participants and Dejana participants shall not be eligible to receive an additional nondiscretionary 3 percent contribution.

Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover). Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers various guaranteed investment contract, pooled separate accounts, mutual funds, Company stock and common collective trusts as investment options for participants.

Participant Accounts

Each participant s account is credited with the participant s contribution and allocations of (a) the Company s contribution and (b) Plan earnings or losses. Allocations are based on the participant s eligible compensation or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum of $50,000 or 50 percent of their vested account balance, whichever is less. Notes receivable transactions are treated as a transfer between the investment fund and the notes receivable fund. Notes receivable terms range from one to five years, although a longer term is permitted if proceeds are for the purchase of a primary residence. The notes receivable are secured by the balance in the participant s account and bear a fixed rate of interest at 2 percent over the prime rate at the time the loan was made. Principal and interest are paid ratably through monthly payroll deductions. Payments of principal and interest are credited to the participant s account.

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

Forfeitures

Forfeited nonvested accounts will be used to pay administrative expenses, reduce employer contributions, or be reallocated to participants. At December 31, 2017 and 2016, there were $223 and $0 of forfeited nonvested accounts available to reduce Company contributions and pay administrative expenses, respectively. During 2017, $48,570 of forfeitures were used to reduce Company contributions.

Benefit Payments

Plan benefits are payable upon retirement at age 65 or later, disability, death, or termination of employment. Upon death, a participant s account will be paid to the beneficiary in a lump sum upon the valuation date immediately following death. If a participant is at least age 59-1/2, an election may be made generally once each year, in writing, to receive a payment consisting of all or part of the account balance.

If the participant s vested account is $5,000 or greater, upon retirement or termination of employment other than death, the vested account will generally be paid in a single sum (subject to exceptions described in the Plan). An account may be maintained up to age 70-1/2, at which time payment must be arranged. If the balance is less than $5,000, the entire balance will be distributed upon retirement or termination in one lump sum payment.

Plan Termination

Although it has not expressed an intent to do so, the Company has the right under the Plan to discontinue contributions at any time and to terminate the Plan subject to provisions of ERISA. In the event of Plan termination, the participants would become fully vested in their Company contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Investment Valuation

Investments are reported at fair value. Fair value is 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. See Note 3 for discussion of fair value measurements.

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation (Continued)

Purchases 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 investment appreciation (depreciation) includes the Plan s gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants

Notes receivable from participants are measured 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. Related fees are recorded as administrative expenses and are expensed as incurred. No allowance for credit losses has been recorded as of December 31, 2017 or 2016.

Payment of Benefits

Benefits are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires the Plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of certain assets and liabilities. Actual results could differ from those estimates.

Excess Contributions Payable

The Plan is required to return contributions received during the Plan year in excess of the IRC limits and are recorded as a liability with a corresponding deduction to contributions. There were no excess contributions payable as of December 31, 2017 or 2016.

Plan Expenses

Pursuant to the terms of the Plan, the Company pays all of the administrative expenses of the Plan except for administrative expenses incurred in conjunction with early withdrawals, participant requested services, and loan distributions (which are paid by participants). Investment related expenses are included in net appreciation (depreciation) in fair value of investments.

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Plan has evaluated subsequent events through June 21, 2018, the date the financial statements were issued.

On January 1, 2018, the assets of the Dejana Truck & Utility Equipment Co., Inc., 401(k) Plan were merged into the Plan. The merged assets totaled $13,390,124. Dejana participants are eligible to participate in the Plan as of January 1, 2018.

NOTE 3 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as,

- quoted prices for similar assets or liabilities in active markets;

- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Douglas Dynamics, Inc. Common Stock is valued at fair value based on the closing price reported in an active market where such shares are traded.

Mutual funds are valued at the net asset value (NAV) of shares held by the plan at year end.

Pooled separate accounts consist of various investment options (i.e. common stock, mutual funds, short-term securities, real estate) and are valued at the NAV which is based on the market value of its underlying investments. While the majority of the underlying asset values are quoted prices, the NAV of the pooled separate accounts is not publicly quoted and are determined by the insurance company. NAV is a readily determinable fair value and is the basis for current transactions.

Guaranteed investment contract is valued at fair value which represents the value the Plan would receive if the contract was terminated, which is book value less an early surrender charge. This value is computed utilizing a combination of the current interest rates based on the remaining investment term at the reporting date as well as the current contract interest rate (See Note 4).

Common collective trusts are valued at the NAV which is based on the market value of its underlying investments. The Plan offers funds that are common collective trusts. These funds are collective investment trusts that contain synthetic investment contracts comprised of both underlying investment and contractual components which have observable Level 1 or Level 2 pricing inputs, including quoted prices for similar assets in active or non-active markets. NAV is used as an estimate of fair value, as the reporting entity has the ability to redeem its investment at NAV as of the measurement date as collective investment trusts can be redeemed on a daily basis. NAV is a readily determinable fair value and is the basis for current transactions.

Table of Contents

DOUGLAS DYNAMICS, L.L.C.

401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Plan s assets at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Douglas Dynamics, Inc. stock	$ 2,279,072	$	$	$ 2,279,072
Mutual funds	18,662,967			18,662,967
Pooled separate accounts				