

MDU RESOURCES GROUP INC
Form 11-K
June 28, 2007

**UNITED STATES 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, 2006

OR

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

For the transition period from _____ to _____

Commission file number 1-3480

**MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN
(Full title of the plan)**

**MDU RESOURCES GROUP, INC.
(Name of issuer of securities held pursuant to the plan)**

**MDU RESOURCES GROUP, INC.
1200 WEST CENTURY AVENUE
P.O. BOX 5650
BISMARCK, NORTH DAKOTA 58506-5650
(Address of the plan and address of the issuer's principal executive offices)**

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December 31, 2006

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December 31, 2006

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Report of Independent Registered Public Accounting Firm

Signature

Exhibit:

Consent of Independent Registered Public Accounting Firm

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31,

	2006	2005
Assets:		
Investments at fair value (Notes 3 and 5)	\$ 563,665,565	\$ 480,222,303
Cash and cash equivalents (Note 4)	2,788,797 566,454,362	4,528,171 484,750,474
Receivables:		
Employer contributions	6,399,278	5,783,818
Participant contributions	1,138,687	889,307
Dividends	1,552,348	1,499,677
Net assets available for benefits at fair value	575,544,675	492,923,276
Adjustments from fair value to contract value for fully benefit-responsive investment contracts (Note 6)	499,315	451,118
Net assets available for benefits	\$ 576,043,990	\$ 493,374,394

The accompanying notes are an integral part of these financial statements.

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year ended December 31, 2006

Additions to Net Assets Attributed to:

Investment income:

Dividends	\$	6,073,654
Interest		2,814,264
Net realized/unrealized appreciation in fair value of investments (Note 3)		68,423,096
		77,311,014

Contributions:

Employers		16,786,742
Employees		27,399,733
Employee rollover		4,785,468
		48,971,943

Total additions		126,282,957
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Deductions from Net Assets Attributed to:

Distributions to terminated participants		44,175,264
Administrative expenses		77,570

Total deductions		44,252,834
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Net increase in net assets available for benefits before plan mergers		82,030,123
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Transfer of assets due to plan mergers (Note 7)		639,473
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Net assets available for benefits at beginning of year		493,374,394
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Net assets available for benefits at end of year	\$	576,043,990
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The accompanying notes are an integral part of this financial statement.

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

1. Description of the Plan

The following description of the MDU Resources Group, Inc. 401(k) Retirement Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

General

The Plan, formerly the MDU Resources Group, Inc. Tax Deferred Compensation Savings Plan, was initially adopted by the Board of Directors of MDU Resources Group, Inc. (the Company) on August 4, 1983, to be effective January 1, 1984. The Plan is a defined contribution plan. On January 1, 1999, the name was changed and the Plan was amended to reflect the merger of the MDU Resources Group, Inc. Tax Deferred Compensation Savings Plan for Collective Bargaining Unit Employees (the Bargaining Plan) into the Plan. Each participant in the Bargaining Plan automatically became a participant in the Plan. The merger and the transfer of assets were effectuated in accordance with Sections 401(a)(12), 411(d)(6) and 414(l) of the Internal Revenue Code of 1986, as amended (the Code), and the regulations thereunder. On May 25, 2006, the Plan designated the portion of the Plan invested in MDU Resources Group, Inc. Common Stock Fund as an Employee Stock Ownership Plan (ESOP).

The Company and any of its direct or indirect subsidiaries that participate in the Plan are the Employers (the Employers). The fiscal year of the Plan is the calendar year. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The Board of Directors of the Company may, at any time, amend or modify the Plan. The Company has delegated to the Employee Benefits Administrative Committee (the Committee) the authority to amend or modify the Plan; however, certain amendments identified in the plan document are subject to approval by the Board of Directors of the Company.

Although it has not expressed any intent to do so, the Board of Directors of the Company has the right under the Plan to discontinue its contributions, at any time, and to terminate the plan subject to the provisions of ERISA. The Board of Directors of any Employer may, at any time, terminate participation in the Plan with respect to such Employer. In the event of a Plan termination, participants would become 100 percent vested in their employer contributions.

