

ARTESIAN RESOURCES CORP
Form 10-K
March 13, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014
OR

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

Commission file number 000-18516

ARTESIAN RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 51-0002090
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

664 Churchmans Road, Newark, Delaware 19702

Address of principal executive offices

(302) 453 – 6900

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Class A Non-Voting Common Stock

Name of each exchange on which registered The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12(b)-2 of the Exchange Act.:

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

The aggregate market value of the Class A Non-Voting Common Stock and Class B Common Stock held by non-affiliates of the registrant at June 30, 2014 was \$174,721,000 and \$6,052,000, respectively. The aggregate market value of Class A Non-Voting Common Stock was computed by reference to the closing price of such class as reported on the Nasdaq Global Market on June 30, 2014, which trade date was June 30, 2014. The aggregate market value of Class B Common Stock was computed by reference to the last reported trade of such class as reported on the OTC Bulletin Board as of June 30, 2014, which trade date was June 13, 2014.

As of March 9, 2015, 8,037,623 shares of Class A Non-Voting Common Stock and 881,452 shares of Class B Common Stock were outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this Annual Report on Form 10-K which express our "belief," "anticipation" or "expectation," as well as other statements which are not historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act and the Private Securities Litigation Reform Act of 1995. Statements regarding our goals, priorities, growth and expansion plans and expectation for our water and wastewater subsidiaries and non-regulated subsidiaries, customer base growth opportunities in Delaware and Cecil County, Maryland, our belief regarding our capacity to provide water services for the foreseeable future to our customers, our belief relating to our compliance and the cost to achieve compliance with relevant governmental regulations, our expectation of the timing of decisions by regulatory authorities, the impact of weather on our operations and the execution of our strategic initiatives, our expectation of the timing for construction on new projects, our belief regarding our reliance on outside engineering firms, our expectation relating to the adoption of recent accounting pronouncements, contract operations opportunities, legal proceedings, our properties, deferred tax assets, adequacy of our available sources of financing, the expected recovery of expenses related to our long-term debt, our expectation to be in compliance with financial covenants in our debt instruments, our ability to refinance our debt as it comes due, the timing and terms of renewals of our lines of credit, plans to increase our wastewater treatment operations, engineering services and other revenue streams less affected by weather, expected future contributions to our postretirement benefit plan, the reclassification on our balance sheet regarding our utility plant, anticipated growth in our non-regulated division, the impact of recent acquisitions on our ability to expand and foster relationships, anticipated investments in certain of our facilities and systems and the sources of funding for such investments, sufficiency of internally generated funds and credit facilities to provide working capital and our liquidity needs are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties that could cause actual results to differ materially from those projected. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "projects", "forecasts", "may", "should", variations of such words and similar expressions are intended to identify such forward-looking statements. Certain factors as discussed under Item 1A -Risk Factors, such as changes in weather, changes in our contractual obligations, changes in government policies, the timing and results of our rate requests, changes in economic and market conditions generally, and other matters could cause results to differ materially from those in the forward-looking statements. While the Company may elect to update forward-looking statements, we specifically disclaim any obligation to do so and you should not rely on any forward-looking statement as representation of the Company's views as of any date subsequent to the date of the filing of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

General Information

Artesian Resources Corporation operates as the holding company of eight wholly-owned subsidiaries offering water, wastewater and other services on the Delmarva Peninsula. Our principal subsidiary, Artesian Water Company, Inc., is the oldest and largest investor-owned public water utility on the Delmarva Peninsula, and has been providing superior water service since 1905. We distribute and sell water, including water for public and private fire protection, to residential, commercial, industrial, municipal and utility customers throughout the states of Delaware, Maryland and Pennsylvania. We provide wastewater services to customers in Delaware. In addition, we provide contract water and wastewater operations, and water and sewer Service Line Protection Plans. Our Class A Non-Voting Common Stock is listed on NASDAQ Global Select Market and trades under the symbol "ARTNA."

Artesian Resources Corporation, or Artesian Resources, operates as the parent holding company of Artesian Water Company, Inc., or Artesian Water, Artesian Water Pennsylvania, Inc., or Artesian Water Pennsylvania, Artesian Water Maryland, Inc., or Artesian Water Maryland, Artesian Wastewater Management, Inc., or Artesian Wastewater, Artesian Wastewater Maryland, Inc., or Artesian Wastewater Maryland, each a regulated public utility, and three non-regulated subsidiaries; Artesian Utility Development, Inc., or Artesian Utility, Artesian Development Corporation, or Artesian Development, and Artesian Consulting Engineers, Inc., or Artesian Consulting Engineers. The terms "we," "our" and the "Company" as used herein refer to Artesian Resources and its subsidiaries. The business activity conducted by each of our subsidiaries is discussed below under separate headings.

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Our Market

Our current market area is the Delmarva Peninsula. Our largest service area is in the State of Delaware, which had an estimated population of approximately 936,000 at July 1, 2014. According to the US Census Bureau, Delaware's population increased an estimated 4.2% from 2010 to 2014, as compared to the nationwide growth rate of approximately 3.3%. Substantial portions of Delaware, particularly outside of New Castle County, are not served by a public water or wastewater system and represent potential opportunities for Artesian Water and Artesian Wastewater to obtain new exclusive franchised service areas. We continue to focus resources on developing and serving existing service territories and obtaining new territories throughout the State.

In 2007, we expanded our services into Maryland. Cecil County Maryland, or Cecil County, has designated the Interstate 95 corridor as a preferred growth area for business and residential expansion. The Wilmington Metropolitan Area Planning Commission projects Cecil County will grow 61% between 2005 and 2030 and the Maryland Department of Planning projects that Cecil County will experience the highest rate of household growth through 2025 of any jurisdiction in the state.

We have interconnection agreements for the sale of water with the towns of Elkton and Chesapeake City, Maryland. The Town of Elkton is required to take a minimum of 250,000 gallons per day of water through the interconnection and may take a maximum of 1.5 million gallons per day, or mgd.

We hold Certificates of Public Convenience and Necessity, or CPCNs, for approximately 280 square miles of exclusive water service territory and approximately 25 square miles of wastewater service territory, most of which is in Delaware and some in Maryland and Pennsylvania. Our largest connected regional water system, consisting of approximately 141 square miles and 72,000 customers, is located in northern New Castle County and portions of southern New Castle County, Delaware. A significant portion of our exclusive service territory in Delaware remains undeveloped, and if and when development occurs and there is population growth in these areas, along with the anticipated population growth in Maryland, we will increase our customer base by providing water and/or wastewater service to the newly developed areas and new customers.

Subsidiaries

Artesian Water

Artesian Water, our principal subsidiary, is the oldest and largest public water utility in the State of Delaware and has been providing water service within the state since 1905. Artesian Water distributes and sells water to residential, commercial, industrial, governmental, municipal and utility customers throughout the State of Delaware. In addition, Artesian Water provides services to other water utilities, including operations and billing functions, and also has contract operation agreements with private and municipal water providers. We also provide water for public and private fire protection to customers in our service territories.

