

ARTESIAN RESOURCES CORP

Form 11-K

June 29, 2005

ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2004

ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2004

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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, 2004 and 2003, and the related statement of changes in net assets available for benefits for the year ended December 31, 2004. 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, 2004 and 2003, and the changes in net assets available for plan benefits for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

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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 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. The fund information in the statements of net assets available for plan benefits and the statement of changes in net assets available for plan benefits is presented for purposes of additional analysis rather than to present the net assets available for plan benefits and changes in net assets available for plan benefits of each fund. The supplemental schedule and fund information have been subjected to the auditing procedures applied in the audit 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.

McBride Shopa and Company, P.A.

Wilmington, Delaware
June 17, 2005

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

	Participant Directed					
	Columbia Acorn Z	Growth Fund of America A	Columbia Mid Cap Value A	Calamos Growth A	Dodge & Cox Balanced	Dodge & Stoc
Assets:						
Cash	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Investments, at fair value--Common/ Collective Trusts	--	--	--	--	--	--

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Registered Investment Companies	398,494	3,714,650	31,596	355,514	50,520	2,563
Employer Securities	--	--	--	--	--	--
Participant Loans	--	--	--	--	--	--
Total Investments	398,494	3,714,650	31,596	355,514	50,520	2,563
Amount due from employer	--	20,000	--	--	--	--
Net assets available for benefits	\$ 398,494	\$3,734,650	\$ 31,596	\$ 355,514	\$ 50,520	\$2,563

See accompanying notes to the financial statements.

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

	Participant Directed					
	Davis NY Venture A	PIMCO Total Return Admin	Royce Low-Priced Stock	Templeton Foreign R	Liquidity Fund	Fidelity Managed Income Portfolio
Assets:						
Cash	\$ --	\$ --	\$ --	\$ --	\$ 2,960	\$ --
Investments, at fair value--Common/Collective Trusts	--	--	--	--	--	--
Registered Investment Companies	4,056,245	1,288,337	311,642	989,095	--	--
Employer Securities	--	--	--	--	--	--
Participant Loans	--	--	--	--	--	--

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Total Investments	4,056,245	1,288,337	311,642	989,095	2,960	--
Amount due from employer	--	9,540	--	34,373	--	--
Net assets available for benefits	\$4,056,245	\$1,297,877	\$ 311,642	\$1,023,468	\$ 2,960	\$ --

See accompanying notes to the financial statements.

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ARTESIAN RESOURCES CORPORATION
 RETIREMENT PLAN
 STATEMENT OF NET ASSETS
 AVAILABLE FOR BENEFITS
 DECEMBER 31, 2003

	Participant Directed					
	Columbia Acorn Z	Growth Fund of America A	Columbia Mid Cap Value A	Calamos Growth A	Dodge & Cox Balanced	Dod
Assets:						
Cash	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Investments, at fair value--Common/Collective Trusts	--	--	--	--	--	--
Registered Investment Companies	284,331	3,322,330	27,782	234,059	28,946	2,0
Employer Securities	--	--	--	--	--	--
Participant Loans	--	--	--	--	--	--
Total Investments	284,331	3,322,330	27,782	234,059	28,946	2,0
Amount due from employer	--	43,794	--	--	--	--
Net assets available for benefits	\$ 284,331	\$3,366,124	\$ 27,782	\$ 234,059	\$ 28,946	\$2,0

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See accompanying notes to the financial statements.

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
STATEMENT OF NET ASSETS
AVAILABLE FOR BENEFITS
DECEMBER 31, 2003

Participant Directed

	Davis NY Venture A	PIMCO Total Return Admin	Royce Low-Priced Stock	Templeton Foreign R	Liquidity Fund	Fidelity Managed Income Portfolio
Assets:						
Cash	\$ --	\$ --	\$ --	\$ --	\$ 14,691	\$ 8,833
Investments, at fair value--Common/ Collective Trusts	--	--	--	--	--	--
Registered Investment Investment Companies	3,602,722	988,513	222,538	735,866	--	--
Employer Securities Securities	--	--	--	--	--	--
Participant Loans	--	--	--	--	--	--
Total Investments	3,602,722	988,513	222,538	735,866	14,691	8,833
Amount due from employer	--	--	--	43,793	31,725	--
Net assets available for benefits	\$3,602,722	\$ 988,513	\$222,538	\$779,659	\$ 46,416	\$ 8,833

See accompanying notes to the financial statements.

