TORO CO
Form 11-K
June 30, 2008

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

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2007.

OR

o 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 if different from that of the issuer named below:

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

The Toro Company
8111 Lyndale 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 Lyndale Avenue South
Minneapolis, MN 55420

THE TORO COMPANY INVESTMENT, SAVINGS,

AND EMPLOYEE STOCK OWNERSHIP PLAN

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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 benefits of The Toro Company Investment, Savings, and Employee Stock Ownership Plan (the Plan) as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years 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 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 benefits of the Plan as of December 31, 2007 and 2006, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of the year) as of December 31, 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is 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. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Minneapolis, Minnesota

June 27, 2008

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Statements of Net Assets Available for Benefits

December 31, 2007 and 2006

	2007	2006
Assets:		
Cash and cash equivalents	$ -	130,126
Investments at fair value:		
Interest in the Toro Company Master Trust fund	639,702,693	593,416,000
Loans	1,677	23,871
Total investments	639,704,370	593,439,871
Employee contribution receivable	48,590	47,511
Employer contribution receivable	12,614,806	12,107,989
Net assets available for benefits at fair value	652,367,766	605,725,497
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	251,174	1,153,751
Net assets available for benefits	$ 652,618,940	606,879,248

See accompanying notes to financial statements.

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Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2007 and 2006

	2007	2006
Additions to Net Assets:		
Investment income:		
Participant loan interest	$ 2,488	480
Plan interest in net investment income of the Toro Company Master Trust fund	64,666,354	58,538,550
Net investment income	64,668,842	58,539,030
Employer contributions	16,720,304	15,084,808
Participant contributions	13,156,808	12,500,531
Rollover contributions	690,595	525,472
Total contributions	30,567,707	28,110,811
Total additions to net assets	95,236,549	86,649,841
Deductions from Net Assets:		
Benefit payments	(49,496,857)	(36,341,624)
Net increase in net assets available for benefits	45,739,692	50,308,217
Net assets available for benefits:		
Beginning of year	606,879,248	556,571,031
End of year	$ 652,618,940	606,879,248

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2007 and 2006

(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, 2006 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 account balances invested in Common Stock of The Toro Company. The portions of participant accounts that hold Company Common Stock are included in the ESOP portion of the Plan. The portions of participant accounts that do not hold such stock are included in the profit sharing portion of the Plan.

Participants may make their own contributions to the Plan. These are initially made to the profit sharing portion of the Plan.

Plan participants are also eligible to have the Company make ESOP and Investment Fund Contributions 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 Plan with respect to Participant contributions. 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. ESOP Contributions and Matching Contributions are initially invested in Company Common Stock.

Participants may choose to have their accounts including those initially invested in Company Common Stock invested in any of the investment funds made available under the Plan or in Company Common Stock. All contributions under the Plan are made to a trust that holds all of the assets of the Plan.

Participant may receive distributions from their vested accounts under the Plan upon termination of employment, retirement, or death in the form of a lump-sum payment or in installments. Participants are allowed to withdraw amounts that they previously rolled into the Plan. Withdrawals are also allowed from selected accounts in the event of a defined financial hardship to the extent necessary to satisfy the financial need. To the extent an account is invested in Company common shares, a withdrawal or distribution can be in the form of common shares or cash.

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Effective November 5, 2007, a new trustee (Fidelity) was appointed to the Plan. Plan assets transferred to the new trustee were transferred into funds comparable to those offered by the former trustee (J.P. Morgan Retirement Plan Services). The conversion initiated a "Black Out" period beginning October 20, 2007 and continued through November 4, 2007. Prior to this period, employees were notified and able to select funds with the new trustee. During the Black Out period, fund elections could not be changed or withdrawn from the Plan until the new trustee had time to accurately complete the conversion. Employee contributions continued to be made through payroll deductions, and contributions were deposited directly into the participant accounts based on their elections until the completion of the Black Out period.

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

During the year ended December 31, 2007 and 2006, forfeited nonvested accounts totaled $36,383 and $4,921, 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.

(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 U.S generally accepted accounting principles. The accounting records of the Plan are maintained on the accrual basis.

(b) Investments

The Plan's investments are in a Master Trust held by Fidelity. 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 for three profit sharing and retirement plans that are sponsored by the Company. The three plans are the Plan, The Toro Company Profit Sharing Plan for Plymouth Union Employees and the Hahn Equipment Company Savings Plan for 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 Master Trust invests in fully benefit-responsive investment contracts stated at fair value and then adjusted to contract value. Fair value of the contracts is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations.

The Plan’s proportionate share of net investment income from the 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, 2007 and 2006.

(c) Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent

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assets and liabilities as of the date of the financial statements and the reported amounts of changes in net assets available for 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 Statements of Net Assets Available for Benefits.

The assets held by the Master Trust include The Toro Company Common Stock. At December 31, 2007 and 2006, approximately 34% and 36% of the investm