

HARLEY DAVIDSON INC
Form 11-K
June 29, 2007

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: For the fiscal year ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934: For the transition period from _____ to _____.

Commission File No. 333-93879

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

**Harley-Davidson
Retirement Savings Plan for Salaried Employees**

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

Harley-Davidson, Inc.
3700 West Juneau Avenue
Milwaukee, Wisconsin 53208

REQUIRED INFORMATION

1. Not applicable.
2. Not applicable.
3. Not applicable.
4. The Harley-Davidson Retirement Savings Plan for Salaried Employees (the Plan) is subject to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Attached hereto is a copy of the most recent financial statements and schedule of the Plan prepared in accordance with the financial reporting requirements of ERISA.

Exhibit

23 Consent of Independent Registered Public Accounting Firm

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

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Harley-Davidson
Retirement Savings Plan
for Salaried Employees

Date: 6/28/07

By: /s/ Perry A. Glassgow

Perry A. Glassgow
Administrative Committee Member

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Harley-Davidson Retirement Savings Plan for Salaried Employees
Years Ended December 31, 2006 and 2005
With Report of Independent Auditors

Harley-Davidson Retirement Savings Plan for Salaried Employees

Financial Statements and Supplemental Schedule

Years Ended December 31, 2006 and 2005

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Report of Independent Registered Public Accounting Firm

The Harley-Davidson Retirement Plans Committee
Harley-Davidson Retirement Savings
Plan for Salaried Employees

We have audited the accompanying statements of assets available for benefits of Harley-Davidson Retirement Savings Plan for Salaried Employees as of December 31, 2006 and 2005, and the related statements of changes in 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 Plan at December 31, 2006 and 2005, 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 performed 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, 2006, is presented for purposes of additional analysis and is not a required part of the

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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 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.

Milwaukee, Wisconsin
June 25, 2007

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Harley-Davidson Retirement Savings Plan for Salaried Employees

Statements of Assets Available for Benefits

	December 31	
	2006	2005
Assets		
Investments:		
Interest in Harley-Davidson Retirement Savings Plan Master Trust <i>(Note 3)</i>	\$ 371,621,185	\$ 305,439,149
Notes receivable from participants	4,500,412	4,250,664
	<hr/>	<hr/>
Total investments	376,121,597	309,689,813
Company contribution receivable	5,552,528	5,628,656
	<hr/>	<hr/>
Assets available for benefits at fair value	381,674,125	315,318,469
Adjustment from fair value to contract value for interest in Harley-Davidson Retirement Savings Plan Master Trust relating to fully benefit-responsive investment contracts	352,584	387,341
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Assets available for benefits	\$ 382,026,709	\$ 315,705,810
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See accompanying notes.

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Harley-Davidson Retirement Savings Plan for Salaried Employees

Statements of Changes in Assets Available for Benefits

Year Ended December 31	
2006	2005

	Year Ended December 31	
Additions:		
Investment income:		
Interest income	\$ 281,384	\$ 260,716
Equity in investment (loss) income of Harley-Davidson Savings Plan Master Trust (<i>Note 3</i>)	59,287,279	(3,771,805)
	<hr/>	
Total investment income	59,568,663	(3,511,089)
Contributions:		
Participant	19,777,275	19,162,270
Participant rollovers	3,343,894	1,422,372
Company	5,553,313	5,672,324
	<hr/>	
Total contributions	28,674,482	26,256,966
	<hr/>	
Total additions	88,243,145	22,745,877
Deductions:		
Benefit payments and withdrawals	22,006,571	13,283,298
Administrative expenses	16,887	14,365
	<hr/>	
Total deductions	22,023,458	13,297,663
	<hr/>	
Net increase before transfers to other Harley-Davidson plans	66,219,687	9,448,214
Transfers to other Harley-Davidson plans	101,212	(115,534)
	<hr/>	
Net increase	66,320,899	9,332,680
Assets available for benefits at beginning of year	315,705,810	306,373,130
	<hr/>	
Assets available for benefits at end of year	\$ 382,026,709	\$ 315,705,810
	<hr/>	

See accompanying notes.

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Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements

Years Ended December 31, 2006 and 2005

1. Description of the Plan

The following brief description of the Harley-Davidson Retirement Savings Plan for Salaried Employees (the Plan) is provided for general information purposes only. Participants should refer to the *Summary Plan Description* for more complete information.