Artesian Water Maryland

Artesian Water Maryland began operations in August 2007. Artesian Water Maryland distributes and sells water to residential, commercial, industrial and municipal customers in Cecil County, Maryland.

Artesian Water Pennsylvania

Artesian Water Pennsylvania began operations upon receiving recognition as a regulated public water utility by the Pennsylvania Public Utility Commission, or PAPUC, in 2002. It provides water service to a residential community in

Chester County. Artesian Water Pennsylvania filed an application with the PAPUC to increase our service area in Pennsylvania, which was approved and a related order was entered on February 4, 2005. This application involved specific developments, in which we expect modest future growth.

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Artesian Wastewater

Artesian Wastewater is a regulated entity that owns wastewater collection and treatment infrastructure and provides wastewater services to customers in Delaware as a regulated public wastewater service company. As of December 31, 2014, Artesian Wastewater owned and operated four wastewater treatment facilities, which are capable of treating approximately 730,000 gallons per day and can be expanded to treat approximately 1.6 mgd.

Artesian Wastewater Maryland

Artesian Wastewater Maryland is a regulated wastewater entity in the State of Maryland and was incorporated on June 3, 2008. Artesian Wastewater Maryland is able to provide public wastewater services to customers in the State of Maryland. It is currently not providing wastewater services in Maryland.

Artesian Utility

Artesian Utility was formed in 1996. It designs and builds water and wastewater infrastructure and provides contract water and wastewater services on the Delmarva Peninsula. Artesian Utility also evaluates land parcels, provides recommendations to developers on the size of water or wastewater facilities and the type of technology that should be used for treatment at such facilities, and operates water and wastewater facilities in Delaware for municipal and governmental organizations. Artesian Utility also contracts with developers for design and construction of wastewater facilities within the Delmarva Peninsula, using a number of different technologies for treatment of wastewater at each facility. In addition, as further discussed below, effective April 2012, Artesian Utility operates the Water Service Line Protection Plan, or WSLP Plan, and the Sewer Service Line Protection Plan, or SSLP Plan.

We currently operate wastewater treatment facilities for the town of Middletown, in southern New Castle County, or Middletown, under a 20-year contract that expires in July 2022. The facilities include two wastewater treatment stations with capacities of up to approximately 2.5 mgd and 250,000 gallons per day, respectively. We also operate a wastewater disposal facility in Middletown in order to support the 2.5 mgd wastewater facility. One of the wastewater treatment facilities in Middletown now provides reclaimed wastewater for use in spray irrigation on public and agricultural lands in the area.

Artesian Utility has operated the WSLP Plan and the SSLP Plan since 2012. Artesian Resources initiated the WSLP Plan in March 2005. The WSLP Plan covers all parts, material and labor required to repair or replace participating customers' leaking water service lines up to an annual limit. The WSLP Plan was expanded in the second quarter of 2008 to include maintenance or repair to customers' sewer lines. The SSLP Plan covers all parts, material and labor required to repair or replace participating customers' leaking or clogged sewer lines up to an annual limit. Also, in the second quarter of 2010, the WSLP Plan and SSLP Plan were extended to include non-utility customers of Artesian Resources. As of December 31, 2014, approximately 18,800, or 27.1%, of our eligible water customers signed up for the WSLP Plan, approximately 14,000, or 20.2%, of our eligible customers signed up for the SSLP Plan and approximately 1,000 non-customer participants signed up for either the WSLP Plan or SSLP Plan.

Artesian Development

Artesian Development is a real estate holding company that owns properties, including land zoned for office buildings, a water treatment plant and wastewater facility, as well as property for current operations, including an office facility in Sussex County, Delaware. The facility consists of approximately 10,000 square feet of office space along with nearly 10,000 square feet of warehouse space. This facility allows all of our Sussex County, Delaware operations to be housed in one central location.

Artesian Consulting Engineers

Artesian Consulting Engineers no longer offers development and architectural services to outside third parties. Artesian will continue to provide design and engineering contract services through our Artesian Utility subsidiary.

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Regulatory Matters

Overview

Our water and wastewater utility operations are subject to regulation by their respective state regulatory commissions, which have broad administrative power and authority to regulate rates charged for service, determine franchise areas and conditions of service, approve acquisitions, authorize the issuance of securities and other matters. The profitability of our utility operations is influenced, to a great extent, by the timeliness and adequacy of regulatory relief we are granted by the respective regulatory commissions or authorities in the states in which we operate.

We are subject to regulation by the following state regulatory commissions:

- The Delaware Public Service Commission, or DEPSC, regulates both Artesian Water and Artesian Wastewater.
- The Maryland Public Service Commission, or MDPSC, regulates both Artesian Water Maryland and Artesian Wastewater Maryland.
- The Pennsylvania Public Utility Commission, or PAPUC, regulates Artesian Water Pennsylvania.

Our water and wastewater utility operations are also subject to regulation under the federal Safe Drinking Water Act, the Clean Water Act and related state laws, and under federal and state regulations issued under these laws. These laws and regulations establish criteria and standards for drinking water and for wastewater discharges. Capital expenditures and operating costs required as a result of water quality standards and environmental requirements have been traditionally recognized by state regulatory commissions as appropriate for inclusion in establishing rates.

Water and Wastewater Rates

Our regulated utilities periodically seek rate increases to cover the cost of increased operating expenses, increased financing expenses due to additional investments in utility plant and other costs of doing business. In Delaware, utilities are permitted by law to place rates into effect, under bond, on a temporary basis pending completion of a rate increase proceeding. The first temporary increase may be up to the lesser of \$2.5 million on an annual basis or 15% of gross water sales. Should the rate case not be completed within seven months, by law, the utility may put the entire requested rate relief, up to 15% of gross water sales, in effect under bond until a final resolution is ordered and placed into effect. If any such rates are found to be in excess of rates the DEPSC finds to be appropriate, the utility must refund the portion found to be in excess to customers with interest. The timing of our rate increase requests are therefore dependent upon the estimated cost of the administrative process in relation to the investments and expenses that we hope to recover through the rate increase. We can provide no assurances that rate increase requests will be approved by applicable regulatory agencies and, if approved, we cannot guarantee that these rate increases will be granted in a timely or sufficient manner to cover the investments and expenses for which we initially sought the rate increase.

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On April 11, 2014, Artesian Water filed a request with the DEPSC to implement new rates to meet a requested increase in revenue of 15.9%, or approximately \$10.0 million, on an annualized basis. The actual effective increase is less than 15.9% since, in accordance with applicable law, on June 10, 2014, Artesian Water placed temporary rates into effect designed to generate an increase in annual operating revenue of approximately 3.98%, or \$2.5 million, on an annualized basis, until permanent rates are determined by the DEPSC. Artesian Water had been permitted to recover specific investments made in infrastructure through the assessment of a cumulative 3.32% Distribution System Improvement Charge, or DSIC, which was set to zero when temporary rates were placed into effect. Also, as permitted by law, on November 13, 2014 we placed into effect a second step of temporary rates designed to generate an increase in annual operating revenue of approximately 7.17%, or 4.5 million, on an annualized basis, subject to approval by the DEPSC, until permanent rates are determined by the DEPSC. A portion of the second step of temporary increases was held in reserve based on an estimated outcome and is not reflected in net income. The new rates are designed to support Artesian Water's ongoing capital improvement program and to cover increased costs of operations, including water quality testing, chemicals and electricity for water treatment, taxes, labor and benefits. Artesian Water's last request to implement new rates was filed in April 2011.

