POLARIS INDUSTRIES INC/MN
Form 11-K
June 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ý ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012
or

¨ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File No. 001-11411

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
POLARIS 401(k) RETIREMENT SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
POLARIS INDUSTRIES INC.
2100 Highway 55
Medina, Minnesota 55340

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Polaris 401(k) Retirement Savings Plan
Financial Statements and Supplemental Schedule
Years Ended December 31, 2012 and 2011
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Report of Independent Registered Public Accounting Firm
Polaris Industries Inc. Retirement Committee
Polaris 401(k) Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Polaris 401(k) Retirement Savings Plan as of December 31, 2012 and 2011, and the related statement 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. We were not engaged to perform an audit of the Plan's 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, assessing the accounting principles used and significant estimates made by management, and 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 Polaris 401(k) Retirement Savings Plan at December 31, 2012 and 2011, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental Schedule of Assets (Held at End of Year) as of December 31, 2012, is presented for purposes of additional analysis and is not a required part of the 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. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP
Minneapolis, Minnesota
June 26, 2013

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Polaris 401(k) Retirement Savings Plan
Statements of Net Assets Available for Benefits

	December 31, 2012	2011
Assets		
Investments, at fair value	$304,910,226	$263,057,048
Notes receivable from participants	8,704,420	8,591,402
Accrued income receivable	126	19,877
Net assets reflecting all investments at fair value	313,614,772	271,668,327
Adjustment from fair value to contract value for interest in common collective trust relating to fully benefit-responsive investment contracts	(1,297,772)	(1,074,658)
Net assets available for benefits	$312,317,000	$270,593,669

See accompanying notes.

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Polaris 401(k) Retirement Savings Plan
Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31,	
	2012	2011
Net assets available for benefits, beginning of year	$270,593,669	$253,161,401
Contributions:		
Employer	9,318,721	8,455,830
Employee	13,828,980	12,413,341
Rollover	1,147,540	1,251,075
Total contributions	24,295,241	22,120,246
Transfers in from ESOP (Note 8)	4,566,518	9,792,832
Investment gain:		
Interest and dividend income	5,748,846	4,214,208
Net realized and unrealized gain (loss) in fair value of investments:		
Polaris Industries common stock	6,166,095	3,573,541
Common collective trust funds	7,393,407	616,524
Mutual funds	16,255,521	(4,755,850)
Total investment gain	35,563,869	3,648,423
Distributions to participants	(22,658,176)	(17,976,566)
Administrative expenses	(44,121)	(152,667)
Net increase	41,723,331	17,432,268
Net assets available for benefits, end of year	$312,317,000	$270,593,669

See accompanying notes.

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Polaris 401(k) Retirement Savings Plan
Notes to Financial Statements
December 31, 2012

1. Description of the Plan

The following description of the Polaris 401(k) Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan covering substantially all employees of the Plan’s sponsor, Polaris Industries Inc. (the Company), and the Company’s U.S. subsidiaries. It is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Participant Loans

Participants may apply for loans from the Plan up to a maximum equal to the lesser of 50% of their vested account balances or $50,000. Loans must be paid back within five years; however, this period may be extended to ten years if the loan is used for the acquisition of a primary residence. The interest rate charged on loans outstanding ranged from 4.25% to 10.25% as of December 31, 2012.

Plan Operations

Certain administrative costs totaling $17,311 and $2,905 for the plan years ended December 31, 2012 and 2011, respectively, were paid by the Company. Administrative costs paid by the Company include trustee/asset custodian fees, record-keeping fees, and investment management fees. Other costs have been fully paid by the Plan.

Plan Administration

The Plan’s trustee is Fidelity Management Trust Company (the Trustee). The Plan is administered by an executive committee appointed by the Board of Directors of the Company.

Contributions/Participant Accounts

Participants may elect to make contributions in increments of 1% to 50% of the participant’s compensation, as defined in the Plan, up to the annual contribution limit established by the Internal Revenue Service (IRS) of $17,000 for 2012 and $16,500 for 2011. Participants age 50 or older may elect to make up to a $5,500 catch-up contribution in excess of the IRS limits stated above. Employees who have not made a retirement savings election shall be automatically enrolled to participate in the Plan at the automatic enrollment percentage (currently 5%).

The Company will make a fully vested matching contribution to each participant’s account in the Plan of 100% of each dollar of 401(k) contributions up to 5% of covered compensation. This contribution is intended to satisfy a safe harbor contribution formula permitted by IRS regulations. By making the safe harbor matching contribution, the Plan will automatically satisfy the nondiscrimination requirements that otherwise would apply to 401(k) contributions made to the Plan.

Plan earnings, as defined, are allocated pro rata based on participants’ account balances.

Vesting

Participants are immediately vested in their pretax and employer contributions, including actual investment earnings thereon.

Distributions to Participants

Employee account balances are distributable upon retirement, disability, death, termination from the Company, or hardship. Upon the occurrence of one of these events, a participant (or the participant’s beneficiary in the case of death) will receive his or her account balance as a lump-sum payment as available per plan provisions.

Terminated participants with account balances of $1,000 or less will receive a lump-sum cash payment as soon as administratively practicable upon the participant’s employment termination.

2. Significant Accounting Policies and Procedures

Plan Amendment and Termination

The Company has the right to amend or terminate the Plan, subject to the provisions of ERISA. In the event of the Plan’s termination, all assets of the Plan will be distributed to participants in accordance with plan provisions.

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

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Investment Valuation and Income Recognition

Investments of the Plan are stated at fair value. See Note 3 for further discussion and disclosures related to fair value measurements.

Under the Financial Accounting Standards Board (FASB) guidance of reporting of fully benefit-responsive investment contracts held by certain investment companies subject to the AICPA investment company guide and defined contribution health and welfare and pension plans, investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attributed for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through the Wells Fargo Stable Return Fund common collective trust. As required, the statements of net assets available for benefits present the fair value of the investment in the common collective trusts, as well as the adjustment from fair value to contract value for fully benefit-responsive investment contracts. The fair value of the Plan's interest in the Wells Fargo Stable Return Fund is based on the underlying investments of the fund. The contract value of the Wells Fargo Stable Return Fund represents contributions plus earnings, less participant withdrawals and administrative expenses.

Purchases and sales of securities are reflected on a trade-date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

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, 2012 or 2011. 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.

Use of Estimates

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

3. Fair Value Measurement

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires classification based on observable and unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation techniques and inputs used for significant classes of assets measured at fair value:

Common stock – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds – Valued at the net asset value of shares held by the Plan at year-end based on publically traded values for the funds.

Common collective trust funds – Valued at net asset value based on the fair value of the underlying assets in the fund as reported by the issuer of the fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement as of December 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets				
Money market fund and cash	$2,397,355	$2,397,355	$—	$—
Company stock	17,585,499	17,585,499	—	—
Common collective trust funds:				
Life cycle funds(a)	66,009,311	—	66,009,311	—
Stable value fund(b)	42,458,851	—	42,458,851	—
Mutual funds:				
Domestic equities	134,029,840	134,029,840	—	—
International equities	20,627,331	20,627,331	—	—
Fixed income funds	21,802,039	21,802,039	—	—
Total	$304,910,226	$196,442,064	$108,468,162	$—

Fair Value Measurement as of December 31, 2011