The Committee is the plan administrator. The Committee consists of those individuals serving from time to time in the position of or related position of the following: Chief Administrative Officer of the Company, Chief Financial Officer of the Company, Vice President - Human Resources of the Company, and any number of other individuals appointed by the Chief Executive Officer of the Company who are employed by the Company or an affiliate of the Company. The recordkeeper and trustee of the Plan are New York Life Investment Management LLC (the Recordkeeper) and New York Life Trust Company (the Trustee), respectively.

Eligibility

Generally, employees may participate in the Plan upon hire if they are at least 18 years of age and regular full-time employees or part-time employees with at least 1,000 hours of service in a year.

Deferred Savings Contributions

The Plan allows participants who are highly compensated employees to elect pre-tax deferral contributions varying from one percent through 22 percent and participants who are not highly compensated employees to elect pre-tax deferral contributions varying from one percent to 50 percent, in one percent increments, of eligible compensation for

each pay period, up to a maximum pre-tax deferral contribution of \$15,000 for the 2006 Plan year. The Plan also allows participants who are eligible to make pre-tax deferral contributions and will have attained age 50 before the close of the Plan year to make catch-up elective deferrals of up to \$5,000 for 2006.

Employer Matching Contributions

Each participant's Employer may elect to provide a standard matching contribution, equal to a percentage of such participant's monthly pre-tax deferral contributions up to a specified percent of the participant's compensation as provided under the Plan or as adopted by the Employer and approved by the Committee. In addition, the participant's Employer may make an additional discretionary variable matching contribution based on the Employer's attainment of pre-determined earnings levels. As of August 1, 2005, all matching contributions are made in cash to the participant's Matching Contribution Account and invested as directed by the participant.

Profit Sharing/Special Contributions

Profit sharing contributions are made based on the discretion of the Board of Directors of the Company or Board of Directors of any of the Employers. Special contributions are nondiscretionary contributions made to certain eligible employees equal to a certain percent of their eligible compensation or an amount based on hours worked. Participants may choose to invest profit sharing/special contributions allocated to their individual accounts in any or all of the available investment options. Profit sharing/special contributions totaling \$7.4 million and \$5.4 million were credited to participant accounts for the years ended December 31, 2006 and 2005, respectively.

Rollover Contributions

The Plan accepts rollover contributions from an eligible retirement plan or an individual retirement account that holds only assets distributed from a qualified plan, including after-tax employee contributions.

Participant Accounts

The Employers remit all authorized contributions made by the participants to the Trustee to be held in trust and invested for the respective accounts of the participants, pursuant to the terms of a trust agreement effective January 1, 1998, as amended. Individual accounts are maintained for each participant of the Plan. Each participant's account is credited with deferred savings contributions, employer matching contributions, profit sharing/special contributions, rollover contributions and allocated investment earnings and losses.

Investment Options

An election is made by each participant to allocate contributions in one percent increments to any or all of the following 13 currently available investment options:

- MDU Resources Group, Inc. Common Stock Fund (MDU Resources Stock Fund)
 - New York Life Insurance Anchor Account - Stable Value Option
- American Funds - EuroPacific Growth Fund - International Growth Mutual Fund
 - American Funds - The Growth Fund of America - Growth Mutual Fund
 - Baron Asset Fund - Growth Mutual Fund
 - Davis New York Venture Fund - Growth Mutual Fund
 - Dodge & Cox Balanced Fund - Growth and Income Mutual Fund
 - Forward Hoover Small Cap Equity Fund - Growth Mutual Fund
 - MainStay Indexed Bond Fund - Income Mutual Fund
 - MainStay S&P 500 Index Fund - Growth and Income Mutual Fund
 - MainStay Small Cap Opportunity Fund - Growth Mutual Fund
 - Royce Total Return Fund - Small-Cap Value Fund
- AllianceBernstein International Value Fund - International Value Mutual Fund

In February 2007, the Templeton Foreign Fund investment option was replaced with the AllianceBernstein International Value Fund.

Contributions to the MDU Resources Stock Fund are used by the Trustee to purchase shares of MDU Resources Group, Inc. common stock directly on the open market, or to purchase shares of authorized but unissued common stock directly from the Company if the Company chooses to issue new stock. Open market purchases may be made at such prices as the Trustee may determine in its sole and absolute discretion.