On January 18, 2013, Artesian Wastewater filed an application with the DEPSC to revise its rates and charges for wastewater services concerning territories located in Sussex County, Delaware. Artesian Wastewater requested authorization to implement proposed rates for wastewater services to meet a requested increase in revenue of approximately \$343,000, or 34.8%, on an annualized basis. The new rates are designed to support Artesian Wastewater's ongoing capital improvement program and to cover increased costs of operations. On August 6, 2013, Artesian Wastewater, the Staff of the Delaware Public Service Commission and the Division of the Public Advocate entered into an agreement to settle Artesian Wastewater's application for an increase in rates. On October 8, 2013, the DEPSC approved the settlement agreement authorizing a two-step increase in rates, with the first step effective upon approval of the settlement and the second step effective one year thereafter. The increase in rates were fully implemented as of December 31, 2014. Based on the number of households at the time of the settlement, the new rates will provide Artesian Wastewater approximately \$174,000 in additional annual revenue. The settlement also authorized a return on equity of 10%.

Service Territory Expansion

In Delaware, a Certificate of Public Convenience and Necessity, or CPCN, grants a water or wastewater company the exclusive right to serve all existing and new customers within a designated area. The DEPSC has the authority to issue and revoke these CPCNs. In this Form 10-K, we may refer to CPCNs as "franchises" or "service territories."

For a water company, the DEPSC may grant a CPCN under circumstances where there has been a determination that the water in the proposed service area does not meet the regulations governing drinking water standards of the State Division of Public Health for human consumption or where the supply is insufficient to meet the projected demand. For a wastewater company, the DEPSC has jurisdiction over non-governmental wastewater utilities having fifty or more customers in the aggregate. A CPCN for water and wastewater utilities shall be granted by the DEPSC to applicants in possession of one of the following:

Øa signed service agreement with the developer of a proposed subdivision or development, which subdivision or development has been duly approved by the respective county government;

Øa petition requesting such service signed by a majority of the landowners of the proposed territory to be served; or

Øa duly certified copy of a resolution from the governing body of a county or municipality requesting the applicant to provide service to the proposed territory to be served.

CPCNs are not transferable. A water or wastewater utility that has a CPCN must obtain the approval of the DEPSC to abandon a service territory. Once a CPCN is granted to a water or wastewater utility, it may not be suspended or terminated unless the DEPSC determines in accordance with its rules and regulations that good cause exists for any such suspension or termination. Although Artesian has been granted an exclusive franchise for each of its existing water and wastewater systems, its ability to expand service areas can be affected by the DEPSC awarding franchises to other regulated water or wastewater utilities with whom we compete for such franchises.

In Maryland, the Company must obtain approval from the appropriate local government authority for the ability to serve a particular area and also ensure that the acquired area is in the county's master water and sewer plan. The authority to exercise a franchise must then be obtained from the MDPSC. Utilities that seek to develop a franchise by constructing new facilities must obtain appropriate approvals from the Maryland Department of the Environment, the local government and the MDPSC. The utility must also obtain approval for soil and erosion plans and easement agreements from appropriate parties.

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Other Regulatory Matters

Delaware law permits water utilities to put into effect, on a semi-annual basis, increases related to specific types of distribution system improvements through a Distribution System Improvement Charge, or DSIC. This charge may be implemented by water utilities between general rate increase applications that normally recognize changes in a water utility's overall financial position. The DSIC approval process is less costly when compared to the approval process for general rate increase requests. The DSIC rate applied between base rate filings is capped at 7.5% of the amount billed to customers under otherwise applicable rates and charges, and the DSIC rate increase applied cannot exceed 5% within any 12-month period. In November 2012, Artesian Water filed an application with the DEPSC for approval to collect an additional DSIC rate of 1.45% effective January 1, 2013. This rate was based on approximately \$5.6 million in eligible plant improvements since the last rate application. On December 14, 2012, the DEPSC approved the DSIC effective January 1, 2013, subject to audit at a later date. In May 2013, Artesian Water filed an application with the DEPSC for approval to collect an additional DSIC rate of 0.50% effective July 1, 2013. This rate was based on approximately \$2.0 million in eligible plant improvements since the last rate application. On June 18, 2013, the DEPSC approved the DSIC effective July 1, 2013, subject to audit at a later date. In November 2013, Artesian Water filed an application with the DEPSC for approval to collect an additional DSIC rate of 1.23% effective January 1, 2014. This rate was based on approximately \$4.9 million in eligible plant improvements since the last rate application. On December 17, 2013, the DEPSC approved the DSIC effective January 1, 2014, subject to audit at a later date. Once temporary rates were placed into effect on June 10, 2014, the cumulative DSIC rate was set to zero. For the years ended December 31, 2014 and December 31, 2013, we earned approximately \$0.8 million and \$1.1 million in DSIC revenue. In November 2014, Artesian Water filed an application with the DEPSC for approval to collect a DSIC rate of 0.34% effective January 1, 2015. This rate was based on approximately \$1.3 million in eligible plant improvements since the last rate application. On December 16, 2014, the DEPSC approved the DSIC effective January 1, 2015, subject to audit at a later date.

Environmental Regulation

Our water and wastewater operations are subject to federal, state, and local requirements relating to environmental protection. The United States Environmental Protection Agency, or the EPA, the Delaware Department of Natural Resources and Environmental Control, or DNREC, and the Delaware Division of Public Health or the DPH, regulate the water quality of our treatment and distribution systems in Delaware, as do the EPA and the Maryland Department of the Environment, or MDE, with respect to our operations in Maryland. Chester Water Authority, which supplies water to Artesian Water through interconnections in northern New Castle County, is regulated by the Pennsylvania Department of Environmental Protection, as well as the EPA. We believe that we are in material compliance with all current federal, state and local water quality standards, including regulations under the federal Safe Drinking Water Act. However, if new water quality regulations are too costly, or if we fail to comply with such regulations, it could have a material adverse effect on our financial condition and results of operations.

The water industry is capital intensive, with the highest capital investment in plant and equipment per dollar of revenue among all utilities. Increasingly stringent drinking water regulations to meet the requirements of the Safe Drinking Water Act of 1974 have required the water industry to invest in more advanced treatment systems and processes, which require a heightened level of expertise. We are currently in full compliance with the requirements of the Safe Drinking Water Act. Even though our water utility was founded in 1905, the majority of our investment in infrastructure occurred in the last 40 years.

Under Delaware state laws and regulations, we are required to file applications with DNREC for water allocation permits for each of our operating wells pumping greater than 50,000 gallons per day. For any wells in the Delaware River Basin, we must also file allocation permits with the Delaware River Basin Commission, or DRBC. We have 122 operating and 58 observation and monitoring wells in our Delaware systems. At December 31, 2014, we had

allocation permits for 106 wells, permit applications pending for 5 wells, and 11 wells that do not require a permit.

