

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

ARTESIAN RESOURCES CORP  
Form 11-K  
June 29, 2006

=====

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, 2005

or

TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NO. 000-18516

-----

A. FULL TITLE OF THE PLAN AND THE ADDRESS OF THE PLAN, IF DIFFERENT FROM  
THAT OF THE ISSUER NAMED BELOW:

ARTESIAN RETIREMENT PLAN

B. NAME OF ISSUER OF THE SECURITIES HELD PURSUANT TO THE PLAN AND THE  
ADDRESS OF ITS PRINCIPAL EXECUTIVE OFFICE:

ARTESIAN RESOURCES CORPORATION  
664 CHURCHMANS RD.  
NEWARK, DE 19702

=====

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2005

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN

# Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

FINANCIAL STATEMENTS  
DECEMBER 31, 2005

## INDEX

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Net Assets Available for Benefits, December 31, 2005	3
Statement of Net Assets Available for Benefits, December 31, 2004	4
Statement of Changes in Net Assets Available for Benefits, Year Ended December 31, 2005	5
Notes to the Financial Statements	6-15
SUPPLEMENTARY INFORMATION	
Schedule of Assets Held for Investment Purposes	16

### Independent Auditors' Report

Participants, Board of Trustees and  
Administrator of Artesian Resources Corporation  
Retirement Plan

We have audited the accompanying statements of net assets available for benefits of Artesian Resources Corporation Retirement Plan as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an 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 Artesian Resources Corporation Retirement Plan as of December 31, 2005 and 2004, and the changes in net assets available for plan benefits for the year ended December

## Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

31, 2005 in conformity with accounting principles generally accepted in the United States of America.

### Independent Auditors' Report (Cont'd.)

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes, referred to as, "supplementary information", 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 supplementary information is the responsibility of the Plan's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McBride Shopa and Company, P.A.

/s/ McBride, Shopa & Co

-----  
 Wilmington, Delaware  
 June 16, 2006

- 2 -

### ARTESIAN RESOURCES CORPORATION RETIREMENT PLAN STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS DECEMBER 31, 2005

	Total	Non- participant Directed	Participant Directed
ASSETS			
Investments, at fair value:			
Cash	\$ 3,204	\$ 0	\$ 3,204
Artesian Resources Corp. Class A non-voting common stock	2,206,813	1,222,677	984,136
Collective trusts	1,383,896	603,902	779,994
Mutual funds	16,781,143	5,065,847	11,715,296

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

Investments, at cost  
Which approximate fair  
value:

Loans to participants	183,216	0	0
	-----	-----	-----
Total investments	20,558,272	6,892,426	13,482,630
Contribution receivable:			
Employer	129,204	129,204	0
Participants	0	0	0
	-----	-----	-----
Total assets	20,687,476	7,021,630	13,482,630
LIABILITIES	0	0	0
	-----	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$20,687,476	\$ 7,021,630	\$13,482,630
	=====	=====	=====

See accompanying notes to the financial statements.

- 3 -

ARTESIAN RESOURCES CORPORATION RETIREMENT PLAN  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2004

	Total	Non- participant Directed	Participant Directed
	-----	-----	-----
ASSETS			
Investments, at fair value:			
Cash	\$ 2,960	\$ 0	\$ 2,960
Artesian Resources Corp. Class A non- voting common stock	1,995,789	1,110,768	885,021
Collective trusts	1,256,301	558,588	697,713
Mutual funds	13,994,463	4,248,744	9,745,719
Investments, at cost Which approximate fair value:			

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

Loans to participants	253,113	0	0
	-----	-----	-----
Total investments	17,502,626	5,918,100	11,331,413
Contribution receivable:			
Employer	123,286	123,286	0
Participants	0	0	0
	-----	-----	-----
Total assets	17,625,912	6,041,386	11,331,413
LIABILITIES	0	0	0
	-----	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$17,625,912	\$ 6,041,386	\$11,331,413
	=====	=====	=====

See accompanying notes to the financial statements.

