

DAKTRONICS INC /SD/
Form 11-K
October 30, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended April 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number 0-23246

Daktronics, Inc.

(Name of issuer of the securities held pursuant to the plan)

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

Daktronics, Inc. 401(k) Plan

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

Daktronics, Inc.

331 32nd Avenue

Brookings, SD 57006

DAKTRONICS, INC. 401(k) PLAN

FORM 11-K

For the Plan Year Ended April 30, 2007

TABLE OF CONTENTS

	Page
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	1
<u>STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF</u> <u>APRIL 30, 2007 AND APRIL 30, 2006</u>	2
<u>STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE</u> <u>YEARS ENDED APRIL 30, 2007 AND APRIL 30, 2006</u>	3
<u>NOTES TO FINANCIAL STATEMENTS</u>	4
<u>SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR) - APRIL 30, 2007</u>	8

SIGNATURES

9

EXHIBITS INDEX

Ex. 23.1 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

10

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee

Daktronics, Inc. 401(k) Plan

We have audited the accompanying statements of net assets available for benefits of Daktronics, Inc. 401(k) Plan as of April 30, 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. 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 April 30, 2007 and 2006, and 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 April 30, 2007 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. 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.

As discussed in Note 1, effective April 30, 2007, the Plan adopted the provisions of Statement of Position 94-4-1 (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."

/s/ Ernst & Young LLP

Minneapolis, Minnesota

October 29, 2007

1

DAKTRONICS, INC. 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF

APRIL 30, 2007 AND APRIL 30, 2006

	April 30,	April 30,
	2007	2006
ASSETS		
Investments at fair value		
Daktronics, Inc. common stock	\$ 38,341,200	\$ 36,926,414
Mutual funds	27,013,254	20,676,344
Money market mutual fund	1,977,024	1,486,430
Common/collective trust	5,434,126	1,397,856
Participant notes receivable	947,793	946,614
	73,713,397	61,433,658
Receivables		
Employer matching contributions	260,899	209,424
Employer profit sharing contributions	607,309	540,416

Edgar Filing: DAKTRONICS INC /SD/ - Form 11-K

Employee contributions	-	91,468
Accrued interest	29,525	15,059
	897,733	856,367
Cash	863	-
Total assets	74,611,993	62,290,025
LIABILITIES		
Cash deficit	-	83,858
Accrued administrative expenses	48,102	26,697
Excess contributions payable	55,642	57,359
Total liabilities	103,744	167,914
Net assets available for benefits, at fair value	74,508,249	62,122,111
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	78,269	20,134
Net assets available for benefits	\$ 74,586,518	\$ 62,142,245

See accompanying notes to financial statements.

DAKTRONICS, INC. 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE
YEARS ENDED APRIL 30, 2007 AND APRIL 30, 2006

Edgar Filing: DAKTRONICS INC /SD/ - Form 11-K

	April 30, 2007	April 30, 2006
Additions to net assets attributed to:		
Investment income		
Net appreciation in fair value of investments	\$ 11,355,968	\$ 21,710,316
Interest and dividends	658,264	494,242
	12,014,232	22,204,558
Contributions:		
Employer	1,491,741	1,284,524
Participants and plan transfers	2,963,675	2,203,338
	4,455,416	3,487,862
Total additions	16,469,648	25,692,420
Deductions from net assets attributed to:		
Benefits paid to participants	3,881,056	2,208,638
Administrative expenses	144,319	149,883
Total deductions	4,025,375	2,358,521
Net increase in net assets	12,444,273	23,333,899
Net assets available for benefits:		
Beginning of year	62,142,245	38,808,346
End of year	\$ 74,586,518	\$ 62,142,245

See accompanying notes to financial statements.

DAKTRONICS, INC. 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

Note 1. SIGNIFICANT ACCOUNTING POLICIES

Nature of business of Plan Sponsor: Daktronics, Inc. collectively, and its U.S. based subsidiaries (the “Company”), the sponsoring employer companies, are engaged principally in the design, manufacture and sale of a wide range of electronic display systems which are sold in a variety of markets throughout the world and providing related services, including content development, marketing and maintenance services. Our products are designed primarily to inform and entertain people through the communication of content.

Basis of accounting: The accompanying financial statements are prepared on the accrual basis of accounting.

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

In December 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position 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”). Under the FSP, fully benefit-responsive investment contracts held by a defined contribution plan are required to be reported at fair value. However, for the portion of the assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts, contract value is the relevant measurement attribute, as contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The financial statement presentation and disclosure provisions of the FSP are effective for financial statements issued for annual periods ending after December 15, 2006 and are required to be applied retroactively to all prior periods presented for comparative purposes. The Plan has adopted the provisions of the FSP at April 30, 2007.

