

DIEBOLD INC
Form 11-K
June 28, 2004

Table of Contents

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 11-K

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

For the fiscal year ended December 31, 2003

OR

- o TRANSITION REPORT PURSUANT TO 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-4879

**DIEBOLD, INCORPORATED
401(k) SAVINGS PLAN**

(Full title of the plan)

Diebold, Incorporated 5995 Mayfair Road PO Box 3077 North Canton, Ohio 44720-8077

(Name of issuer of the securities held by the plan and the address of its principal executive office)

TABLE OF CONTENTS

REQUIRED INFORMATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

NOTES TO FINANCIAL STATEMENTS

SCHEDULE H, LINE 4a SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS

SCHEDULE H, LINE 4i SCHEDULE OF ASSETS HELD AT END OF YEAR

SIGNATURES

INDEX TO EXHIBITS

EX-23 Consent Ind. Reg. Public Accounting

Table of Contents

REQUIRED INFORMATION

Audited plan financial statements and schedules prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, as amended, are filed herewith in lieu of the requirements of an audited statement of financial condition and statement of income and changes in plan equity.

Financial Statements and Exhibits

A) The following financial statements and schedules are filed as part of this annual report:

- 1) Statements of Net Assets Available for Benefits December 31, 2003 and 2002
- 2) Statements of Changes in Net Assets Available for Benefits Years Ended December 31, 2003 and 2002
- 3) Notes to Financial Statements December 31, 2003 and 2002
- 4) Schedule H, Line 4a Schedule of Delinquent Participant Contributions December 31, 2003
- 5) Schedule H, Line 4i Schedule of Assets Held at End of Year December 31, 2003

B) The following exhibit is filed as part of this annual report:

23. Consent of Independent Registered Public Accounting Firm

All other schedules required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because there is no information to report.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Plan Administrator and Participants
Diebold, Incorporated 401(k) Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the Diebold, Incorporated 401(k) Savings Plan as of December 31, 2003 and 2002, 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 Diebold, Incorporated 401(k) Savings Plan as of December 31, 2003 and 2002, and the changes in net assets available for 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 H, Line 4a Schedule of Delinquent Participant Contributions for the year ended December 31, 2003 and Schedule H, Line 4i Schedule of Assets Held at End of Year for December 31, 2003 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are 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. The supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/KPMG LLP
KPMG LLP
Cleveland, Ohio
June 28, 2004

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 DECEMBER 31, 2003 and 2002

	2003	2002
Assets:		
Investments	\$326,548,962	\$245,659,569
Contribution receivable participant	95,702	
Contribution receivable employer	40,750	147,429
Total assets	326,685,414	245,806,998
Other liabilities	44,170	
Net assets available for benefits	\$326,641,244	\$245,806,998

See accompanying notes to financial statements

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Additions:		
Contributions		
Participant	\$ 21,911,610	\$ 23,144,522
Employer	6,729,520	6,502,972
	<u> </u>	<u> </u>
Total contributions	28,641,130	29,647,494
Interest and dividends	6,110,220	5,342,030
Net appreciation (depreciation) in the fair value of investments	59,026,433	(21,802,819)
	<u> </u>	<u> </u>
	65,136,653	(16,460,789)
	<u> </u>	<u> </u>
Total additions, net	93,777,783	13,186,705
Deductions:		
Benefits paid to participants	(12,902,902)	(12,584,653)
Administrative expenses	(40,635)	(32,220)
	<u> </u>	<u> </u>
Total deductions	(12,943,537)	(12,616,873)
	<u> </u>	<u> </u>
Excess of additions over deductions	80,834,246	569,832
Net assets available for benefits:		
Beginning of year	\$245,806,998	\$245,237,166
	<u> </u>	<u> </u>
End of year	\$326,641,244	\$245,806,998
	<u> </u>	<u> </u>