General

The Plan is a defined-contribution plan that covers salaried employees of Harley-Davidson, Inc., Harley-Davidson Motor Company Group, Inc., Harley-Davidson Motor Company, Inc., Harley-Davidson Motor Company Operations, Inc., H-D Michigan, Inc., Harley-Davidson Transportation Company, and Harley-Davidson Dealer Systems, Inc. (together, Company) meeting minimum eligibility requirements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may defer a portion of their compensation on a pre-tax basis through contributions to the Plan. Effective August 1, 2006, the Plan was amended to allow participants to also make Roth contributions to the Plan on an after-tax basis. For purposes of the Plan, a Roth contribution is an elective deferral that otherwise would be a pre-tax contribution to the Plan, but the participant, at the time of making the cash or deferral election with respect to the contribution, has irrevocably designated as a Roth contribution rather than as a pre-tax contribution. A Roth contribution is included in the participant's taxable income at the time the participant would have received that amount in cash if the participant had not elected to have the amount contributed to the Plan as a Roth contribution. The maximum amount that participants may defer and contribute to the Plan is determined from time to time by the plan administrator and is subject to limitations under the Internal Revenue Code (the Code).

The Plan allows for Company matching contributions in company stock, which range from \$0 to \$0.75 per dollar of participant contributions. Company matching contributions vary according to the participant's date of employment and Company's financial performance. The matching contributions apply only to participant contributions up to 6% of a participant's eligible compensation contributed before tax or Roth deductions. Participants with a date of hire or rehire on or after August 1, 2006, and who are not covered under the Retirement Annuity Plan during the same period may receive an employer retirement contribution of 4% of their eligible pay which is made regardless of the employee's participation in the plan or Company performance.

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Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Rollover contributions to the Plan are permitted under certain circumstances, as defined in the Plan.

Participants' Accounts

Separate accounts are maintained for each participant. The account balances are adjusted daily for participants' contributions, Company contributions, net investment income, loan fees, and distributions of participants' benefits or withdrawals.

Participants have the option of investing their contributions in one or any combination of 19 investment funds (increased to 25 effective January 1, 2007).

The Plan is intended to satisfy the requirements under Section 404(c) of ERISA and, therefore, provides that participants may choose to direct their contributions and/or all or part of their account balances among any of the Plan's investment alternatives daily.

The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately vested in 100% of their contributions and earnings thereon. Participants will vest 100% in Company contributions after completing three years of vesting service. Participants who terminate due to death, disability, or retirement immediately become 100% vested in their entire accounts.

Payments of Benefits

Benefit and withdrawal payments consist of the following:

For payments made upon retirement, death, disability, or termination of employment, the balance in a participant's account is paid to the participant or beneficiary in a lump sum, periodic payments (in certain instances), or other form of payment as allowed under the Plan.

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Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Participants may not withdraw prior to retirement, death, disability, or termination of employment any portion of their accounts pertaining to contributions made under provisions of Section 401(k) of the Code, except for financial hardships, as defined in the Code, or after the participant attains age 59 1/2. The permissible in-service withdrawals are from before tax contributions.

Participant Loans

Participants may borrow up to 50% of their vested account balances, not to exceed \$50,000. Loans are not permitted from employer matching contributions or employer retirement contributions. This portion of the participant account may be vested, but cannot be used for participant loans. Loans bear interest commensurate with the rate, which would be charged by commercial lenders for similar loans. The term of the loan cannot exceed five years (ten years in the case of a home purchase).

Administrative Expenses

Administrative expenses are generally paid by the Company. Loan application and service fees are paid by participants.

2. Summary of Significant Accounting Policies

Master Trust Investment

The Plan's investments consist of its interest in the investments of the Harley Davidson Retirement Savings Plan Master Trust (Master Trust) and notes receivable from participants. The Master Trust is an arrangement by which investments of the Plan and four other Harley-Davidson defined-contribution plans share a trust (see Note 3). The Plan's investment in the Master Trust is based on its equity share of the Master Trust's investments.

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Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Valuation of Investments

The Master Trust investments in mutual funds and common trust funds are stated at fair value, except for the investment in the Managed Income Portfolio, a common collective trust portfolio of the Fidelity Group Trust for Employee Benefit Plans (the Managed Income Portfolio Fund), which is stated at contract value. Fair value is based on the quoted market or redemption values on the last business day of the Plan year.

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Securities traded on a national securities exchange are valued at the closing market price on the last business day of the Plan year. The Plan's interest in the common collective trust is valued based on information reported by Fidelity Management Trust Company using financial statements of the common collective trust at year-end. The money market fund is stated at cost, which approximates fair value.