Our access to aquifers within our service territory is not exclusive. Water allocation permits control the amount of water that can be drawn from water resources and are granted with specific restrictions on water level draw down limits, annual, monthly and daily pumpage limits, and well field allocation pumpage limits. We are also subject to water allocation regulations that control the amount of water that we can draw from water sources. As a result, if new or more restrictive water allocation regulations are imposed, they could have an adverse effect on our ability to supply the demands of our customers, and in turn, our water supply revenues and results of operations. Our ability to supply the demands of our customers historically has not been affected by private usage of the aquifers by landowners or the limits imposed by the state of Delaware. Because of the extensive regulatory requirements relating to the withdrawal of any significant amounts of water from the aquifers, we believe that third party usage of the aquifers within our service territory will not interfere with our ability to meet the present and future demands of our customers.

As required by the Safe Drinking Water Act, the EPA has established maximum contaminant levels for various substances found in drinking water to ensure that the water is safe for human consumption. These limits are known as Maximum Contaminant Levels and Maximum Residual Disinfection Levels. The EPA also regulates how often public water systems monitor their water for contaminants and report the monitoring results to the individual state agencies or the EPA. Generally, the larger the population served by a water system, the more frequent the monitoring and reporting requirements. The Safe Drinking Water Act applies to all 50 states.

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DPH has set maximum contaminant levels for certain substances that are more restrictive than the maximum contaminant levels set by the EPA. The DPH is the EPA's agent for enforcing the Safe Drinking Water Act in Delaware and, in that capacity, monitors the activities of Artesian Water and reviews the results of water quality tests performed by Artesian Water for adherence to applicable regulations. Artesian Water is also subject to other laws regulating substances and contaminants in water, including rules for volatile organic compounds and the Total Coliform Rule.

A normal by-product of our iron removal treatment facilities is a solid consisting of the iron removed from untreated groundwater plus residue from chemicals used in the treatment process. The solids produced at our facilities are either disposed directly into approved wastewater facilities or removed from our facilities by a licensed third party vendor. A normal by-product of our carbon absorption filtration process is exhausted carbon media, which is disposed of by the contractor providing the media replacement. Management believes that compliance with existing federal, state or local laws and regulations regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has no material effect upon the business and affairs of the Company, but there is no assurance that such compliance will continue to not have a material effect in the future.

The MDE ensures that water quality and quantity at all public water systems in Maryland meet the needs of the public and are in compliance with federal and state regulations. The MDE also ensures that public drinking water systems provide safe and adequate water to all current and future users in Maryland, and that appropriate usage, planning, and conservation policies are implemented for Maryland's water resources. The MDE oversees the development of Source Water Assessments for water supplies, and issues water appropriation permits for public drinking water systems. In order to appropriate water for municipal, commercial, industrial or other non-domestic uses, a Water Appropriation Permit must be obtained. Issuance of the permit involves evaluating the needs of the user and the potential impact of the withdrawal on neighboring users and the water source in order to maximize beneficial use of the water of the State of Maryland. Permits for large appropriations often involve conducting pump tests to measure adequacy of an aquifer and safe yield of a well, or reviewing stream flow records to determine the adequacy of a surface water source. Regulations were finalized in 1999 that require all new community water systems to have sufficient technical, managerial and financial capacity to provide safe drinking water to their consumers prior to being issued a Construction Permit. Also, in 2007, capacity management guidance was finalized. Capacity limiting factors can include, source capacity, treatment capacity and appropriation permit quantity. The quantity of water withdrawn from the Port Deposit surface water intake is allocated by the Susquehanna River Basin Commission, or SRBC, and MDE. We have 12 operating wells and one surface water in-take in our Maryland systems.

The Clean Water Act has established the foundation for wastewater discharge control in the United States. The Clean Water Act established a control program for ensuring that communities have clean water by regulating the release of contaminants into waterways. Permits that limit the amounts of pollutants discharged are required of all wastewater dischargers under the National Pollutant Discharge Elimination System permit program. The Clean Water Act also requires that wastewater treatment plant discharges meet a minimum of secondary treatment. The secondary treatment process can remove up to 90% of the organic matter in wastewater. We operate environmentally friendly wastewater systems that meet all requirements of federal, state and local standards.

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Sources of Water

We derive about 95% of our self-supplied groundwater from wells that pump groundwater from aquifers and other formations located in the Atlantic Coastal Plain. The remaining 5% of our groundwater supply comes from wells in the Piedmont Province. We use a variety of treatment methods, including aeration, pH adjustment, chlorination, fluoridation, ultra violet oxidation, arsenic removal, nitrate removal, radium removal, iron removal, and carbon absorption to meet federal, state and local water quality standards. Additionally, a corrosion inhibitor is added to all of our self-supplied groundwater and most of the supply from interconnections. We have 57 different water treatment facilities in our Delaware systems. We have 8 separate water treatment facilities in our Maryland systems. All water supplies that we purchase from neighboring utilities are potable. Based on our experience, we believe that the costs of treating groundwater are significantly lower than those of treating surface water.

To supplement our groundwater supply, we purchase treated surface water through interconnections only in the northern service area of our New Castle County, Delaware system. The treated surface water is blended with our groundwater supply for distribution to our customers. Nearly 85% of the overall 7.6 billion gallons of water we distributed in all of our Delaware systems during 2014 came from our groundwater wells, while the remaining 15% came from interconnections with other utilities and municipalities. The majority of the 0.1 billion gallons of water we distributed in all of our Maryland systems during 2014 came from our groundwater wells, while a portion came from treated surface water. During 2014, our average rate of water pumped to our Delaware systems was approximately 17.6 mgd from our groundwater wells and approximately 3.2 mgd was supplied from interconnections. We have one water treatment facility that treats surface water from the Susquehanna River, located in Cecil County, Maryland. Our peak water supply capacity currently is approximately 55.0 mgd in Delaware and approximately 2.0 mgd in Maryland. We believe that we have in place sufficient capacity to provide water service for the foreseeable future to all existing and new customers in all of our service territories.

Interconnections and Storage

Most of our New Castle County, Delaware water system is interconnected. In the remainder of the State of Delaware, we have several satellite systems that have not yet been connected by transmission and distribution facilities. We intend to join these systems into larger integrated regional systems through the construction of a transmission and distribution network as development continues and our expansion efforts provide us with contiguous exclusive service territories.

