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TORO CO  
Form 11-K  
June 24, 2004

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

FORM 11-K

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

(Mark One)

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

For the fiscal year ended December 31, 2003.

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

COMMISSION FILE NUMBER 1-8649.

A. Full title of the plan and address of the plan:

THE TORO COMPANY INVESTMENT, SAVINGS, AND EMPLOYEE STOCK OWNERSHIP PLAN

THE TORO COMPANY  
8111 LYNDAL AVENUE SOUTH  
MINNEAPOLIS, MN 55420  
ATTN: DIRECTOR, TAX ACCOUNTING

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

THE TORO COMPANY  
8111 LYNDAL AVENUE SOUTH  
MINNEAPOLIS, MN 55420

THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

Financial Statements and Supplemental Schedules

December 31, 2003 and 2002

(With Report of Independent Registered Public Accounting Firm Thereon)

THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

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\*All other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 are not included because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Plan Administrator  
The Toro Company Investment, Savings,  
and Employee Stock Ownership Plan:

We have audited the accompanying statements of net assets available for plan benefits of The Toro Company Investment, Savings, and Employee Stock Ownership Plan (the Plan) as of December 31, 2003 and 2002, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements and supplemental schedules 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. 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 plan benefits as of December 31, 2003 and 2002, and the changes in net assets available for plan benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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 the year) and reportable transactions are presented for the purpose of additional 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the 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

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whole.

June 11, 2004

/s/ KPMG LLP

THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

Statements of Net Assets Available for Plan Benefits

December 31, 2003 and 2002

	2003	2002
	-----	-----
Assets held by Trustee:		
Investments at fair value		
Mutual funds	\$159,717,065	117,929,288
Common stock	151,174,067	109,929,848
Master trust fund (Wells Fargo Stable Value Fund)	67,642,827	57,417,358
Loans	63,887	-
	-----	-----
Total investments	378,597,846	285,276,488
Employee contribution receivable	30,769	62,818
Employer contribution receivable	10,907,437	10,284,558
	-----	-----
Net assets available for plan benefits	\$389,536,052	295,623,858
	=====	=====

See accompanying notes to financial statements.

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THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

Statements of Changes in Net Assets Available for Plan Benefits

Years ended December 31, 2003 and 2002

	2003
	-----
Investment income:	
Interest and dividends	\$ 1,525,992
Net realized/unrealized gain in the fair value of investments	83,334,858
	-----
Net investment income	84,860,850
	-----
Employer contributions	13,370,895
Employee contributions	9,940,458
Rollover contributions	182,050
	-----
Total contributions	23,493,403
	-----
Benefit payments	(23,228,417)

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Transfer of assets from other plan	8,786,358
	-----
Total payments and transfers	(14,442,059)
	-----
Net increase in net assets available for plan benefits	93,912,194
Net assets available for plan benefits:	
Beginning of year	295,623,858
	-----
End of year	\$ 389,536,052
	=====

See accompanying notes to financial statements.

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THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2003 and 2002

(1) SUMMARY DESCRIPTION OF PLAN

The following description of the Toro Company Investment, Savings, and Employee Stock Ownership Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document restated as of January 1, 2003 for more complete information. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective January 1, 2002, The Toro Company Employee Stock Ownership Plan was merged into The Toro Company Investment and Savings Plan to become The Toro Company Investment, Savings, and Employee Stock Ownership Plan. However, there continues to be an Employee Stock Ownership (ESOP) portion and a profit sharing portion of the Plan. Effective September 2, 2003, the Exmark Manufacturing Company, Inc. 401(k) Profit Sharing Plan was merged into the Plan. The Exmark Manufacturing Company, Inc. 401(k) Profit Sharing Plan offered loans to participants. Since loans are not offered under the Plan, outstanding loan balances were transferred as a result of the merger into the Plan and continue to be repaid by participants.