- 4 -

ARTESIAN RESOURCES CORPORATION RETIREMENT PLAN  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
YEAR ENDED DECEMBER 31, 2005

	Total	Non- participant Directed	Participant Directed
	-----	-----	-----
ADDITIONS TO NET ASSETS ATTRIBUTED TO:			
Net investment income:			
Artesian Resources Corp. Class A non- voting common stock - dividends	\$ 62,826	\$ 35,585	\$ 27,241
Interest and dividend income from other investments	462,505	180,957	281,548
Interest income from Participant loans	14,793	0	0
Net appreciation in fair value of investments	1,255,857	341,334	914,523
Contributions:			
Employer	753,358	486,265	267,093
Participants	858,028	0	858,028
	-----	-----	-----

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

	3,407,367	1,044,141	2,348,433
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:			
Administrative expenses	0	0	0
Participant distributions	345,803	63,897	226,275
Transfers, net	0	0	0
Loan transaction transfers, net	0	0	(29,059)
	-----	-----	-----
	345,803	63,897	197,216
	-----	-----	-----
NET INCREASE (DECREASE)	3,061,564	980,244	2,151,217
NET ASSETS AVAILABLE FOR BENEFITS:			
BEGINNING OF YEAR	17,625,912	6,041,386	11,331,413
	-----	-----	-----
END OF YEAR	\$20,687,476	\$ 7,021,630	\$13,482,630
	=====	=====	=====

See accompanying notes to the financial statements.

- 5 -

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

NOTE 1 DESCRIPTION OF THE PLAN

GENERAL

Effective July 1, 1984, Artesian Resources Corporation (the "Company") established the Artesian Resources Corporation Retirement Plan (the "Plan") as a defined contribution retirement plan for its employees. Pursuant to Internal Revenue Code ("IRC") Section 401(k), the Plan permits employees to exclude contributions to the Plan from their current taxable income, subject to certain limits. The Plan is administered by a Committee of Trustees, which consists of five members appointed by the Company's Board of Directors. Plan administration expenses may be paid out of the plan unless paid by the Company. The Company paid all such expenses incurred during 2005. (Note 3)

PARTICIPATION, VESTING AND WITHDRAWALS

Generally, all employees are eligible for Plan participation after attaining age 21 and completing 1,000 hours of service

## Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

during a one-year period. Employees may elect to make tax-deductible contributions up to the IRC limitation of \$14,000 (\$18,000 for participants age 50 and older) for all deferrals under all plans in 2005 (basic contribution). For every dollar an employee contributes up to 6 percent of compensation, the Company will provide a 50 percent matching contribution. In each Plan year, the Company may make a discretionary contribution to the Plan based on up to 2 percent of compensation for all employees eligible to participate in the Plan. The full discretionary contribution was made for 2005.

- 6 -

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

DESCRIPTION OF THE PLAN (CONT'D.)

PARTICIPATION, VESTING AND WITHDRAWALS (CONT'D.)

The Company's Board of Directors, at its sole discretion, may make an additional discretionary contribution. No additional discretionary contributions were made for 2005.

Participant contributions, and the related earnings, are fully vested. Company contributions, and the related earnings, vest as follows:

Years of Service -----	Vested Percentage -----
Less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 years or more	100%

Any forfeitures of non-vested contributions are offset against required Company contributions. Withdrawals may generally commence without penalty upon attaining age 59 1/2 or for situations involving hardship, as defined in the Plan and the IRC.

The Company also sponsored another defined contribution plan for its employees, the Supplemental Plan, which was merged into the Plan on March 31, 2000. The contribution and vesting guidelines for the participants of the Supplemental Plan continued and consist of the following:

- 7 -

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

DESCRIPTION OF THE PLAN (CONT'D.)

PARTICIPATION, VESTING AND WITHDRAWALS (CONT'D.)

- o Only employees as of April 26, 1994 are eligible for participation.
- o A service contribution is made by the Company to the Plan for all eligible participants each quarter based upon each employee's years of service and current compensation in accordance with the following schedule:

Years of Service	% of Compensation
-----	-----
1-5	2%
6-10	4%
11-20	5%
over 20	6%

- o Participant contributions, and the related earnings thereon, are fully vested at all times. Company contributions, and the related earnings thereon, vest as follows:

Years of Service	Vested Percentage
-----	-----
Less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 years or more	100%

- o Forfeitures are offset against required Company contributions. Any participant who separates from the Company for any reason, shall be entitled to receive the vested interest in their account.