In Delaware, we have 22 interconnections with 2 neighboring water utilities and 6 municipalities that provide us with the ability to purchase or sell water. An interconnection agreement with the Chester Water Authority has a "take or pay" clause requiring us to purchase 1.095 billion gallons annually. During the fiscal year ended December 31, 2014, we used the minimum draw under this agreement. The Chester Water Authority agreement, which expires December 31, 2021, provides for the right to extend the term of this agreement through and including December 31, 2047, at our option, subject to the approval of the Susquehanna River Basin Commission. All of the interconnections provide Artesian Water the ability to sell water to neighboring water utilities or municipalities. In Maryland, we have one interconnection that connects the Artesian Water system in Delaware to the Meadowview System, one interconnection with a neighboring utility, and three interconnections with the Town of Elkton. The interconnection with the Artesian Water Delaware system is capable of providing up to 3.0 mgd of water to our Maryland systems, of which 1.5 mgd is available to the Town of Elkton per our agreement with the Town. In March 2013, the interconnection to the Town of Chesapeake City was completed. The Town of Chesapeake City placed in service an interconnection and 1.57 miles of new water main to provide water to the Town of Chesapeake City from the Artesian Water Delaware system on Chesapeake City Road. The Chesapeake City Road plant is capable of producing up to 3 mgd and is part of a regional system with a production capacity of up to 28 mgd.

As of December 31, 2014, we were serving customers through approximately 1,201 miles of transmission and distribution mains. Mains range in diameter from two inches to twenty-four inches, and most of the mains are made of ductile iron or cast iron. We supply public fire protection service through approximately 5,827 hydrants installed throughout our service territories.

We have 29 storage tanks in Delaware, most of which are elevated, providing total system storage of 42 million gallons. We have developed and are using an Aquifer Storage and Recovery, or ASR, system in New Castle County, Delaware. Our ASR system provides approximately 130 million gallons of storage capacity, which can be withdrawn at an average rate of approximately 1 mgd. At some locations, we rely on hydropneumatic tanks to maintain adequate system pressures. Where possible, we combine our smaller satellite systems with systems having elevated storage facilities. In Cecil County, Maryland we have 7 storage tanks capable of storing approximately 2.4 million gallons.

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Additional General Information

Seasonality

Substantially all of our water customers are metered, which allows us to measure and bill for our customers' water consumption. Demand for water during the warmer months is generally greater than during cooler months primarily due to additional customer requirements for water in connection with cooling systems, swimming pools, irrigation systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand for water will vary with temperature and rainfall. In the event that temperatures during the typically warmer months are cooler than expected, or there is more rainfall than expected, the demand for water may decrease and our revenues may be adversely affected.

Competition

Our business in our franchised service areas is substantially free from direct competition with other public utilities, municipalities and other entities. However, our ability to provide additional water and wastewater services is subject to competition from other public utilities, municipalities and other entities. Even though our regulated utilities have been granted an exclusive franchise for each of our existing community water and wastewater systems, our ability to expand service areas can be affected by the DEPSC, the MDPSC or the PAPUC, awarding franchises to other regulated water or wastewater utilities with whom we compete for such franchises.

Employees

The Company has no collective bargaining agreements with any of its employees, and its work force is not union organized or union represented. As of December 31, 2014, we employed 237 full-time employees. Of these employees, 25 were officers and managers; 135 were employed as operations personnel, including engineers, technicians, draftsman, maintenance and repair persons, meter readers and utility personnel; and 58 were employed in accounting, budgeting, information systems, human resources, customer relations and public relations. The remaining 19 employees were administrative personnel. We believe that our employee relations are good.

Available Information

We are a Delaware corporation with our principal executive offices located at 664 Churchmans Road, Newark, Delaware, 19702. Our telephone number is (302) 453-6900 and our website address is www.artesianresources.com. We make available free of charge through our website our Code of Ethics, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. We include our website address in this Annual Report on Form 10-K only as an inactive textual reference and do not intend it to be an active link to our website.

We file our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K pursuant to Section 13(a) or 15(d) of the Exchange Act electronically with the Securities and Exchange Commission, SEC. The public may read or copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC, 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site, www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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ITEM 1A.

RISK FACTORS

We are exposed to a variety of risks and uncertainties. Most are general risks and uncertainties applicable to all water utility companies. We describe below some of the specific known risk factors that could negatively affect our business, financial condition or results of operations. If one or more of these risks or uncertainties materialize, actual results may vary materially from our projections. All forward-looking statements made by us in this Annual Report to the Securities and Exchange Commission on Form 10-K, in our Annual Report to Shareholders and in our subsequently filed quarterly and current reports to the Securities and Exchange Commission, as well as in our press releases and other public communications, are qualified by the risks described below.

Our operating revenue is primarily from water sales. The rates that we charge our customers are subject to the regulations of the Public Service Commissions in the states in which we operate. Additionally, our business requires significant capital expenditures on an annual basis and these expenditures are made for additions and replacement of property. If a Public Service Commission disapproves or is unable to timely approve our requests for rate increase or approves rate increases that are inadequate to cover our investments or increased costs, our profitability may suffer.

We file rate increase requests, from time to time, to recover our investments in utility plant and expenses. Once a rate increase petition is filed with a Public Service Commission, the ensuing administrative and hearing process may be lengthy and costly. We can provide no assurances that any future rate increase request will be approved by the DEPSC, MDPSC or PAPUC, and if approved, we cannot guarantee that these rate increases will be granted in a timely manner and/or will be sufficient in amount to cover the investments and expenses for which we initially sought the rate increase. To the extent we are able to pass through such costs to customers and a state public service commission subsequently determines that such costs should not have been paid by customers, we may be required to refund such costs, with interest, to customers. Any such costs not recovered through rates, or any such refund, could adversely affect our results of operations, financial position or cash flows.

We rely on governmental approvals in the States of Delaware, Maryland and Pennsylvania for applicable water allocation, water appropriation and water capacity permits related to additional systems that will assist in the operation of our water business as well as wastewater collection, treatment and disposal permits that will assist in the operation of our wastewater business.

Our water and wastewater services are governed by various federal and state governmental agencies. Pursuant to these regulations, we are required to obtain various permits for any additional systems to assist in our operations. If any of those permit approvals are not received timely or at all, the Company may risk the loss of economic opportunity and its ability to create additional systems for the effective operation of our water or wastewater business in Delaware and Maryland. We can provide no assurances that we will receive all necessary permits to create additional systems to assist in the operation of our water or wastewater business.

Our business is subject to seasonal fluctuations, which could affect demand for our water service and our revenues.

Demand for water during warmer months is generally greater than during cooler months primarily due to additional customer requirements in irrigation systems, swimming pools, cooling systems and other outside water use. In the event that temperatures during typically warmer months are cooler than normal, or when rainfall is more than normal, the demand for our water may decrease and adversely affect our revenues.

Drought conditions and government imposed water use restrictions may impact our ability to serve our current and future customers, and may impact our customers' use of our water, which may adversely affect our financial condition and results of operations.

We believe that we have in place sufficient capacity to provide water service for the foreseeable future to all existing and new customers in all of our service territories. However, severe drought conditions could interfere with our sources of water supply and could adversely affect our ability to supply water in sufficient quantities to our existing and future customers. This may adversely affect our revenues and earnings. Moreover, governmental restrictions on water usage during drought conditions may result in a decreased demand for water, which may adversely affect our revenue and earnings.

Our operating costs could be significantly increased if new or stricter regulatory standards are imposed by federal and state environmental agencies.