The Harley-Davidson Stock Fund (the Fund) is tracked on a unitized basis. The Fund consists of Harley-Davidson, Inc. common stock and funds held in the Fidelity Cash Reserves Fund sufficient to meet the Fund's daily cash needs. Unitizing the Fund allows for daily trades. The value of a unit reflects the combined market value of Harley-Davidson, Inc. common stock and the cash investments held by the Fund.

Notes receivable from participants are stated at their unpaid principal balances, which approximate fair value.

New Accounting Pronouncement

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *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* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute 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. As required by the FSP, the statement of assets available for benefits presents the fair value of the investment in the common collective trust, as well as the adjustment of the investment in the common collective trust from fair value to contract value relating to the investment contracts. Prior year balances have been reclassified accordingly. The statement of changes in assets available for benefits is presented on a contract value basis.

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Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Risks and Uncertainties

The Master Trust investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the financial statements and accompanying notes.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Investments

The assets of the Master Trust include investments held for the Plan, the Harley-Davidson Retirement Savings Plan for Kansas City Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees, and the Buell Motorcycle Company Retirement Savings Plan (collectively, the Plans). The assets have been allocated among the Plans based on the respective participants' interest, adjusted for other allocable assets and liabilities.

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Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements (continued)

3. Investments (continued)

A summary of the Master Trust's investments at December 31 is as follows:

	2006	2005
Investments at fair value:		
Mutual funds	\$ 367,430,918	\$ 282,531,528
Common collective trust fund - Managed Income Portfolio	71,858,139	69,985,300
Common stock fund - Harley-Davidson, Inc.	151,265,828	135,400,730
Money market fund	1,727,208	1,778,969
Other receivable (payable)	6,495	(12,510)
Assets of the Master Trust at fair value	592,288,588	489,684,017
Adjustment from fair value to contract value for interest in common collective trust relating to fully benefit responsive investment contracts	722,224	794,518
Assets of the Master Trust at contract value	593,010,812	490,478,535
Less amounts allocated to other plans	221,037,043	184,652,045
Plan's interest in Master Trust after contract value adjustment	371,973,769	305,826,490
Plan's allocated adjustment from contract value to fair value	(352,584)	(387,341)
Plan's interest in Master Trust at fair value	\$ 371,621,185	\$ 305,439,149

At December 31, 2006 and 2005, the Plan's interest in the assets of the Master Trust was approximately 63% and 62%, respectively.

The Master Trust holds an investment in the Managed Income Portfolio Fund. The Managed Income Portfolio Fund is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The Managed Income Portfolio Fund issued is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

The Managed Income Portfolio Fund is included in the financial statements at contract value as reported to the Plan by Fidelity Management Trust Company. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investments at contract value. There are currently no reserves against contract values for credit risk of the contract issuers or otherwise.

Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements (continued)

3. Investments (continued)

As required by the FSP, the statement of assets available for benefits presents the fair value of the Managed Income Portfolio and an adjustment, which in total equals the contract value of the Managed Income Portfolio. The fair value of the Managed Income Portfolio Fund equals the fair value of the underlying assets in the common collective trust fund. As provided in the FSP, an investment contract is generally valued at contract

value, rather than fair value, to the extent it is fully benefit-responsive.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the Plan documents (including complete or partial plan termination or merger with another plan), (ii) changes to Plan's prohibition on competing investment options or deletion of equity wash provisions, (iii) bankruptcy of the plan sponsor or other plan sponsor events (e.g., divestitures or spin-offs of a subsidiary) which cause a significant withdrawal from the Plan, or (iv) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The plan administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

Investment income has been allocated among the Plans based on the respective participants' interest, adjusted for other allocable income and losses. Investment income generated by the investments of the Master Trust and the Plan's allocated share therein are as follows:

	Year Ended December 31	
	2006	2005
Interest and dividend income	\$ 23,065,124	\$ 13,962,617
Net appreciation in fair value of mutual funds	20,372,415	6,456,432
Net appreciation in fair value of common stock - Harley-Davidson, Inc.	46,337,511	(24,603,036)
Investment income (loss) generated by the Master Trust	89,775,050	(4,183,987)
Less amount allocated to other plans	30,487,771	(412,182)
Master Trust investment income (loss) allocated to the Plan	\$ 59,287,279	\$ (3,771,805)

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Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements (continued)

4. Nonparticipant-Directed Investments

Company matching contributions are invested in the Harley-Davidson, Inc. common stock fund and cannot be transferred or directed to any other investment option in the Plan until the participant reaches the three year vesting period or reaches the age of 55.

