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TORO CO
Form 11-K
July 01, 2002

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS
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, 2001.

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. The Toro Company Investment and Savings Plan
- B. The Toro Company
8111 Lyndale Avenue South
Minneapolis, MN 55420

REQUIRED INFORMATION

The following financial statements shall be furnished for the plan:

1. An audited statement of financial condition as of the end of the latest two fiscal years of the plan (or such lesser period as the plan has been in existence).
2. An audited statement of income and changes in plan equity for each of the latest three fiscal years of the plan (or such lesser period as the plan has been in existence).
3. The statements required by Items 1 and 2 shall be prepared in accordance with the applicable provisions of Article 6A of Regulation S-X.
4. In lieu of the requirements of Items 1-3 above, plans subject to ERISA may file plan financial statements and schedules prepared in accordance with the financial reporting requirements of ERISA. To the extent required by ERISA, the plan financial statements shall be examined by an independent accountant, except that the "limited scope of exemption" contained in Section 103(a)(3)(C) of ERISA shall not be available.

Note: A written consent of the accountant is required with respect to the plan annual financial statements which have been incorporated by reference in a registration statement on Form S-8 under the Securities Act of 1933. The consent should be filed as an exhibit to this annual report. Such consent shall be currently dated and manually signed.

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 Toro Company Savings and Investment Plan

(Name of Plan)

Dated July 1, 2002

/s/ Stephen P. Wolfe

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Stephen P. Wolfe
Vice President - Finance,
Treasurer and Chief Financial Officer

THE TORO COMPANY
INVESTMENT AND SAVINGS PLAN

Financial Statements and Schedule

December 31, 2001 and 2000

(With Independent Auditors' Report Thereon)

THE TORO COMPANY
INVESTMENT AND SAVINGS PLAN

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INDEPENDENT AUDITORS' REPORT

The Plan Administrator
The Toro Company Investment and Savings Plan:

We have audited the accompanying statements of net assets available for plan benefits of The Toro Company Investment and Savings Plan (the Plan) as of December 31, 2001 and 2000, and the related statements of changes in net assets available for plan 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 auditing standards generally accepted in the United States of America. 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

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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, 2001 and 2000, 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 schedule of assets (held at end of year) 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.

June 12, 2002

THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Statements of Net Assets Available for Plan Benefits

December 31, 2001 and 2000

	2001	2000
	-----	-----
Assets held by Trustee:		
Investments	\$226,162,637	238,865,248
Employer contribution receivable	7,764,001	7,212,467
Employee contribution receivable	50,198	35,124
	-----	-----
Net assets available for plan benefits	\$233,976,836	246,112,839
	=====	=====

See accompanying notes to financial statements

THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Statements of Changes in Net Assets Available for Plan Benefits

Years ended December 31, 2001 and 2000

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	2001	2000
	-----	-----
Investment loss:		
Interest, dividends, and cash earnings	\$ 6,514,099	15,813,
Net realized/unrealized loss in the fair value of investments	(21,513,346)	(28,705,
	-----	-----
Net investment loss	(14,999,247)	(12,892,
	-----	-----
Employer contributions	10,093,189	9,387,
Employee contributions	8,938,374	8,684,
Rollover contributions	329,313	590,
	-----	-----
Total contributions	19,360,876	18,661,
Benefit payments	(16,497,632)	(15,967,
	-----	-----
Decrease in net assets available for plan benefits	(12,136,003)	(10,198,
	-----	-----
Net assets available for plan benefits:		
Beginning of year	246,112,839	256,311,
	-----	-----
End of year	\$ 233,976,836	246,112,
	=====	=====

See accompanying notes to financial statements

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THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements of The Toro Company Investment and Savings Plan (the 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 an accrual basis.

(b) INVESTMENTS

The Plan's investments are held by Putnam Fiduciary Trust Company (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 Toro Company (the Company) maintains one master trust, the Wells Fargo Stable Value Fund, formerly the Toro Stable Value Fund, (master trust) for three profit sharing and retirement

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plans that are sponsored by the Company. The three plans are The Toro Company Profit Sharing Plan for Plymouth Union Employees, The Toro Company Investment and Savings Plan, and The Toro Company Employee Stock Ownership Plan. 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 master trust is based upon the percentage of the fair value of the Plan's investment in the master trust's assets. The Plan's percentage interest in the net assets of the master trust was approximately 91% and 95% as of December 31, 2001 and 2000, respectively.

The Plan's share of net investment income from the master trust is determined by the Trustee based on the ratio of the fair value of the Plan's equity in the investment fund to the total net assets of the investment fund at the beginning of the plan year.