The requirements of the FSP have been applied retroactively to the Statement of Net Assets Available for Benefits as of April 30, 2006 presented for comparative purposes. Adoption of the FSP had no effect on the Statement of Changes in Net Assets Available for Benefits for any period presented.

Investment valuation and income recognition: The Daktronics, Inc. 401(k) Plan (the “Plan”) investments are stated at fair value as determined by quoted market prices on the last business day of the Plan year, except investment assets in the common/collective trust are stated at contract value. Participant notes receivable are valued at their outstanding balances, which approximated fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Payment of benefits: Benefit payments are recorded when paid.

Note 2. INFORMATION REGARDING THE PLAN

The following description of 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 providing benefits for substantially all employees of the Company who have attained 21 years of age and have completed one year of service. Notwithstanding the preceding, employees are eligible to make salary deferrals to the Plan upon completion of three months of service and attainment of 21 years of age. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Administration: The Company has appointed an Administrative Committee to manage the day-to-day operation and administration of the Plan and an Investment Committee to select and monitor the investments of the Plan.

Participant’s contributions: Participants may elect to have the Company contribute a percentage of their eligible pre-tax compensation not to exceed the maximum amount allowable under the Internal Revenue Code

4

(the “Code”). Participants who elect to have the Company contribute a portion of their compensation to the Plan agree to accept an equivalent reduction in taxable compensation. Contributions withheld are invested in accordance with the participant’s direction.

Participants are also allowed to make rollover contributions of amounts received from other tax-qualified employer-sponsored retirement plans. Such contributions are deposited in the appropriate investment funds in accordance with the participant’s direction and the Plan’s provisions.

Employer contributions: The Company may make discretionary profit sharing contributions to the accounts of eligible participants as defined in the Plan and as approved by the Board of Directors. In the twelve months ending April 30, 2007 and April 30, 2006, respectively, the Company matched 50% of the first 6% of each eligible participant's contribution. Additional discretionary contributions were made for year ended April 30, 2007 equal to 1.6% of pay to a maximum of \$600 per participant and for the year ended April 30, 2006 equal to 1.7% of pay to a maximum of \$650 per participant.

Participants' accounts: Each participant's account is credited with the participant's contribution and allocations of the Company's contribution and Plan earnings and losses, and it is charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined in the Plan's provisions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Non-participant directed investments are invested in the common/collective trust and are reported at fair value.

Vesting: Participants are immediately vested in their voluntary contributions, including rollover contributions from other qualified plans, plus actual earnings thereon. The remainder of their accounts are vested according to the number of years of continuous service. Participant's accounts become fully vested after five years of credited service, vesting at the rate of 20% per year commencing after one year of service. Employees hired as a result of an acquisition are generally entitled to an appropriate service credit for the length of employment with their former company for purposes of determining eligibility, vesting and contribution allocations for the Plan.

Payment of benefits: Distributions of a participant's vested account balance are made as soon as administratively possible following his or her retirement, total disability, death or termination of employment. The amount of distribution under the Plan is equal to the participant's vested account balance. If the participant has any loan balance at the time of distributions, the amount of cash available to the participant or beneficiary is reduced by the outstanding balance of the loan.

Investment fund information: Participants may individually direct employee contributions in various mutual funds, common/collective trusts, money market accounts and Daktronics, Inc. common stock. Participants may change their investment options daily.

Participant loans: Participants may borrow from their accounts up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan transactions are treated as a transfer to (from) the investment funds from (to) the participant notes fund. Loan terms range from one to five years, or longer for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear a commercially reasonable rate of interest, which the Company has determined to be the prime rate as determined by the Plan's Trustee. Changes in the prime rate are implemented by the Trustee when it is reasonably administratively feasible to do so. Principal and interest is paid ratably no less than biweekly through payroll deductions.

Forfeited accounts: During the years ended April 30, 2007 and April 30, 2006, respectively, forfeitures due to the non-vested accounts of terminated participants of \$26,268 and \$15,474 were used to reduce employer contributions.

Administrative expenses: Administrative expenses consisting of investment management services fees and audit fees are paid by the Plan using forfeitures of the Company's contributions, and any remaining balance is netted against investment returns.