- 8 -

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

DESCRIPTION OF THE PLAN (CONT'D.)

INVESTMENT ELECTIONS



## Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

Participants may allocate basic and matching contributions among the various mutual fund investments and/or the Company's Class A non-voting common stock.

Participants may elect an allocation among one or more of the investment funds in multiples of one (1) percent with a minimum investment of one (1) percent in any selected fund. Discretionary Company contributions are invested by the Trustee in a uniform manner for all participants.

### LOANS

Participants may borrow from the Plan under the following guidelines:

- A participant may borrow as much as 50 percent of his or her account balance, subject to certain minimum and maximum limitations as defined in the Plan.
- Loans are repaid over a period not to exceed 5 years, unless the loan is to buy, build or substantially rehabilitate the borrower's principal residence.
- The participant's account balance is secured as collateral when the loan is executed. If a participant defaults on a loan, the loan is treated as a distribution from the plan to the participant.

- 9 -

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

### DESCRIPTION OF THE PLAN (CONT'D.)

#### LOANS (CONT'D.)

- Interest rates on loans are prime plus one percent at the date of the loan.
- As loans are repaid to the plan, the total payment, principal plus interest, is credited back to the participants account.

As disclosed in the Statement of Changes in Net Assets Available for Benefits, the net transfer into Participant Loans for the year ended December 31, 2005 was made up of:

New loans	\$ 51,094
Loan repayments	(65,360)

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

Transfer of interest income	(14,793)
	-----
	\$(29,059)
	=====

BENEFITS

Participants are entitled to a benefit payment equal to the amount credited to their accounts upon retirement, upon permanent disability, at age 59 1/2, or upon termination of employment or death. In the event of death of a participant, a death benefit payment is made to the participant's beneficiary. In the event of termination, distributions of less than \$5,000 must be made in a lump sum. All other distributions may be made in the form of a joint and survivor annuity, installments or in a lump sum subject to certain restrictions as defined in the Plan.

- 10 -

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

DESCRIPTION OF THE PLAN (CONT'D.)

TERMINATION

The Company may amend or terminate the Plan. In the event of Plan termination, the accounts of all participants affected shall become fully vested and nonforfeitable. Assets remaining in the Plan may be immediately distributed to the participants, inactive participants and beneficiaries in proportion to their respective account balances; or the trust may be continued with distributions made at such time and in such manner as though the Plan had not been terminated.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

For financial reporting purposes, the assets and liabilities of the Plan are reflected on the accrual basis of accounting.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting

period. Actual results could differ from those estimates.

- 11 -

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

INVESTMENT VALUATION AND INCOME RECOGNITION

Plan assets held in mutual funds and the Company's Class A non-voting common stock are unsecured and are valued at fair value based on quoted market prices. Plan assets held in collective trusts are unsecured and are valued at trading unit prices, which approximates fair value.

In accordance with the policy of stating investments at fair value, net unrealized appreciation (depreciation) for the year is included in the statement of changes in net assets available for benefits. Participant loans are valued at cost which approximates 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.

PARTICIPANT DISTRIBUTIONS

Participant distributions are recorded when paid.

- 12 -

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

INCOME TAXES

The Internal Revenue Service has determined and informed the Company by a letter dated March 19, 2002, that the original Plan plus amendments is qualified and the trust established under the Plan is tax-exempt, under the appropriate sections

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

of the Internal Revenue Code.

NOTE 3 PLAN ADMINISTRATION EXPENSES

Plan administration fees are based on asset value and number of participants. The Plan invests in various mutual funds with revenue-sharing agreements that help to offset fees. The Company paid the following net plan expenses on behalf of the Plan in 2005:

Fees charged to the Plan	\$ 77,015
Revenue-sharing offsets	(52,234)
	-----
Net plan expenses	\$ 24,781
	=====

NOTE 4 CREDIT RISK

The Plan has \$3,204 in mutual fund money market accounts at December 31, 2005 (\$2,960 in 2004). These funds are fully insured by the Securities Investor Protection Corporation (SIPC).