Our water and wastewater services are governed by various federal and state environmental protection and health and safety laws and regulations, including the federal Safe Drinking Water Act, the Clean Water Act and similar state laws. These federal and state regulations are issued by the United States Environmental Protection Agency and state environmental regulatory agencies. Pursuant to these laws, we are required to obtain various water allocation permits and environmental permits for our operations. The water allocation permits control the amount of water that can be drawn from water resources. New or stricter water allocation regulations can adversely affect our ability to meet the demands of our customers. While we have budgeted for future capital and operating expenditures to maintain compliance with these laws and our permits, it is possible that new or stricter standards would be imposed that will raise our operating costs. Thus, we can provide no assurances that our costs of complying with, or discharging liability under current and future environmental and health and safety laws will not adversely affect our business, results of operations or financial condition.

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We are subject to risks associated with the collection, treatment and disposal of wastewater.

Wastewater collection, treatment and disposal involve various unique risks. If collection or treatment systems fail, overflow, or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages, which may not be recoverable in fees. This risk is most acute during periods of substantial rainfall or flooding, which are common causes of sewer overflow and system failure. Liabilities resulting from such damages and injuries could materially and adversely affect the Company's results of operations and financial condition.

Turnover in our management team could have an adverse impact on our business or the financial market's perception of our ability to continue to grow.

Our success depends significantly on the continued contribution of our management team both individually and collectively. The loss of the services of any member of our management team or the inability to hire and retain experienced management personnel could harm our operating results.

We face competition from other water and wastewater utilities for the acquisition of new exclusive service territories.

Water and wastewater utilities competitively pursue the right to exclusively serve territories in Delaware and Maryland by entering into agreements with landowners, developers or municipalities and, under current law, then applying to the DEPSC or the MDPSC for a CPCN, which grants a water or wastewater utility the exclusive right to serve all existing and new customers of a water or wastewater utility within a designated area. Typically, water and wastewater utilities enter into agreements with developers who have approval from county governments with respect to proposed subdivisions or developments. Once a CPCN is granted to a water or wastewater utility, generally it may not be suspended or terminated unless the DEPSC or MDPSC determines in accordance with its rules and regulations that good cause exists for any such suspension or termination. Therefore, we face competition from other water and wastewater utilities as we pursue the right to exclusively serve territories. If we are unable to enter into agreements with landowners, developers or municipalities and secure CPCNs for the right to exclusively serve territories in Delaware or Maryland, our ability to expand may be significantly impeded.

We depend on the availability of capital for expansion, construction and maintenance. Weaknesses in capital and credit markets may limit our access to capital.

Our ability to continue our expansion efforts and fund our utility construction and maintenance program depends on the availability of adequate capital. There is no guarantee that we will be able to obtain sufficient capital in the future on favorable terms and conditions for expansion, construction and maintenance. In the event our lines of credit are not extended or we are unable to refinance our first mortgage bonds when due and the borrowings are called for payment, we will have to seek alternative financing sources, although there can be no assurance that these alternative financing sources will be available on terms acceptable to us. In the event we are unable to obtain sufficient capital, our expansion efforts could be curtailed, which may affect our growth and may affect our future results of operations.

General economic conditions may materially and adversely affect our financial condition and results of operations.

The effects of adverse U.S. economic conditions may lead to a number of impacts on our business that may materially and adversely affect our financial condition and results of operations. Such impacts may include a reduction in discretionary and recreational water use by our residential water customers, particularly during the summer months; a decline in usage by industrial and commercial customers as a result of decreased business activity and commerce in our customers' businesses; an increased incidence of customers' inability, bankruptcy or delay in paying their bills which may lead to higher bad debt expense and reduced cash flow; and a lower natural customer growth rate may result as compared to what had been experienced before the economic downturn due to a decline in new housing starts

and a possible slight decline in the number of active customers due to housing vacancies or abandonments.

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Any future acquisitions we undertake or other actions to further grow our water and wastewater business may involve risks.

An element of our growth strategy is the acquisition and integration of water and wastewater systems in order to broaden our current service areas, and move into new ones. It is our intent, when practical, to integrate any businesses we acquire with our existing operations. The negotiation of potential acquisitions as well as the integration of acquired businesses could require us to incur significant costs and cause diversion of our management's time and resources. We may not be successful in the future in identifying businesses that meet our acquisition criteria. The failure to identify such businesses may limit the rate of our growth. In addition, future acquisitions or expansion of our service areas by us could result in:

- Ø Dilutive issuance of our equity securities;
- Ø Incurrence of debt and contingent liabilities;
- Ø Difficulties in integrating the operations and personnel of the acquired businesses;
- Ø Diversion of our management's attention from ongoing business concerns;
- Ø Failure to have effective internal control over financial reporting;
- Ø Overload of human resources; and
- Ø Other acquisition-related expense

Some or all of these items could have a material adverse effect on our business and our ability to finance our business and comply with regulatory requirements. The businesses we acquire in the future may not achieve sales and profitability that would justify our investment.

We also may experience risks relating to the challenges and costs of closing a transaction and the risk that an announced transaction may not close. Completion of certain acquisition transactions are conditioned upon, among other things, the receipt of approvals, including from the certain state public utilities commissions. Failure to complete a pending transaction would prevent us from realizing the anticipated benefits. We would also remain liable for significant transaction costs, including legal and accounting fees, whether or not the transaction is completed.

We are subject to, and could be further subject to, governmental investigations or actions by other third parties.

We are subject to various federal and state laws, including environmental laws, violations of which can involve civil or criminal sanctions.

Our operations from time to time could be parties to or targets of lawsuits, claims, investigations and proceedings, including system failure, injury, contract, environmental, health and safety and employment matters, which are handled and defended in the ordinary course of business. The results of any future litigation or settlement of such lawsuits and claims are inherently unpredictable, but such outcomes could also materially and adversely affect our business, financial position and results of operations.

We are dependent on the continuous and reliable operation of our information technology systems.

We rely on our information technology systems to manage our operation of our business. Specifically with respect to customer service and billing, managing construction projects, managing our financial records, tracking assets, remotely monitoring some of our treatment, storage and pumping facilities and managing human resources, inventory and accounts receivable collections. Such systems require periodic modifications, upgrades and or replacement that subject us to inherent costs and risks, including substantial capital expenditures, additional administration and operating expenses, and other risks and costs of delays in transitioning to new systems or of integrating new systems into our current systems. Our computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures or acts of war or terrorism or similar events or disruptions. A loss of

these systems or major problems with the operation of these systems could affect our operations and have a material adverse effect on our results of operations.

There have been an increasing number of cyber-attacks on companies around the world, which have caused operational failures or compromised sensitive corporate or customer data. These attacks have occurred over the internet, through malware, viruses or attachments to e-mails or through persons inside the organization or with access to systems inside the organization. We have implemented security measures and will continue to devote resources to address any security vulnerabilities in an effort to prevent cyber-attacks. Despite our efforts, a cyber-attack, if it occurred, could cause water or wastewater system problems, disrupt service to our customers, compromise important data or systems or result in an unintended release of customer information. We feel we have adequate cyber-security insurance coverage to mitigate the cost of any such cyber-attack, however, a possible cyber-attack could affect our operations and have a material adverse effect on our results of operations.