Vesting

A participant's interest in a Deferred Savings Contribution Account, Matching Contribution Account or a Rollover Account is at all times fully vested and nonforfeitable. Generally, a participant's interest in a Profit Sharing/Special Contribution Account is 100 percent vested after completing three years of service; however, certain grandfathered vesting schedules are maintained due to plan mergers. Participants are 100% vested in the dividends paid on the MDU Resources Stock Fund regardless of years of service. Participant accounts are valued on a daily basis.

Distributions and Withdrawals

The amount credited to a participant's Deferred Savings Contribution Account, Matching Contributions Account and Rollover Account shall become payable to the participant or the participant's beneficiary/beneficiaries, as applicable, upon death, retirement, disability, or other termination of employment with the Employers. The distribution of such amounts will be in accordance with the Plan, based on the method of payment elected by the participant or designated beneficiary/ beneficiaries. Generally, the Plan only allows single-sum distributions or annual installments over a period of time, not to exceed five years; however, certain grandfathered distribution features are maintained due to plan mergers.

Distributions with respect to investment options other than the MDU Resources Stock Fund are in the form of cash. Distributions with respect to the MDU Resources Stock Fund are in the form of stock certificates, except for distributions of fractional shares which are in the form of cash. Any MDU Resources Group, Inc. Common Stock included in a direct transfer to an individual retirement account or other qualified plan will be electronically transferred to the individual retirement account or to the qualified plan's custodian.

A participant may make in-service withdrawals (hardship or age 59 1/2) under certain conditions. Distributions from a participant's Rollover Account may be elected at any time.

Participant Loans

A participant may be eligible to obtain a loan from the Plan. The maximum amount available for a loan is the lesser of \$50,000 or one-half of the participant's vested account balance, subject to certain limitations. Loans must be repaid over specified periods through payroll deduction and bear interest at a commercially reasonable rate in effect at the time the loan is made, as determined by the Committee.

Forfeited Accounts

The total forfeited non-vested Profit Sharing Account funds used to reduce employer profit sharing contributions to the Plan for 2006 were approximately \$293,000.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are maintained on an accrual basis.

Investment Valuation

Investments held by the Plan are carried at fair value. Fair value for the MainStay Cash Reserves Fund approximates cost. The Plan's other investment valuations, as determined by the Trustee, are based on published market quotations with the exception of the fully benefit-responsive investment contract. The fully benefit-responsive investment contract is stated at fair value and then adjusted to contract value.

Fair value of the contract is calculated by discounting the related cash flows of the contract based on the yield of the underlying investments at December 31. Participant loans are valued based upon remaining unpaid principal balance plus any accrued but unpaid interest.

New Accounting Standards

The financial statements reflect the retroactive adoption of Financial Accounting Standards Board Staff Position Nos. 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”). 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. The adoption of the FSP did not impact the amount of net assets available for benefits at December 31, 2005.

Benefit Payments

Distributions to Plan participants are recorded when paid.

Contributions

Employer and participant contributions are recorded by the Plan when received or determined to be receivable. Participant contributions are deposited with the Plan by the Employers through payroll reductions.

Administrative Expenses

Administrative expenses of the Plan related to Trustee, recordkeeping, legal and audit fees are paid primarily by the Employers. Fees or commissions associated with each of the investment options other than the MDU Resources Stock Fund are paid primarily by participants as a deduction from the amount invested or an offset to investment earnings and were approximately \$1.7 million for the year ended December 31, 2006. Administrative expenses of the Plan related to the MDU Resources Stock Fund commissions and loan fees were paid by the Plan and were approximately \$78,000 for the year ended December 31, 2006. All other administrative expenses were paid by the Company.

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 and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Other

Securities transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned.

3. Investments

The following presents investments that represent 5 percent or more of the Plan’s net assets at December 31:

	2006	2005
MDU Resources Stock Fund	\$ 295,071,299	\$ 259,113,947
New York Life Insurance Anchor Account	52,523,195	47,223,309
Dodge & Cox Balanced Fund	50,010,643	40,938,010
MainStay S&P 500 Index Fund	32,772,736	27,971,664
The Growth Fund of America	30,159,125	25,415,343

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During 2006, the fair value of the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated as follows:

MDU Resources Stock Fund	\$ 44,936,243
Mutual Funds	23,486,853
	\$ 68,423,096

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