See accompanying notes to financial statements

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

(1) Description of the Plan

The following brief description of the Diebold, Incorporated 401(k) Savings Plan (the Plan), as amended, provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Board of Directors of Diebold, Incorporated (the Employer) established this defined contribution plan effective as of April 1, 1990. The Diebold, Incorporated 401(k) Savings Plan covers all non-bargaining unit employees of the Employer and affiliates who have completed ninety days of employment (Salary Employees). The Diebold, Incorporated Retiree Medical Funding Plan for Newark Hourly Employees covers all hourly employees of the Employer at the Newark, Ohio facility who are represented by Local 710 of the International Union of Electrical Workers, who have completed ninety days of employment and have attained the age of twenty-one (Newark Employees). The Diebold, Incorporated 401(k) Savings Plan for Certain Canton Hourly Employees covers all employees of the Employer at the Canton Plant who commenced active employment on or after May 1, 1992 and all employees on layoff status from the Canton Plant as of May 1, 1992 who returned to active service from the Canton Plant on or after May 1, 1992 (Canton Plant Employees). In addition, Canton Plant employees must have completed ninety days of employment and have attained the age of twenty-one. In October 2003, the Employer closed the Canton Plant. Canton Plant Employees may elect distribution of benefits according to the Plan as noted in paragraph 1(e). The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective January 1, 2002, the Employer established and included as a part of the Plan a stock bonus plan designed to invest primarily in Qualifying Employer Securities, as defined in Code Section 4975(e), and meet the other requirements of an Employee Stock Ownership Plan (the ESOP) as set forth in Sections 401(a)(28) and 4975 of the Internal Revenue Code. The Plan consists of two distinct components. The first component is the profit sharing portion, including cash or deferred arrangement, intended to be qualified under Section 401(k) of the Internal Revenue Code, which shall consist of all plan assets and funds, except for plan assets and funds invested in Diebold, Incorporated common stock. The second component of the Plan is the ESOP, which consists solely of all plan assets and funds invested in Diebold, Incorporated common stock. By establishing an ESOP within the Plan, the participants can receive their cash dividends from Diebold, Incorporated common stock directly, if desired, and the Employer can take a corresponding deduction.

(b) Contributions

Salary Employees

For the years ended December 31, 2003 and 2002, the Plan allowed each participant to contribute from one to fifty percent (in one percent increments) of pre-tax compensation, but not in excess of the maximum amount permitted by the Internal Revenue Code.

In 2003 and 2002, for Employees hired prior to July 1, 2003, the Employer contributed, as a Basic Matching Contribution, an amount equal to sixty percent of a participant's pre-tax contributions during each payroll period up to three percent of the participant's compensation in such payroll period and thirty percent of a

participant's pre-tax contributions on the next three percent of the participant's compensation in such payroll period.

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(continued)

(b) Contributions (continued)

Salary Employees (continued)

For Employees hired on or after July 1, 2003, the Employer contributed, as a Basic Matching Contribution, an amount equal to one hundred percent of a participant's pre-tax contributions during each payroll period up to three percent of the participant's compensation in such payroll period and fifty percent of a participant's pre-tax contributions on the next three percent of the participant's compensation in such payroll period. This new enhanced benefit was in lieu of participation in the Retirement Plan for Salaried Employees. Participation in the Retirement Plan for Salaried Employees was frozen for newly hired employees effective July 1, 2003.

Effective January 1, 2002, the Plan was amended so that as of the last day of each Plan year, the Employer shall calculate the amount of the Basic Matching Contribution that would be contributed on behalf of each Participant for that Plan year if the Basic Matching Contribution were calculated and contributed on an annual basis rather than during each payroll period. If the amount of the Basic Matching Contribution, when calculated on an annual basis for the Plan year, is greater than the dollar amount actually contributed to a Participant on a payroll basis during that Plan year, the Employer shall contribute to the Trust Fund, as of the last day of the Plan year, the additional amount necessary to increase the Basic Matching Contribution for each Participant to the amount of the Basic Matching Contribution as calculated on an annual basis. The additional Basic Matching Contribution receivable calculated on an annual basis was \$19,382 and \$147,429 as of December 31, 2003 and 2002, respectively.

At the end of any Plan Year, the Employer, at its discretion, may determine that an Additional Matching Contribution be made for the next succeeding Plan year. The amount of any Additional Matching Contribution shall be determined solely by action of the Board of Directors. There were no Additional Matching Contributions made on behalf of any plan participants in either 2003 or 2002.

Newark Employees

For the years ended December 31, 2003 and 2002, the Plan allowed each participant to contribute from one to five percent (in one percent increments) of pre-tax compensation, but not in excess of the maximum amount permitted by the Internal Revenue Code.

In 2003 and 2002, the Employer contributed, as a Basic Matching Contribution, an amount equal to thirty percent of participant's pre-tax contributions during each payroll period up to three percent of the participant's compensation in such payroll period.

Canton Plant Employees (thru October 2003)

For the years ended December 31, 2003 and 2002, the Plan allowed each participant to contribute from one to six percent (in one percent increments) of pre-tax compensation, but not in excess of the maximum amount permitted by the Internal Revenue Code.

In 2003 and 2002, the Employer contributed, as a Basic Matching Contribution, an amount equal to thirty percent of a participant's pre-tax contributions during each payroll period up to three percent of the participant's compensation in such payroll period.