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Contamination of our water supply may result in disruption in our services and could lead to litigation that may adversely affect our business, operating results and financial condition.

Our water supplies are subject to contamination from naturally-occurring compounds as well as pollution resulting from man-made sources. Even though we monitor the quality of water on an on-going basis, any possible contamination due to factors beyond our control could interrupt the use of our water supply until we are able to substitute it from an uncontaminated water source. Additionally, treating the contaminated water source could involve significant costs and could adversely affect our business. We could also be held liable for consequences arising out of human or environmental exposure to hazardous substances, if found, in our water supply. This could adversely affect our business, results of operations and financial condition.

Potential terrorist attacks may disrupt our operations and adversely affect our business, operating results and financial condition.

We have taken steps to increase security measures at our facilities and heighten employee awareness of threats to our water supply. We also have tightened our security measures regarding delivery and handling of certain chemicals used in our business. We have and will continue to bear any increase in costs, most of which have been recoverable under state regulatory policies, for security precautions to protect our facilities, operations and supplies. While the costs of increases in security, including capital expenditures, may be significant, we expect these costs to continue to be recoverable in water and wastewater rates. Despite our security measures, we may not be in a position to control the outcome of terrorist events, or other attacks on our water systems, should they occur.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located at 664 Churchmans Road, Newark, Delaware and are owned by Artesian Water.

Artesian Development owns approximately 6 acres of land in New Castle County, Delaware zoned for office development and two nine-acre parcels of land in Sussex County, Delaware for water and wastewater treatment facilities and elevated water storage. Artesian Development also owns an office facility located in Sussex County, Delaware. The facility consists of approximately 10,000 square feet of office space along with approximately 10,000 square feet of warehouse space.

Artesian Water owns land, rights-of-way, easements, transmission and distribution mains, pump facilities, treatment plants, storage tanks, meters, vehicles and related equipment and facilities throughout Delaware, of which the majority is used for utility operations. Artesian Water Pennsylvania owns transmission and distribution mains. Artesian Water Maryland owns land, transmission and distribution mains, pump facilities and storage tanks. Artesian Wastewater owns land, rights-of-way, easements, treatment and disposal plants, collection mains and lift stations. Artesian Wastewater owns a 75-acre parcel of land for the operation of the wastewater facility known as the Northern Sussex Regional Water Recharge Complex. The following table indicates our utility plant as of December 31, 2014.

Utility plant comprises:

In thousands

	Estimated Useful Life (In Years)	2014
Utility plant at original cost		
Utility plant in service-Water		
Intangible plant	---	\$140
Source of supply plant	45-85	19,029
Pumping and water treatment plant	8-62	73,432
Transmission and distribution plant		
Mains	81	216,174
Services	39	34,708
Storage tanks	76	23,943
Meters	26	22,460
Hydrants	60	11,540
General plant	3-31	52,081
Utility plant in service-Wastewater		
Treatment and Disposal Plant	35-62	12,815
Collection Mains and Lift Stations	81	6,900

General plant	3-31	883
Property held for future use	---	14,440
Construction work in progress	---	3,180
		491,725
Less – accumulated depreciation		97,932
		\$393,793

Substantially all of Artesian Water's utility plant, except the utility plant in the town of Townsend, Delaware, is pledged as security for First Mortgage Securities. As of December 31, 2014, no other utility plant has been pledged as security for loans.

We believe that our properties are generally maintained in good condition and in accordance with current standards of good water and wastewater works industry practice. We believe that all of our existing facilities adequately meet current necessary production capacities and current levels of utilization.

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ITEM 3. LEGAL PROCEEDINGS

On September 30, 2014, the United States District Court for the Eastern District of Pennsylvania, or the Court, issued an Order regarding the complaint filed on December 22, 2010 by Artesian Water, against Chester Water Authority, or CWA. The complaint claimed breach of contract, unjust enrichment, and requested declaratory judgment in relation to an interconnection agreement with CWA to supply bulk water supplies to Artesian Water. The Order of the Court stated the following:

The Addendum to the Interconnection Agreement between Artesian Water and CWA is a valid and enforceable contract by which CWA agreed to supply, and Artesian Water agreed to purchase, bulk water supplies, or the Supplies; and

CWA's calculation of rate increases for the Supplies in 2008, 2009, and 2010 were valid; and

Artesian Water is required to pay CWA amounts withheld related to CWA rate increases from 2008, 2009, and 2010 totaling approximately \$3.1 million; and

Artesian Water is not required to pay a 10% late fee totaling approximately \$300,000 on the amounts withheld related to CWA rate increases from 2008, 2009, and 2010; and

CWA shall file documentation no later than October 14, 2014 supporting the total amount of its damages in connection with Artesian Water's failure to pay for Supplies purchased beginning on July 1, 2010 at the rate then charged by CWA.

With regard to the third order above, the approximately \$3.1 million withheld from Artesian Water's previous payments to CWA were accrued by Artesian Water when originally invoiced by CWA and were paid by Artesian Water to CWA in October 2014. In addition, with regard to the fifth order above, CWA requested approximately \$379,000 in prejudgment and post judgment interest related to amounts withheld, which was accrued by Artesian Water as of December 31, 2014 and subsequently paid in January 2015. This amount is calculated at 6% per annum on outstanding amounts withheld.

Periodically, we are involved in other proceedings or litigation arising in the ordinary course of business. We do not believe that the ultimate resolution of these matters will materially affect our business, financial position or results of operations. However, we cannot assure that we will prevail in any litigation and, regardless of the outcome, may incur significant litigation expense and may have significant diversion of management attention.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is not applicable to our Company.

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PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIESMarket Information for the Company's Common Equity

Artesian Resources' Class A Non-Voting Common Stock, or Class A Stock, is listed on NASDAQ Global Select Market and trades under the symbol "ARTNA." On March 3, 2015, the last closing sale price as reported by the NASDAQ Global Select Market was \$21.44 per share. On March 3, 2015, there were 739 holders of record of the Class A Stock. The following table sets forth, for the periods indicated, the high and low closing sale prices for the Class A Stock as reported by NASDAQ Global Select Market and the cash dividends declared per share.

CLASS A NON-VOTING COMMON STOCK

	High	Low	Dividend Per Share
2014			
First Quarter	\$23.70	\$21.61	\$0.2088
Second Quarter	22.68	21.11	0.2119
Third Quarter	22.70	20.14	0.2119
Fourth Quarter	22.80	19.87	0.2151
2013			
First Quarter	\$22.88	\$21.73	\$0.2027
Second Quarter	23.57	22.88	0.2057
Third Quarter	23.99	21.80	0.2057
Fourth Quarter	23.70	21.68	0.2088

Our Class B Voting Stock, or Class B Stock, is quoted on the OTC Bulletin Board under the symbol "ARTNB." There has been a limited and sporadic public trading market for the Class B Stock. As of March 3, 2015, the last reported trade of the Class B Stock on the OTC Bulletin Board was at a price of \$22.40 per share on October 30, 2014. As of March 3, 2015, we had 163 holders of record of the Class B Stock. The Class B shares are paid the same dividend as the Class A shares noted in the table above.