The primary purpose of the ESOP portion of the Plan is to provide employees who become participants in the Plan an opportunity to have their ESOP account balances invested in Common Stock of The Toro Company (the Company). The portions of participant accounts that hold Company Common Stock are included in the ESOP portion of the Plan.

Employees are eligible to have ESOP contributions made to the Plan on their behalf after two years of qualifying service with the Company. Participants are fully vested in the entire balance of their individual accounts attributable to those contributions. The Company also makes matching contributions to the ESOP portion of the Plan. Participants are eligible for matching contributions after completing one year of qualifying service with the Company. Company matching contributions, together with income attributable thereto, vest at a rate of 20% after one year of vesting service, with an additional 20% being accumulated annually thereafter until the participant is 100% vested. Diversification of the accounts attributable to ESOP contributions and Company matching contributions is offered to participants who have attained age 55 as of

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the end of each calendar quarter so that they may move all of the value of their investment in Company stock into investments which are more diversified. In addition, a participant may direct the investment of the portion of the ESOP contributions and Company matching contributions that exceeds 30% of the total value of the participant's total account (including vested and non-vested portions), as determined at the end of each calendar quarter. As of January 1, 2004, the threshold was reduced from 30% to 25%.

Participants and the Company make contributions to the profit sharing portion of the Plan. The investment of the profit sharing portion of the Plan is selected by the participants. All contributions under the Plan are made to a trust under the control of Putnam Fiduciary Trust Company (the Trustee) that holds all assets of the Plan.

Benefit payments and transfers of participants' interests are made by the Trustee.

During the year ended December 31, 2003 and 2002, forfeited nonvested accounts totaled \$33,970 and \$52,622, respectively. These accounts are used to offset future employer contributions.

The Company absorbs all administrative costs of the Plan, with the exception of investment management fees, which are netted against investment income.

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### THE TORO COMPANY INVESTMENT, SAVINGS, AND EMPLOYEE STOCK OWNERSHIP PLAN

#### Notes to Financial Statements

December 31, 2003 and 2002

#### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (A) BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements of The Toro Company Investment, Savings, and Employee Stock Ownership Plan are presented in accordance with accounting principles generally accepted in the United States of America. The accounting records of the Plan are maintained on the accrual basis.

##### (B) INVESTMENTS

The Plan's investments are held by the Trustee. The investment securities are stated at fair values based upon published quotations or, in the absence of available quotations, at fair values determined by the Trustee. Purchases and sales of securities are recorded on a trade-date basis.

The Company maintains one master trust, the Wells Fargo Stable Value Fund (master trust) for two profit sharing and retirement plans that are sponsored by the Company. The two plans are the Plan and The Toro Company Profit Sharing Plan for Plymouth Union Employees. The purpose of the master trust is to pool investment transactions and achieve uniform rates of return on comparable funds under all plans.

The Plan's proportionate share of net investment income from the

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master trust is based upon the percentage of the fair value of the Plan's investment in the master trust's net assets. The Plan's percentage interest in the net assets of the master trust was approximately 99% as of December 31, 2003 and 2002, respectively.

### (C) ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of net assets available for plan benefits and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of changes in net assets available for plan benefits during the reporting period. Actual results could differ from those estimates.

### (D) CONCENTRATIONS OF RISK

The Plan has investments in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Net Assets Available for Plan Benefits.

Since the assets held by the Trust include The Toro Company Common Stock, the anticipated assets available for benefits in 2004 will be the result of the Company's future stock market performance, which is subject to various risk factors described more fully in the Company's periodic filings with the Securities and Exchange Commission.

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## THE TORO COMPANY INVESTMENT, SAVINGS, AND EMPLOYEE STOCK OWNERSHIP PLAN

### Notes to Financial Statements

December 31, 2003 and 2002

### (3) FUNDING POLICY, CONTRIBUTIONS, AND PLAN TRANSFERS

For the ESOP portion of the plan, the Plan's funding policy is to make annual contributions pursuant to a formula and to make matching contributions. The formula contribution is made by the Company and equals 1.5% of total participant compensation earned during the plan year. The formula contribution is allocated to participants based on the participants' compensation earned during the plan year as a percentage of total plan year compensation.

