BEST BUY CO INC
Form 11-K
June 29, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2006

OR

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

For the transition period from to

Commission file number 1 9595

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

Best Buy Retirement Savings Plan

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

BEST BUY CO., INC.

7601 Penn Avenue South
Richfield, Minnesota 55423

BEST BUY RETIREMENT SAVINGS PLAN

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NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting & Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees of and Participants in
Best Buy Retirement Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the Best Buy Retirement Savings Plan (the Plan) as of December 31, 2006 and 2005, 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 standards of the Public Company Accounting Oversight Board (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. The Plan is not required to have, nor were we engaged to perform, an audit of its 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005, 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 conducted 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) as of December 31, 2006, 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 schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2006 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

June 29, 2007

BEST BUY RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS:		
Participant-directed investments at fair value	$ 691,760,939	$ 586,590,614
Receivables:		
Participant contributions		1,196,964
Employer contributions		460,182
Interest and dividends receivable	600,776	455,658
Total receivables	600,776	2,112,804
Total assets	692,361,715	588,703,418
LIABILITIES Amounts due to brokers for securities purchased	1,956,566	1,008,244
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	690,405,149	587,695,174
ADJUSTMENTS FROM FAIR VALUE TO CONTRACT VALUE FOR FULLY BENEFIT-RESPONSIVE INVESTMENT CONTRACTS (Note 4)	841,726	652,772
NET ASSETS AVAILABLE FOR BENEFITS	$ 691,246,875	$ 588,347,946

See notes to financial statements.

BEST BUY RETIREMENT SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
ADDITIONS:		
Contributions:		
Participant	$ 61,091,755	$ 46,373,567
Employer	20,910,497	17,792,624
Rollovers	4,823,880	5,420,130
Total contributions	86,826,132	69,586,321
Interest and dividend income	3,674,834	4,968,027
Net realized and unrealized appreciation in fair value of investments	77,578,396	45,616,148
Total additions	168,079,362	120,170,496
DEDUCTIONS:		
Benefits paid to participants	63,131,041	43,671,294
Administrative expenses	2,049,392	1,595,849
Total deductions	65,180,433	45,267,143
NET INCREASE PRIOR TO PLAN TRANSFERS	102,898,929	74,903,353
NET TRANSFERS INTO PLAN (Note 1)		16,186,218
NET INCREASE IN ASSETS AVAILABLE FOR BENEFITS	102,898,929	91,089,571
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	588,347,946	497,258,375
End of year	$ 691,246,875	$ 588,347,946

See notes to financial statements.

BEST BUY RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. DESCRIPTION OF THE PLAN

The following description of the Best Buy 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 profit-sharing plan with a cash or deferred salary reduction savings arrangement intended to qualify under Internal Revenue Code (the Code) § 401(k). Eligible employees of Best Buy Co, Inc. (the Company) may participate after reaching the age of 18 and completing a minimum period of service. Employees will begin participation in the Plan the first day of the month coincident with or following the date the eligibility requirements are met. If an employee is scheduled to work at least 32 hours per week, the employee becomes eligible to participate in the Plan upon completion of 60 days of continuous employment. If an employee is scheduled to work fewer than 32 hours per week, the employee becomes eligible upon completion of at least 1,000 hours of service in a 12-month service period. The Rewards Investment and Finance Committee and Rewards Sponsor Committee have been delegated the Company s fiduciary and/or administrative responsibilities under the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and the Plan. The members of the Rewards Investment and Finance Committee and Rewards Sponsor Committee are appointed by the Board of Directors of the Company. JPMorgan Chase Bank N.A. serves as the Trustee of the Plan. The Plan is subject to ERISA.

Contributions Each year, participants may contribute up to 50% of pretax annual compensation, as defined in the Plan and subject to Internal Revenue Service (the IRS) limitations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company contributes 50% of the first 5% of compensation that a participant contributes to the Plan. Participants are eligible for the Company match upon entering the Plan.

Participant Accounts Individual accounts are maintained for each Plan participant. Each participant s account is credited with the participant s contribution, the Company s matching contribution, and Plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Investments Participants direct their investments into any of the nine different investment funds or into Company stock.

Vesting Participants are vested immediately in their contributions, plus actual earnings thereon. Participants vest in Company-matching contributions over a five-year graduated vesting schedule. Participants will be 100% vested in Company-matching contributions five years from their date of hire or at the time of death, disability, or retirement, provided the person has reached normal retirement age.

Participant Loans Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant s account and bear interest at the rate of the prime interest rate plus one percentage point on the first business day of the month in which the loan is processed. Loans require repayment within 5 years from the loan date, unless the loan is for the purchase of the participant s primary residence, in which case the repayment term is up to 15 years. Principal and interest is paid ratably through monthly payroll deductions.

Payment of Benefits On termination of service, a participant generally will receive a lump-sum amount equal to the value of the participant s vested interest in his or her account, subject to certain Plan restrictions. Participants may also withdraw some or all of their account balances prior to termination, subject to certain Plan restrictions.

Forfeitures Forfeited nonvested accounts are used to either reduce Company-matching contributions or to pay Plan expenses in accordance with the provisions of the Plan. The balance of forfeited nonvested accounts at December 31, 2006 and 2005, was $5,522 and $1,483,747, respectively. In 2006 and 2005, administrative expenses of $1,677,752 and $1,301,450, respectively, were paid with forfeitures. In 2006 and 2005, total forfeitures were $3,191,396 and $1,387,824, respectively.

Plan Merger and Transfer The Magnolia 401(k) Plan was merged into the Plan effective March 31, 2005, and assets of $16,186,218 were transferred into the Plan.

Effective April 1, 2005, the Plan was amended to allow participation by the eligible employees of Magnolia Hi-Fi, Inc. d/b/a Magnolia Audio Video.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements and supplemental schedule of the Plan were prepared on the accrual basis of accounting generally accepted in the United States.

Use of Estimates The preparation of financial statements 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.

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 risks 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.

Valuation of Assets Investments are stated at fair value, except for the investment contract valued at contract value, as disclosed in Note 4, determined as follows: The net asset values for the Artisan Small Cap Value Fund, Barclays S&P 500 Equity Index Fund, Hotchkis & Wiley Large-Cap Value Fund, JPMorgan Stable Value Fund, Marisco Growth Fund, MFS Institutional International Equity Fund, Morgan Stanley Institutional Small Company Growth Fund, PIMCO Total Return Fund, and Vanguard Balanced Index Fund are determined by the net asset value of the underlying shares. The market value of the Best Buy Co., Inc. Stock Fund is determined by the quoted market price of the underlying shares. Participant loans are valued at their outstanding principal balances, which approximate fair value.

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

Adoption of New Accounting Guidance The financial statements reflect the retroactive adoption of Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP). These requirements are effective for financial statements issued for period ending after December 15, 2006. The provisions of the FSP have been retroactively applied to the statement of net assets available for benefits presented as of December 31, 2005, as required. As required by the FSP, the statements of net assets available for benefits presents investment contracts at fair value as well as an additional line item showing an adjustment of fully benefit-responsive contracts from fair value to contract value. The statement of changes in net assets available for benefits is presented on a contract value basis and was not affected by the adoption of the FSP.

Payment of Benefits Benefits are recorded when paid.

Administrative Expenses In 2006 and 2005, substantially all costs of Plan administration were paid through forfeited Company-matching contributions.

Excess Contributions Payable The Plan is required to return contributions received during the Plan year in excess of the Code s limits.

3. INVESTMENTS

The investments that represented 5% or more of the Plan s net assets available for benefits as of December 31, 2006 and 2005, were as follows:

2006