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

	Participant Directed					
	Columbia Acorn Z	Growth Fund of America A	Columbia Mid Cap Value A	Calamos Growth A	Dodge & Cox Balanced	Dod
Additions to Net Assets attributed to:						
Investment income: Net appreciation (depreciation) of investments	\$ 53,759	\$ 389,497	\$ 2,603	\$ 51,891	\$ 3,400	\$ 3
Dividends	13,498	12,494	1,212	944	1,857	
Interest	--	--	--	--	--	
Contributions						
Participants	28,665	205,009	8,930	36,784	13,160	1
Employer	8,558	102,722	3,193	11,965	4,257	
	104,480	709,722	15,938	101,584	22,674	5
Deductions from Net Assets attributed to:						
Administrative expenses	--	--	--	--	--	
Participant distributions	9,286	192,987	1,125	6,456	262	
Total deductions	9,286	192,987	1,125	6,456	262	
Net increase (decrease) prior to inter-fund transfers	95,194	516,735	14,813	95,128	22,412	4
Inter-fund transfers	18,969	(148,209)	(10,999)	26,327	(838)	
Net increase (decrease) in plan assets	114,163	368,526	3,814	121,455	21,574	5
Net assets available for benefits-beginning of year	284,331	3,366,124	27,782	234,059	28,946	2,0
Net assets available for benefits-end of year	\$ 398,494	\$ 3,734,650	\$ 31,596	\$ 355,514	\$ 50,520	\$ 2,5

See accompanying notes to the financial statements.

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

	Participant Directed					
	Davis NY Venture A	PIMCO Total Return Admin	Royce Low- Priced Stock	Templeton Foreign R	Liquidity Fund	
Additions to Net Assets attributed to:						
Investment income: Net appreciation (depreciation) of investments	\$ 415,351	\$ (7,613)	\$ 24,549	\$ 128,822	\$ --	\$
Dividends	30,400	65,145	10,792	17,844	55,762	
Interest	--	--	--	--	--	
Contributions						
Participants	126,710	85,170	25,561	39,844	58,023	
Employer	40,412	184,492	7,601	48,016	46,921	
	612,873	327,194	68,503	234,526	160,706	
Deductions from Net Assets attributed to:						
Administrative expenses	--	--	--	--	--	
Participant distributions	146,565	30,809	8,881	29,121	114	
Total deductions	146,565	30,809	8,881	29,121	114	
Net increase (decrease) prior and inter-fund transfers	466,308	296,385	59,622	205,405	160,592	
Inter-fund transfers	(12,785)	12,979	29,482	38,404	(204,048)	
Net increase (decrease) in plan assets	453,523	309,364	89,104	243,809	(43,456)	
Net assets available for benefits-beginning of year	3,602,722	988,513	222,538	779,659	46,416	
Net assets available for benefits-end of year	\$4,056,245	\$1,297,877	\$311,642	\$1,023,468	\$ 2,960	\$

[RESTUBBED TABLE]

Artesian
Resources Participant Low-Priced

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	Corp. A -----	Loans -----	Total -----
Additions to Net Assets attributed to:			
Investment income: Net appreciation (depreciation) of investments	\$ 27,408	\$ --	\$ 1,471,444
Dividends	--	--	314,841
Interest	--	20,323	20,323
Contributions			
Participants	--	--	818,445
Employer	33,627	--	653,583
	-----	-----	-----
	61,035	20,323	3,278,636
Deductions from Net Assets attributed to:			
Administrative expenses	--	--	--
Participant distributions	64,708	25,001	621,939
	-----	-----	-----
Total deductions	64,708	25,001	621,939
Net increase (decrease) prior and inter-fund transfers	(3,673)	(4,678)	2,656,697
Inter-fund transfers	256,960	(75,786)	--
	-----	-----	-----
Net increase (decrease) in plan assets	253,287	(80,464)	2,656,697
Net assets available for benefits-beginning of year	1,776,875	333,577	14,969,215
	-----	-----	-----
Net assets available for benefits-end of year	\$2,030,162	\$253,113	\$17,625,912
	=====	=====	=====

See accompanying notes to the financial statements.

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 DESCRIPTION OF THE PLAN

GENERAL

Effective July 1, 1984, Artesian Resources Corporation (the "Company") established the Artesian Resources Corporation

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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 2004.

PARTICIPATION, VESTING AND WITHDRAWALS

Generally, all employees are eligible for Plan participation after attaining age 21 and completing 1,000 hours of service during a one-year period. Employees may elect to make tax-deductible contributions up to a maximum of 15 percent of their compensation; however, such contributions may not exceed the IRC limitation of \$13,000 (\$16,000 for participants age 50 and older) for all deferrals under all plans in 2004 (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 2004.