-7-

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(continued)

(c) Participants Accounts

Salary Employees

As of January 1, 1992, the Employer established two separate accounts for each participant, a Regular Account and a Retiree Medical Funding Account. All participant contributions are deposited into the Regular Account. Each participant may direct that his or her contributions to the Regular Account be invested in the Loomis Sayles Bond Fund, Loomis Sayles Small Cap Value Fund, Vanguard 500 Index Fund, Vanguard Explorer Fund, Vanguard International Growth Fund, Vanguard Mid-Cap Index Fund, Vanguard PRIMECAP Fund, Vanguard Selected Value Fund, Vanguard STAR Fund, Vanguard Total Bond Market Index Fund, Vanguard U.S. Growth Fund, Vanguard Windsor II Fund, Vanguard Retirement Savings Trust, Diebold Company Stock Fund or any combination thereof with the minimum investment in any fund of one percent.

For 2003 and 2002, the Employer's Basic Matching Contribution was divided between the Regular Account and the Retiree Medical Funding Account based on a predefined formula and was invested in the Diebold Company Stock Fund.

As of March 1, 2002, a participant may elect to transfer the Employer Basic Matching Contributions and the Employer Additional Matching Contributions, which have been invested in the Diebold Company Stock Fund for a minimum 12 month period, to other funds within the Plan.

Canton Plant (thru October 2003) and Newark Employees

The Employer established two separate accounts for each participant, a Regular Account and a Retiree Medical Funding Account. All participant contributions are deposited into the Regular Account and all Employer contributions are deposited into the Retiree Medical Funding Account. Each participant may direct that his or her contributions to the Regular Account, as well as all Employer contributions to the Retiree Medical Funding Account, be invested in the above named funds according to the participant's direction with the minimum investment in any fund of one percent.

(d) Vesting

For Employees hired before July 1, 2003, a participant's pre-tax contributions and earnings, and the Employer's contributions and earnings are immediately vested and nonforfeitable. For Employees hired on or after July 1, 2003, participant's pre-tax contributions and earnings are immediately vested and nonforfeitable, however, Employer contributions and earnings are vested in accordance with the following schedule: less than three years service, zero percent, three years or more, 100 percent.

(e) Distribution of Benefits

Upon termination of service with the Employer or affiliate, a participant shall receive his or her total account balance in a lump sum payment if such total account balance does not exceed \$5,000. Otherwise, the participant may elect to receive his or her total account balance in a lump sum payment upon termination, defer receipt until retirement date, or make a direct rollover to a qualified plan. For any funds invested in the

Diebold Company Stock Fund, the participant may make an election to receive cash or the Employer's common shares.

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(continued)

(f) Participant Notes Receivable (Salary Employees)

Loan transactions are treated as transfers between the various funds and the Loan Fund. Under the terms of the Plan, active participants of the Plan may borrow against their total account balance except for their balance in the Retiree Medical Funding Account. The minimum amount of any loan is \$1,000 and the maximum is \$50,000 or 50% of a participant's current balance (in \$100 increments), whichever is less. Loan payments are made through equal payroll deductions over the loan period of one to five years. Interest charged, which is based on the prime interest rate plus one percent as of the loan effective date, is determined by the Employer and ranges from 5.00% to 10.50% at December 31, 2003.

(g) Withdrawals (Newark Employees and Canton Plant Employees)

A financial hardship provision is available enabling a participant to withdraw an amount to cover an immediate and heavy financial need.

(h) Expenses

All costs and expenses incident to the administration of the Plan are paid by the plan administrator, except for loan processing and administration fees associated with the Loan Fund, which are borne by the individual loan participants.

(i) Retiree Medical Funding Account

The aforementioned Retiree Medical Funding Account is intended to help accumulate funds to cover medical expenses after a participant retires which are no longer covered by an Employer sponsored plan. A portion of the Employer's Basic Matching Contribution, based on a predefined formula, is deposited in the Retiree Medical Funding Account as is the employer's past service contribution.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

(b) Investment Valuation

The Plan's investments are stated at fair value as of the last business day of the Plan year. Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. The Company stock is valued at its quoted market price. Participant notes receivable are valued at cost, which approximates fair value. All purchases and sales transactions are recorded on a trade date basis.

(c) Benefit Payments

Benefits are recorded when paid.

-9-

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(continued)

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets available for benefits and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in assets available for benefits during the reporting period. Actual results could differ from those estimates.