Information about the assets and the significant components of the changes in assets relating to the Plan's investment in the Harley-Davidson, Inc. common stock fund, which includes the participant and nonparticipant-directed investments is as follows:

	December 31	
	2006	2005
Investments, at fair value:		
Harley-Davidson, Inc. common stock	\$ 103,755,412	\$ 93,636,613
Money market fund	1,184,717	1,230,250
Company contributions receivable	5,552,528	5,628,656
Other receivable (payable)	4,455	(8,651)
Harley Davidson, Inc. common stock fund	\$ 110,497,112	\$ 100,486,868

Year Ended December 31
2006 **2005**

	Year Ended December 31	
Changes in fund balance:		
Contributions	\$ 9,357,818	\$ 10,451,892
Interest and dividends	1,442,972	1,291,908
Net appreciation (depreciation) in fair value of common stock	31,880,998	(16,488,220)
Transfers to other investment funds, net	(27,668,758)	(11,595,448)
Benefit payments and withdrawals	(4,996,548)	(3,239,115)
Administrative expenses	(6,238)	(5,942)
Net change in fund balance	\$ 10,010,244	\$ (19,584,925)

Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements (continued)

5. Transactions With Parties in Interest

The Master Trust holds investments in Harley-Davidson, Inc. common stock.

6. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event of the Plan's termination, participants will become fully vested in their accounts.

7. Income Tax Status

The Plan received a determination letter from the Internal Revenue Service dated April 5, 2001, stating that the Plan is qualified under Section 401(a) of the Code, and therefore, the related trust is exempt from taxation. Subsequent to the issuance of the determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax-exempt.

8. Legal Matters

On August 25, 2005, a class action lawsuit alleging violations of the ERISA was filed in the United States District Court for the Eastern District of Wisconsin against Harley-Davidson, Inc., the Administrative Committee of Harley-Davidson, Inc., and certain Company employees, officers, and directors. Pursuant to the schedule set by the court, on October 2, 2006, the ERISA plaintiff filed an Amended Class Action Complaint, which named the Company, the Harley-Davidson Motor Company Retirement Plans Committee, the Company's Leadership and Strategy Council, Harold A. Scott, James L. Ziemer, James M. Brostowitz, Gail A. Lione, Joanne M. Bischmann, Karl M. Eberle, Jon R. Flickinger, Ronald M. Hutchinson, James A. McCaslin, W. Kenneth Sutton, Jr., and Donna F. Zarcone, who are current or former Company officers or employees, as defendants. In general, the ERISA complaint includes factual allegations similar to those in shareholder class action lawsuits that Harley-Davidson, Inc. has disclosed in its recent publicly available filings (which include complaints that allege securities law violations) and alleges on behalf of participants in the Plans that the plan fiduciaries breached their ERISA fiduciary duties. On February 15, 2006, the court ordered the ERISA action consolidated with the securities and other related actions that are pending in that court for administrative purposes. On December 18, 2006, the defendants filed a motion to dismiss the ERISA complaint in its entirety. Briefing of the motion to dismiss was completed in April 2007.

Harley-Davidson Retirement Savings Plan for Salaried Employees

Notes to Financial Statements (continued)

8. Legal Matters (continued)

Harley-Davidson, Inc. believes the allegations against all of the defendants in the lawsuits against the Company are without merit, and it intends to vigorously defend against them. As all of these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time, the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail, for claims covered by the insurance coverage.

9. Reconciliation to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31	
	2006	2005
Net assets available for benefits per the financial statements	\$ 382,026,709	\$ 315,705,810
Less adjustment to fair value	(352,584)	(387,341)
Net assets available for benefits per Form 5500	\$ 381,674,125	\$ 315,318,469

The following is a reconciliation of employer contributions per the financial statements to the Form 5500:

	Year Ended December 31 2006
Net investment gain from Master Trust investment accounts	\$ --
Plus adjustment to fair value of GIC - current year	352,584
Employer contributions per the Form 5500	\$ 352,584

Supplemental Schedule

Harley-Davidson Retirement Savings Plan for Salaried Employees

Schedule H, Line 4i Schedule of Assets
(Held at End of Year)

EIN #39-1805420 Plan #002

December 31, 2006

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Current Value
Plan participants	Participant loans with interest rates ranging from 6.00% to 9.50%, with various maturities. Collateralized by applicable participants' account balances.	\$4,500,412

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Exhibit Index

Exhibit Number	Description
23	Consent of Independent Registered Public Accounting Firm