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

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 2004.

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%

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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:

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

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%

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- 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.

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

DESCRIPTION OF THE PLAN (CONT'D.)

INVESTMENT ELECTIONS

Participants may allocate basic and matching contributions among the various mutual fund investments and/or Artesian Resources 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.

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

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 interfund transfer into Participant Loans for the year ended December 31, 2004 was made up of:

New loans	\$ 1,094
Loan repayments	(56,557)
Transfer of interest income	(20,323)

	\$ 75,786
	=====

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.

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

DESCRIPTION OF THE PLAN (CONT'D.)

TERMINATION

The Company may amend or terminate the Plan. In the event of

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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.

CHANGE IN AVAILABLE FUNDS AND RECORDKEEPERS

During 2002, the Plan's Committee of Trustees unanimously approved changing the investment funds and third-party administrators (TPA). On January 7, 2003, the funds were sold, and most of the cash was transferred to the new TPA as of December 31, 2003, \$8,833 remained in Fidelity Cash Reserves of the Fidelity Managed Income Portfolio (the former TPA). The remaining \$8,833 was transferred to Reliance Trust Company in 2004 and characterized as forfeitures, reducing employer contributions in 2004.

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.

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

SIGNIFICANT ACCOUNTING POLICIES (CONT'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 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.

RECLASSIFICATIONS

Certain collective trusts in the prior year financial

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statements have been reclassified for comparative purposes to conform with presentation in the current year financial statements.

INVESTMENT VALUATION AND INCOME RECOGNITION

Plan assets held in mutual fund investments and Artesian Resources Corp. Class A non-voting common stock are unsecured and are valued at fair value based on quoted market prices.

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.

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

INVESTMENT VALUATION AND INCOME RECOGNITION (CONT'D.)

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.

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 of the Internal Revenue Code.

NOTE 3

PLAN ADMINISTRATION EXPENSES

Plan administration fees are charged to the plan 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

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expenses in 2004:

Fees charged to the Plan	\$ 64,704
Revenue-sharing offsets	(58,784)

Net plan expenses	\$ 5,921
	=====

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ARTESIAN RESOURCES CORPORATION
RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 4

CREDIT RISK

The Plan has \$2,960 in mutual fund money market accounts at December 31, 2004 (\$23,524 in 2003). These funds are fully insured by the Securities Investor Protection Corporation (SIPC).

NOTE 5

MARKET RISK

All investments in the Plan, including holdings in Artesian "A" Common Stock, are subject to market risk.

NOTE 6

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

The following investments each represent 5% or more of the net assets available for benefits at December 31, 2004:

American Funds Growth Fund of America A
Dodge & Cox Stock
Gartmore Morley Stable Adv
Davis NY Venture
PIMCO Total Return Admin
Templeton Foreign R
Artesian "A" Common Stock

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.

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ARTESIAN RESOURCES CORPORATION
 RETIREMENT PLAN
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004

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, 2004 and 2003 to Schedule H of Form 5500:

	2004	2003
	-----	-----
Net assets available for benefits per the financial statements	\$17,625,912	\$14,969,215
Amounts allocated to withdrawing participants	-	(5,044)
	-----	-----
Net assets available for benefits per Schedule H to the Form 5500	\$17,625,912	\$14,964,171
	=====	=====

The following is a reconciliation of benefits paid to participants per the financial statements for the year ended December 31, 2004 to Schedule H of Form 5500:

Benefits paid to participants per the financial statements	\$ 621,939
Add: Amounts allocated to withdrawing participants at December 31, 2004	-
Less: Amounts allocated to withdrawing participants at December 31, 2003	(5,044)

Benefits paid to participants per Schedule H of Form 5500	\$ 616,895
	=====

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SUPPLEMENTAL SCHEDULE

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

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, 2004

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity rate of interest, collateral, par or maturity
	-----	-----
	Invesmart Mutual Fund Selections	Columbia Acorn Z Growth Fund of America A Columbia Mid Cap Value A Calamos Growth A Dodge & Cox Balanced Dodge & Cox Stock Gartmore Morley Stable Adv Lord Abbett Mid-Cap Value A Davis NY Venture PIMCO Total Return Admin Royce Low-Priced Stock Templeton Foreign R Invesmart Liquidity Fund
		Total mutual funds
*	Artesian Resources Corporation Participant Loans	Class A non-voting common stock 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 account balance

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