(3) Investments

The following presents investments that represent 5 percent or more of the Plan's assets available for benefits as of December 31:

	2003		2002	
	Number of Shares/Units	Current Value	Number of Shares/Units	Current Value
Vanguard 500 Index Fund	374,134	\$ 38,412,331	323,385	\$ 26,242,676
Vanguard PRIMECAP Fund	323,430	17,154,738		
Vanguard Total Bond Market Index Fund	2,183,659	22,513,529	2,071,999	21,507,351
Vanguard U.S. Growth Fund	1,690,442	25,627,096	1,551,409	18,709,991
Vanguard Retirement Savings Trust	29,668,255	29,668,255	24,422,648	24,422,648
Diebold Company Stock Fund	2,647,759	142,634,769	2,847,836	117,387,786

The Plan's investment, including gains and losses on investments bought and sold, as well as held during the year, appreciated (depreciated) in value as follows:

	2003	2002
Mutual funds	\$24,317,088	\$(24,073,510)
Common stock	34,709,345	2,270,691
	\$59,026,433	\$(21,802,819)

(4) Tax Status

The Internal Revenue Service (IRS) has determined and informed the Employer by a letter dated December 20, 2002, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue

Code (IRC). The plan administrator believes that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC.

(5) Plan Termination

Although it has not expressed any intent to do so, the Employer reserves the right at any time, by action of its Board of Directors, to terminate the Plan or discontinue contributions thereto.

-10-

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(continued)

(6) Timeliness of Contributions

During the plan year ended December 31, 2003, as a result of converting to a new payroll system, there were isolated delays by the Employer in submitting to the Plan employee and employer contributions. Delayed employee contributions totaled \$83,576 and delayed employer contributions totaled \$21,368. In June 2004, the Employer reimbursed the Plan for the delayed contributions as well as \$12,126 for lost interest and investment income which resulted from the delay.

-11-

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 SCHEDULE H, LINE 4a SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS
 DECEMBER 31, 2003
 EIN: 34-0183970
 Plan Number: 012

	Total that Constitute Nonexempt Prohibited Transactions		Total Fully Corrected Under VFCP
Participant Contributions Transferred Late to Plan	Contributions Not Corrected Outside VFCP	Contributions Pending Correction in VFCP	and PTE 2002-51
\$83,576			\$ 83,576

See accompanying report of independent registered public accounting firm.

Table of Contents

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
 SCHEDULE H, LINE 4i SCHEDULE OF ASSETS HELD AT END OF YEAR
 DECEMBER 31, 2003
 EIN: 34-0183970
 Plan Number: 012

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Shares	Cost	Current Value
Loomis Sayles Bond Fund	Registered Investment Company	699,195	\$ 8,267,128	\$ 9,313,277
Loomis Sayles Small Cap Value Fund	Registered Investment Company	306,697	6,240,959	7,253,388
* Vanguard 500 Index Fund	Registered Investment Company	374,134	38,641,889	38,412,331
* Vanguard Explorer Fund	Registered Investment Company	29,839	1,800,474	1,958,032
* Vanguard International Growth Fund	Registered Investment Company	384,490	6,242,511	6,201,823
* Vanguard Mid-Cap Index Fund	Registered Investment Company	91,012	1,088,888	1,194,986
* Vanguard PRIMECAP Fund	Registered Investment Company	323,430	16,778,481	17,154,738
* Vanguard Selected Value Fund	Registered Investment Company	49,509	685,455	754,018
* Vanguard STAR Fund	Registered Investment Company	90,270	1,434,946	1,552,639
* Vanguard Total Bond Market Index Fund	Registered Investment Company	2,183,659	22,204,816	22,513,529
* Vanguard U.S. Growth Fund	Registered Investment Company	1,690,442	44,249,247	25,627,096
* Vanguard Windsor II Fund	Registered Investment Company	607,199	16,082,207	16,084,693
* Vanguard Retirement Savings Trust	Common/ Collective Trust	29,668,255	29,668,255	29,668,255
* Diebold Company Stock Fund	Company Stock Fund	2,647,759	76,208,663	142,634,769
* Participant Loans (1,230 loans)	1 month 5 years; 5.00% - 10.50%; 100% collateralized		0**	6,225,388
			\$269,593,919	\$326,548,962

* Party-in-interest

** The cost of participant loans is \$0 based upon instructions for the Form 5500 Schedule H Line 4i.
 See accompanying report of independent registered public accounting firm.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN

(Name of Plan)

Date: June 28, 2004

By: /s/ Gregory T. Geswein

Gregory T. Geswein
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

-14-

Table of Contents

DIEBOLD, INCORPORATED

FORM 11-K

INDEX TO EXHIBITS

EXHIBIT NO.

PAGE NO.

23. Consent of Independent Registered Public Accounting Firm

16

-15-