The short term securities of the Wells Fargo Stable Value Fund (formerly The Toro Stable Value Fund) are stated at cost, which approximates fair value. During 2001, the Toro Stable Value Fund included a fully benefit responsive investment contract. The contract was valued in the Plan at contract value, which included cost plus accrued interest. The contract had a stated interest rate of 6.31%. Certain guaranteed investment contracts held by the master trust matured on January 2, 2001 at a value of \$2,368,232 and were transferred to the short-term investment fund. On July 2, 2001, all remaining short-term investments in the Toro Stable Value Fund totaling \$47,152,920 were transferred to the Wells Fargo Stable Value Fund.

(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 at 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.

THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(2) DESCRIPTION OF PLAN

The Plan is a defined contribution profit sharing plan sponsored by the

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

A general description of the Plan is contained in the Plan document amended as of December 21, 1998. Participants should refer to the Plan document for more complete information.

Contributions are made under the control of the plan administrator. The allocation of the participants' and Company contributions to the investment funds is selected by the participants. Company matching contributions, together with income attributable thereto, vest at the rate of 20% after one year of vesting service, with an additional 20% being accumulated annually thereafter until the participant is 100% vested.

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

During the years ended December 31, 2001 and 2000, forfeited nonvested accounts totaled \$16,258 and \$20,365, respectively. These accounts are used to offset future employer contributions.

(3) CONTRIBUTIONS AND PLAN TRANSFERS

The Company's funding policy is to make annual 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. In addition, the Company is required to make a matching contribution equal to 50% of the participants' contributions to the Plan not to exceed 2% of the participant's total compensation. The contribution formula specifies a minimum annual contribution to the Plan. The Company contribution is allocated to participants based on compensation earned during the plan year. Investment income is allocated based on a formula specified in the Plan.

Employee contributions consist of salary reduction elections under a 401(k) feature and rollover funds from other qualified plans.

Transfers to/from other plans represent participant elected transfers to/from other Company 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, transactions between the Plan and the Trustee and the Company are exempt from being considered as 'prohibited transactions' under the Employee Retirement Income Security Act of 1974 (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 profit sharing plan agreement, it may do so at any time. Upon termination of the Plan, the interest of the participants in the Plan shall fully vest.

THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(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. 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.

The net assets available for benefits of the master trust at December 31, 2001 and 2000 were as follows:

	2001	2000
	-----	-----
Investments:		
Short-term investment funds	\$49,722,525	41,370,916
Guaranteed investment contracts	--	2,367,031
	-----	-----
Total assets available for benefits	\$49,722,525	43,737,947
	=====	=====

The changes in net assets available for benefits of the master trust for the year ended December 31, 2001 were as follows:

Realized gain on investments	\$ 1,244,460
Unrealized gain on investments	1,695,838
Deposits by participating plans	15,608,657
Withdrawals by participating plans	(12,564,377)

Increase in net assets	5,984,578
Net assets available for benefits:	
Beginning of year	43,737,947

End of year	\$ 49,722,525
	=====

The changes in net assets available for benefits of the master trust for the year ended December 31, 2000 were as follows:

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Investment income (interest and dividends)	\$ 2,688,159
Deposits by participating plans	11,894,155
Withdrawals by participating plans	(15,567,198)

Increase in net assets	(984,884)
Net assets available for benefits:	
Beginning of year	44,722,831

End of year	\$ 43,737,947
	=====

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(Continued)

THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

The following investments represent 5% or more of the Plan's net assets available for plan benefits as of December 31, 2001 and 2000:

	2001	2000
	-----	-----
Lord Abbett Affiliated Fund	\$43,306,240	618,461
Wells Fargo Stable Value Fund	45,351,817	--
Toro Stable Value Fund*	--	41,478,932
Putnam Asset Allocation: Balanced Fund*	14,492,489	15,501,264
Putnam Voyager Fund*	53,812,677	69,881,808
The Toro Company Common Stock**	31,026,196	26,883,705
Putnam Growth Opportunities Fund - International*	11,792,599	14,915,573

*Party-in-interest

**Party-in-interest and nonparticipant-directed.

During 2001 and 2000, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year, interest, dividends, and cash earnings) depreciated in value by \$14,999,247 and \$12,892,368, respectively, as follows:

	2001	2000
	-----	-----
Mutual funds	\$(22,833,314)	(15,600,295)
Common stocks	6,453,302	94,582
Master trust fund	1,380,765	2,613,345
	-----	-----
	\$(14,999,247)	(12,892,368)
	=====	=====

THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	2001	2000
	-----	-----
Net assets:		
The Toro Company Common Stock	\$ 31,026,196	26,883
	=====	=====
Investment income:		
Dividends	\$ 339,011	348
Net realized/unrealized gain (loss) in the fair value of investments	6,114,291	(253)
	-----	-----
Net investment income	6,453,302	94
Total contributions	3,030,814	2,891
Benefit payments	(1,530,896)	(1,012)
Transfers to other funds	(3,810,729)	(1,985)
	-----	-----
Increase (decrease) in net assets available for plan benefits	4,142,491	(12)
Net assets available for plan benefits:		
Beginning of year	26,883,705	26,895
	-----	-----
End of year	\$ 31,026,196	26,883
	=====	=====

(7) FEDERAL INCOME TAXES

The plan administrator has received a determination letter from the Internal Revenue Service dated July 18, 1996 stating that the Plan is qualified under Section 401(a) of the Internal Revenue 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.