Note 3. INVESTMENTS

During the years ended April 30, 2007 and April 30, 2006, the Plan's investments (including investments purchased, sold and held during the year) appreciated in fair value as determined by quoted market prices as follows:

	April 30, 2007	April 30, 2006
Daktronics common stock	\$ 8,747,474	\$ 18,437,809
Common collective trust	2,459,629	3,215,807
Mutual funds	148,865	56,700
	\$ 11,355,968	\$ 21,710,316

Investments that represent 5% or more of the fair value of the Plan's net assets as of April 30, 2007 and 2006 are as follows:

	April 30, 2007	April 30, 2006
Investments, at fair value:		
Daktronics, Inc. common stock	\$ 38,341,200	\$ 36,926,414
Investment Company of America Fund	5,898,134	4,681,732
Euro Pacific Growth Fund	5,526,482	4,501,803
Wells Fargo Stable Return Fund	5,434,176	1,397,856
Growth Fund of America Fund	4,750,036	3,602,854

The following represents transactions in Daktronics, Inc. common stock, a party-in-interest.

	April 30, 2007	April 30, 2006
Investments, at fair value:		
Daktronics, Inc. common stock	\$ 38,341,200	\$ 36,926,414

	April 30, 2007	April 30, 2006
Changes in net assets due to:		
Contributions	\$ 5,412,631	\$ 1,149,908
Dividends	102,737	99,760
Net realized and unrealized appreciation in fair value	8,747,474	18,338,048
Distributions to participants	(12,848,056)	(3,482,191)
	\$ 1,414,786	\$ 16,105,525

Note 4. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

Note 5. TAX STATUS

The underlying non-standardized prototype plan has received an opinion letter from the Internal Revenue Service (IRS) dated August 31, 2001 stating that the form of the plan is qualified under Section 401 of the Code, and therefore, the related trust is tax exempt. In accordance with Revenue Procedure 2006-6 and Announcement 2001-77, the Plan Sponsor has determined that it is eligible to and has chosen to rely on the current IRS prototype plan opinion letter. 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 is qualified and the related trust is tax exempt.

6

Fully benefit-responsive investment contracts are recorded on the Form 5500 at contract value while in the Plan's financial statements these investments are presented at fair value with an adjustment to contract value.

Note 6. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the

statements of net assets available for benefits.

Note 7. SUBSEQUENT EVENTS

On May 24, 2007, Board of Directors of Daktronics, Inc. declared an annual payment of \$0.07 per share payable on June 20, 2007 to holders of record of its common stock on June 6, 2007.

7

DAKTRONICS, INC. 401(k) PLAN

EIN-46-0306862 PLAN 002

SCHEDULE H, LINE 4i

SCHEDULE OF ASSETS (HELD AT END OF YEAR)

APRIL 30, 2007

Identity of Issue, Borrower,

Lessor, or Similar Party	Shares	Cost	Current Value
Common Stock:			
Daktronics, Inc. common stock*	1,683,108	\$ 8,839,152	\$ 38,341,200
Common collective trust:			
Wells Fargo Stable Return Fund*	136,969	5,352,625	5,512,395
Mutual Funds:			
Pimco Total Return Fund	124,966	1,327,242	1,300,902
Euro Pacific Growth Fund	110,796	4,178,230	5,526,482
Growth Fund of America Fund	137,205	3,841,659	4,750,036
Investment Company of America Fund	168,518	6,503,506	5,898,134
Lord Abbett Mid-Cap Value Fund	91,056	2,041,612	2,192,623

Edgar Filing: DAKTRONICS INC /SD/ - Form 11-K

MFS Total Return Fund	151,795	2,219,126	2,553,198
T Rowe Price Mid-Cap Growth Fund	34,142	1,816,102	2,002,776
T Rowe Price Small Capitalization Fund	69,735	2,174,984	2,488,157
Wells Fargo Index Fund*	5,142	276,963	300,946
		24,379,424	27,013,254
Money market mutual fund:			
Wells Fargo Short-term Money Market Fund*	1,977,024	1,977,024	1,977,024
Participant notes receivable (with interest rates ranging from 4.25% to 10.5%, maturing through November, 2013)		\$ 0	\$ 947,793
		40,548,225	73,791,666

*Indicates a party-in-interest to the Plan.

8

SIGNATURES

Pursuant to the requirements of the Securities 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 thereunto duly authorized.

DAKTRONICS, INC. 401(k) PLAN

By: /s/ William R. Retterath

William R. Retterath
Chief Financial Officer

By: /s/ Carla S. Gatzke
Carla S. Gatzke
Plan Administrator

Date: October 30, 2007