For the profit sharing portion of the Plan, the Company's funding policy is to make annual investment fund contributions to the Plan in amounts determined by a formula set forth in the Plan. The contribution formula is based on 5.5% of the participants' total compensation earned during the plan year plus 5.5% of the participants' compensation above the Social Security taxable wage base as of the beginning of the plan year. Investment income is allocated based on participants' account balances.

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Employee contributions are made to the profit sharing portion of the Plan. They consist of salary reduction elections under a 401(k) feature, voluntary after-tax contributions, and rollover funds from other qualified plans. The Company is required to make a matching contribution into the ESOP portion of the plan equal to 50% of the participants' contributions to the Plan not to exceed 2% of the participants' total compensation made. That contribution is invested in Company Common Stock.

Transfers to/from other funds represent participant elected rollovers to/from plans of other employers or other transfers to/from other plans.

(4) PARTY-IN-INTEREST TRANSACTIONS

Putnam Fiduciary Trust Company and The Toro Company are parties-in-interest with respect to the Plan. In the opinion of the Plan's legal counsel, certain transactions between the Plan, the Trustee, and the Company are exempt from being considered as "prohibited transactions" under ERISA Section 408(b).

(5) PLAN TERMINATION

The Company has voluntarily agreed to make contributions to the Plan. Although the Company has not expressed any intent to terminate the Plan, it may do so at any time. Each participant's interest in the Plan is 100% vested at all times, except for the portion attributable to matching contributions which is vested in a manner described above. Upon termination of the Plan, interests of active participants in the Plan fully vest.

(6) INVESTMENTS

Under the terms of the trust agreement, the Trustee manages investment funds on behalf of the Plan. The Trustee has been granted discretionary authority concerning the purchases and sales of the investments of the investment funds, except to the extent the Trustee is subject to the discretion of participants, other fiduciaries or the Company. In accordance with the trust agreement, certain assets of the Plan are held together with assets of other plans sponsored by the Company in the master trust.

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THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2003 and 2002

The net assets available for benefits of the master trust as of December 31, 2003 and 2002 were \$67,780,597 and \$57,516,261, respectively. All assets of the master trust were held in short-term investment funds.

The changes in net assets available for benefits of the master trust for the years ended December 31, 2003 and 2002 were as follows:

2003	2002
-----	-----

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Realized gain on investments	\$ 1,211,390	518,502
Unrealized gain on investments	1,828,496	2,360,779
Deposits by participating plans	24,207,841	18,642,981
Withdrawals by participating plans	(16,983,391)	(13,728,526)
	-----	-----
Increase in net assets	10,264,336	7,793,736
Net assets available for benefits:		
Beginning of year	57,516,261	49,722,525
	-----	-----
End of year	\$ 67,780,597	57,516,261
	=====	=====

The following investments represent more than 5% of the Plan's net assets available for plan benefits as of December 31, 2003 and 2002:

	2003	2002
	-----	-----
Wells Fargo Stable Value Fund	\$ 67,642,827	57,417,357
UAM-ICM Small Company Portfolio	20,226,485	8,397,840
Putnam S&P 500 Index Fund*	19,943,340	11,863,181
Putnam Voyager Fund CL Y*	39,843,256	37,910,516
Lord Abbett Affiliated Fund	50,770,709	33,997,629
The Toro Company Common Stock**	151,174,067	109,929,847

\*Party-in-interest

\*\*Party-in-interest, participant and nonparticipant directed investment

During 2003 and 2002, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value by \$83,334,858 and \$5,060,073, respectively, as follows:

	2003	2002
	-----	-----
Mutual funds	\$31,796,043	(33,472,472)
Common stocks	48,504,495	35,667,857
Master trust fund	3,034,320	2,864,688
	-----	-----
	\$83,334,858	5,060,073
	=====	=====



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in net assets relating to the investment in Toro Company Common Stock is as follows:

	TOTAL 2003 -----	NON- PARTICIPANT DIRECTED 2003 -----
Net assets:		
The Toro Company Common Stock	\$151,174,067 =====	58,107,495 =====
	TOTAL 2003 -----	NON- PARTICIPANT DIRECTED 2003 -----
Investment income:		
Dividends	\$ 810,966	534,803
Net realized/unrealized gain in the fair value of investments	48,504,495 -----	33,061,745 -----
Net investment income	49,315,461	33,596,548
Total contributions	5,596,763	4,631,887
Benefit payments	(7,747,557)	(5,239,979)
Transfers to/from other funds	(5,920,447) -----	(69,278,500) -----
Increase (decrease) in net assets available for plan benefits	41,244,220	(36,290,044)
Net assets available for plan benefits:		
Beginning of year	109,929,847 -----	94,397,539 -----
End of year	\$ 151,174,067 =====	58,107,495 =====

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THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2003 and 2002

TOTAL 2002	NON- PARTICIPANT DIRECTED 2002
---------------	---

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	TOTAL 2002	NON- PARTICIPANT DIRECTED 2002
Net assets:		
The Toro Company Common Stock	\$109,929,847	94,397,335
Investment income:		
Dividends	\$ 890,833	765,267
Net realized/unrealized gain in the fair value of investments	35,667,856	30,567,980
Net investment income	36,558,689	31,333,247
Total contributions	5,121,387	4,413,274
Benefit payments	(11,424,965)	(10,009,210)
Transfers from other plan	55,361,149	55,361,149
Transfers to other funds	(6,712,609)	(5,283,432)
Increase in net assets available for plan benefits	78,903,651	75,815,028
Net assets available for plan benefits:		
Beginning of year	31,026,196	18,582,307
End of year	\$ 109,929,847	94,397,335

(7) FEDERAL INCOME TAXES

The Plan Administrator has received a determination letter from the Internal Revenue Service dated October 23, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code), and that the trust created under the Plan is exempt from federal income taxes under Section 501(a) of the Code. The Plan Administrator believes that the Plan and its related trust continue to qualify under the provisions of Sections 401(a) and 501(a) of the Code and are exempt from federal income taxes. Therefore, no provision for income taxes has been included in the Plan's financial statements.

THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2003 and 2002

(8) RELATED PARTY

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The Plan's investments are held by Putnam Fiduciary Trust Company (the Trustee). Some of the investment funds available to participants also include mutual funds managed by Putnam Investments.

(9) SUBSEQUENT EVENTS

Effective June 1, 2004, a diversification update was implemented which eliminates the quarterly calculation that permits participants to diversify a portion of restricted employer-contributed stock balances. Under the new diversification, participants are permitted to move all of such investments in Company Common Stock into more diversified investments at any time.

On May 27, 2004, the Board authorized the change of the administrative service provider and trustee from Putnam Fiduciary Trust Company to JP Morgan Retirement Plan Services, which is expected to occur before the end of 2004.

(10) RECONCILIATION OF DIFFERENCES BETWEEN THESE FINANCIAL STATEMENTS AND THE FINANCIAL INFORMATION REQUIRED ON FORM 5500:

	DECEMBER 31, 2003 -----
Net assets available for plan benefits as presented in these financial statements	\$ 389,536,052
Adjustment for employer contribution receivable	(10,907,437)
Adjustment for employee contribution receivable	(30,769)
	-----
Net assets available for plan benefits as presented on Form 5500	\$ 378,597,846 =====
	YEAR ENDED DECEMBER 31, 2003 -----
Net increase in net assets available for plan benefits as presented in these financial statements	\$ 93,912,194
Adjustment for employer contribution receivable at December 31, 2003	(10,907,437)
Adjustment for employee contribution receivable at December 31, 2003	(30,769)
Adjustment for employer contribution receivable at December 31, 2002	10,284,557
Adjustment for employee contribution receivable at December 31, 2002	62,813
	-----
Net increase in net assets available for plan benefits as presented on Form 5500	\$ 93,321,358 =====

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December 31, 2003 and 2002

	DECEMBER 31, 2002 -----
Net assets available for plan benefits as presented in these financial statements	\$ 295,623,858
Adjustment for employer contribution receivable	(10,284,557)
Adjustment for employee contribution receivable	(62,813)
	-----
Net assets available for plan benefits as presented on Form 5500	\$ 285,276,488 =====

  

	YEAR ENDED DECEMBER 31, 2002 -----
Net increase in net assets available for plan benefits as presented in these financial statements	\$ 61,647,022
Adjustment for employer contribution receivable at December 31, 2002	(10,284,557)
Adjustment for employee contribution receivable at December 31, 2002	(62,813)
Adjustment for employer contribution receivable at December 31, 2001	7,764,001
Adjustment for employee contribution receivable at December 31, 2001	50,198
	-----
Net increase in net assets available for plan benefits as presented on Form 5500	\$ 59,113,851 =====

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SCHEDULE 1

THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

Schedule of Assets (Held at End of the Year)

December 31, 2003

DESCRIPTION -----	FACE AMOUNT OR SHARES -----	COST ----	FA VA --
Wells Fargo Stable Value Fund	1,915,308		\$ 67,6
Putnam S&P 500 Index Fund*	717,902		19,9
Putnam Voyager Fund CL Y*	2,442,872		39,8
Putnam Bond Index Fund*	791,618		10,6
UAM-ICM Small Company Portfolio	625,819		20,2
Lord Abbett Affiliated Fund	3,746,915		50,7

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Fidelity Diversified International Fund	584,590		14,1
Growth Fund of America R4	169,574		4,1
Loan Fund	63,887		
The Toro Company Common Stock**	3,256,086	\$45,983,554	151,1
			-----
Total investments			\$378,5
			=====

\*Party-in-interest

\*\*Party-in-interest, participant and nonparticipant directed investment

See accompanying independent auditors' report.

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SCHEDULE 2

THE TORO COMPANY INVESTMENT, SAVINGS,  
AND EMPLOYEE STOCK OWNERSHIP PLAN

Schedule of Reportable Transactions

Year ended December 31, 2003

DESCRIPTION OF ASSETS -----	NUMBER OF PURCHASES TRANSACTIONS -----	NUMBER OF SALES TRANSACTIONS -----	COST -----	FAIR VALUE -----
5% SERIES OF TRANSACTIONS BY RULE 2520.103-6(C) (1) (III) :				
Wells Fargo Stable Value Fund	296	387	\$ 52,472,913	53,637,47
Putnam Voyager Fund CL Y*	199	333	\$ 21,987,908	14,892,81
The Toro Company Common Stock**	309	487	\$119,389,313	187,066,37

\*Party-in-interest

\*\*Party-in-interest, participant and nonparticipant directed investment

Note: Reportable transactions are those transactions which either singly or in a series of combined purchases and sales during the year exceed 5% of the fair value of the Plan's assets at the beginning of the year.

See accompanying independent auditors' report.

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SIGNATURES

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 Toro Company Investment, Savings,  
and Employee Stock Ownership Plan

Dated June 21, 2004

/s/ Stephen P. Wolfe

-----  
Stephen P. Wolfe  
Vice President - Finance,  
Treasurer and Chief Financial Officer  
of The Toro Company

EXHIBIT INDEX

Exhibit Number

Description

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23(a)

Consent of Independent Registered Public Accounting Firm