(8) SUBSEQUENT EVENTS

Effective January 1, 2002 The Toro Company Employee Stock Ownership

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Plan was combined with The Toro Company Investment and Savings Plan into The Toro Company Investment, Savings and Employee Stock Ownership Plan. Additional changes to the Plan for 2002 are as follows:

- The Plan now allows rollovers between a Toro Plan and a 403(b) or governmental plan and rollovers to the Toro Plans of distributions from all IRAs (not just rollover IRAs)
- The 401(k) contribution limit increased to \$11,000 and \$1,000 each year thereafter until it will be \$15,000 in 2006, which will be indexed in \$500 increments in subsequent years

In addition, the Plan will be amended during 2002 to incorporate the following tax law changes:

- The new section 415 limit, also known as the annual additions limit, has increased to the lesser of \$40,000 or 100% of income
- The limit on compensation for testing purposes increased from \$170,000 to \$200,000, which will be indexed in \$5,000 increments after 2002

THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

A general description of the Plan is contained in the Plan document restated as of January 1, 2002. Participants should refer to the Plan document for more complete information. The plan administrator has applied to the Internal Revenue Service for a new determination letter, but has not yet received a response. The plan administrator believes the plan (as restated) continues to qualify as discussed in note 7.

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

	DECEMBER 31, 2001 -----
Net assets available for plan benefits as presented in these financial statements	\$ 233,976,836
Adjustment for employer contribution receivable	(7,764,001)
Adjustment for employee contribution receivable	(50,198)
Net assets available for plan benefits as presented on Form 5500	----- \$ 226,162,637 =====

YEAR ENDED

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	DECEMBER 31, 2001 -----
Net decrease in net assets available for plan benefits as presented in these financial statements	\$ (12,136,003)
Adjustment for employer contribution receivable at December 31, 2001	(7,764,001)
Adjustment for employee contribution receivable at December 31, 2001	(50,198)
Adjustment for employer contribution receivable at December 31, 2000	7,212,467
Adjustment for employee contribution receivable at December 31, 2000	35,124 -----
Net decrease in net assets available for plan benefits as presented on Form 5500	\$ (12,702,611) =====

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(Continued)

THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

	DECEMBER 31 2000 -----
Net assets available for plan benefits as presented in these financial statements	\$ 246,112,8
Adjustment for employer contribution receivable	(7,212,4
Adjustment for employee contribution receivable	(35,1 -----
Net assets available for plan benefits as presented on Form 5500	\$ 238,865,2 =====

	YEAR ENDED DECEMBER 3 2000 -----
Net decrease in net assets available for plan benefits as presented in these financial statements	\$ (10,198,4
Adjustment for employer contribution receivable at December 31, 2000	(7,212,4
Adjustment for employee contribution receivable at December 31, 2000	(35,1
Adjustment for employer contribution receivable at December 31, 1999	7,286,0

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Adjustment for employee contribution receivable at December 31, 1999
 Net decrease in net assets available for plan benefits as presented
 on Form 5500

37,7

 \$ (10,122,2
 =====

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SCHEDULE

THE TORO COMPANY INVESTMENT AND SAVINGS PLAN

Schedule of Assets (Held at End of Year)

December 31, 2001

DESCRIPTION	FACE AMOUNT OR SHARES	COST
The Toro Company Common Stock**	689,471	\$ 20,880,27
Wells Fargo Stable Value Fund	1,418,517	
Putnam S&P 500 Fund*	53,955	
Putnam Asset Allocation: Growth Fund*	1,134,123	
Putnam Asset Allocation: Balanced Fund*	1,475,814	
Putnam Asset Allocation: Conservative Fund*	628,682	
Putnam Growth Opportunities Fund - International*	591,108	
Putnam Growth Opportunities Fund*	309,699	
Putnam Voyager Fund*	3,028,288	
Lord Abbett Affiliated Fund	3,163,348	
UAM ICM Small Company Portfolio	148,407	
Total		

*Party-in-interest.

**Party-in-interest and nonparticipant-directed.

See accompanying independent auditors' report.

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