NOTE 5 MARKET RISK

All investments in the Plan, including holdings in the Company's Class A non-voting common stock, are subject to market risk.

- 13 -

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

NOTE 6 INVESTMENTS REPRESENTING 5% OR MORE OF NET ASSETS  
AVAILABLE FOR BENEFITS

During 2005, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

Artesian Resources Corp. Class A non-voting common stock	\$ 104,486
Collective Trusts	43,981
Mutual funds	1,107,390
	-----
	\$ 1,255,857
	=====

The following investments each represent 5% or more of the net assets available for benefits at December 31:

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

	2005 *	2004 *
	-----	-----
Common Stocks		
Artesian Resources Corp. Class A non-voting common stock	\$ 2,206,813	\$ 1,995,789
Collective Trusts		
Gartmore Morley Trust Co. Stable Value Fund	1,383,896	1,256,301
Mutual Funds		
American Funds Growth Fund of America A	\$ 4,459,847	\$ 3,714,650
Davis Funds NY Venture A	4,548,589	4,056,245
Dodge & Cox Funds Stock Fund	2,991,141	2,563,932
PIMCO Funds Total Return Fund Admin	1,561,024	1,288,336
Templeton Funds Foreign Fund R	1,232,589	989,095

\* Includes both non-participant directed and participant directed funds

Amounts allocated to withdrawing participants are reported on the Schedule H of Form 5500 for benefit claims that have been processed and approved for payment prior to December 31st but not yet paid as of that date.

- 14 -

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

NOTE 7 RECONCILIATION OF FINANCIAL STATEMENTS TO SCHEDULE H OF FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2005 and 2004 to Schedule H of Form 5500:

	2005	2004
	-----	-----
Net assets available for benefits per the financial statements	\$20,687,476	\$17,625,912
Amounts allocated to withdrawing participants	-	-

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

	-----	-----
Net assets available for benefits per Schedule H to the Form 5500	\$20,687,476 =====	\$17,625,912 =====

The following is a reconciliation of benefits paid to participants per the financial statements for the year ended December 31, 2005 to Schedule H of Form 5500:

Benefits paid to participants per the financial statements		\$ 345,803
Add: Amounts allocated to withdrawing participants at December 31, 2005		-
Less: Amounts allocated to withdrawing participants at December 31, 2004		-
		-----
Benefits paid to participants per Schedule H of Form 5500		\$ 345,803 =====

- 15 -

SUPPLEMENTARY INFORMATION

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
EIN: 51-0002090, PLAN NO.: 003  
SCHEDULE H, PART IV, LINE 4i: SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
AT END OF YEAR AS OF DECEMBER 31, 2005

(a) (b) Identity of issue, borrower, lessor or similar party -----	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value -----
Cash ----	
Investment	Liquidity Fund
Common Stocks -----	

Edgar Filing: ARTESIAN RESOURCES CORP - Form 11-K

* Artesian Resources Corporation	Class A non-voting common stock
Collective Trusts -----	
Gartmore Morley Trust Co	Stable Value Fund
Mutual Funds -----	
American Funds	Growth Fund of America A
Calamos	Growth A
Columbia Funds	Acorn Z
Columbia Funds	Mid Cap Value A
Davis Funds	New York Venture A
Dodge & Cox Funds	Balanced
Dodge & Cox Funds	Stock Fund
Lord Abbett	Mid-Cap Value A
PIMCO Funds	Total Return Fund Admin
Royce	Low-Priced Stock
Templeton Funds	Foreign Fund R
Participant Loans -----	
Various Participants	Interest rates range from 5.00% to 10.50%, can borrow up to 50% of account balance, repayment terms range from 5 to 15 years, secured by vested account balance

\* Identifies the party as a "Party in Interest".

\*\* Includes both nonparticipant directed and participant directed funds.