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Recent Sales of Unregistered Securities

During the quarter ended December 31, 2014, we did not issue any unregistered shares of our Class A or Class B Stock.

Equity Compensation Plan Information

The following table provides information on the shares of our Class A Stock that may be issued upon exercise of outstanding stock options as of December 31, 2014 under the Company's stockholder approved stock plans.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	376,250	\$ 19.52	331,750
Equity compensation plans not approved by security holders	---	---	---
Total	376,250		331,750

The following graph compares the percentage change in cumulative shareholder return on the Company's Class A Stock with the Standard & Poor's 500 Stock Index and a Peer Group of water utility companies having similar market capitalizations. The graph covers the period from December 2009 (assuming a \$100 investment on December 31, 2009, and the reinvestment of any dividends) through December 2014:

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INDEXED RETURNS

Company Name / Index	Base Period	Years Ending December 31				
		2009	2010	2011	2012	2013
Artesian Resources Corporation	100	107.87	111.57	138.21	146.67	150.10
S&P 500 Index	100	115.06	117.49	136.30	180.44	205.14
Peer Group	100	119.08	135.73	161.67	191.23	234.83

The Peer Group includes American States Water Company, American Water Works Company, Inc., Aqua America, Inc., California Water Service Group, Connecticut Water Service, Inc., Middlesex Water Company, SJW Corporation and York Water Company.

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Utility plant, at original cost less accumulated depreciation	\$393,793	\$378,960	\$366,563	\$353,397	\$345,383
Total assets	\$422,213	\$403,832	\$391,714	\$378,737	\$371,529
Lines of credit	\$18,491	\$10,332	\$10,717	\$11,740	\$29,071
Long-term obligations and redeemable preferred stock, including current portions	\$106,199	\$106,642	\$107,368	\$108,257	\$106,606
Stockholders' equity	\$125,605	\$121,836	\$118,180	\$112,997	\$95,146
Total capitalization	\$230,559	\$227,346	\$224,437	\$219,536	\$200,207

OPERATING DATA

Average water sales per customer	\$780	\$755	\$783	\$714	\$723
Water pumped (millions of gallons)	7,592	7,286	7,407	7,401	7,517
Number of metered customers	82,900	81,900	81,200	80,600	78,400
Miles of water main	1,201	1,182	1,162	1,148	1,131

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Our profitability is primarily attributable to the sale of water. Gross water sales comprise 89.2% of total operating revenues for the year ended December 31, 2014. Our profitability is also attributed to the various contract operations, water and sewer Service Line Protection Plans and other services we provide. Water sales are subject to seasonal fluctuations, particularly during summer when water demand may vary with rainfall and temperature. In the event temperatures during the typically warmer months are cooler than expected, or rainfall is greater than expected, the demand for water may decrease and our revenues may be adversely affected. We believe the effects of weather are short term and do not materially affect the execution of our strategic initiatives. Our contract operations, Service Line Protection Plans and other services provide a revenue stream that is not affected by changes in weather patterns.

While water sales revenues are our primary source of revenues, we continue to seek growth opportunities to provide wastewater service in Delaware and the surrounding areas. We also continue to explore and develop relationships with developers and municipalities in order to increase revenues from contract water and wastewater operations, wastewater management services, design, construction and engineering services. We plan to continue developing and expanding our contract operations and other services in a manner that complements our growth in water service to new customers. Our anticipated growth in these areas is subject to changes in residential and commercial construction, which may be affected by interest rates, inflation and general housing and economic market conditions. We anticipate continued growth in our non-regulated division due to our water and sewer Service Line Protection Plans.

Water Division

Overview

Artesian Water, Artesian Water Maryland and Artesian Water Pennsylvania provide water service to residential, commercial, industrial, governmental, municipal and utility customers. Increases in the number of customers contribute to increases, or help to offset any intermittent decreases in our operating revenue. The Town of Middletown, which is one of our municipal customers and is located in southern New Castle County, Delaware, has nearly doubled in population since 2001, and population growth in this area is expected to continue for some time as a result of ongoing and future residential, commercial and industrial construction. As population growth continues in Middletown and other areas in Delaware, we believe that the demand for water will increase, thereby contributing to an increase in our operating revenues. As of December 31, 2014, we had approximately 80,600 metered water customers in Delaware, an increase of approximately 900 compared to December 31, 2013. The number of metered water customers in Maryland totaled 2,300 as of December 31, 2014, an increase of approximately 60 compared to 2013. The number of metered water customers in Pennsylvania totaled 40, which remained consistent with 2013. For the year ended December 31, 2014, approximately 7.6 billion gallons of water were distributed in our Delaware systems and approximately 123 million gallons of water were distributed in our Maryland systems.

Wastewater Division

Overview

Artesian Wastewater owns wastewater infrastructure and began providing wastewater services in Delaware in July 2005. Artesian Wastewater Maryland, which was incorporated on June 3, 2008, is able to provide regulated wastewater services in Maryland. Our wastewater customers are billed a flat monthly fee, which contributes to providing a revenue stream unaffected by weather.

Non-Regulated Division

Overview

Artesian Utility provides contract water and wastewater operation services to private, municipal and governmental institutions. Artesian Utility currently operates wastewater treatment facilities for the town of Middletown, in southern New Castle County, or Middletown, under a 20-year contract that expires in July 2022. The facilities include two wastewater treatment stations with capacities of up to approximately 2.5 mgd and 250,000 gallons per day, respectively. We also operate a wastewater disposal facility in Middletown in order to support the 2.5 mgd wastewater facility.

Artesian Utility has operated the WSLP Plan and the SSLP Plan since 2012. Artesian Resources initiated the WSLP Plan in March 2005. The WSLP Plan covers all parts, material and labor required to repair or replace participating customers' leaking water service lines up to an annual limit. The WSLP Plan was expanded in the second quarter of 2008 to include maintenance or repair to customers' sewer lines. The SSLP Plan covers all parts, material and labor required to repair or replace participating customers' leaking or clogged sewer lines up to an annual limit. Also, in the second quarter of 2010, the WSLP Plan and SSLP Plan were extended to include non-utility customers of Artesian Resources. As of December 31, 2014, approximately 18,800, or 27.1%, of our eligible water customers signed up for the WSLP Plan, approximately 14,000, or 20.2%, of our eligible customers signed up for the SSLP Plan and approximately 1,000 non-customer participants signed up for either the WSLP Plan or SSLP Plan.

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Artesian Development is a real estate holding company that owns properties, including land zoned for office buildings, a water treatment plant and wastewater facility, as well as property for current operations, including an office facility in Sussex County, Delaware. The facility consists of approximately 10,000 square feet of office space along with nearly 10,000 square feet of warehouse space. This facility allows all of our Sussex County, Delaware operations to be housed in one central location.

Artesian Consulting Engineers no longer offers development and architectural services to outside third parties. Artesian will continue to provide design and engineering contract services through our Artesian Utility subsidiary.

Strategic Direction

Our strategy is to significantly increase customer growth, revenues, earnings and dividends by expanding our water, wastewater and Service Line Protection Plan services across the Delmarva Peninsula. We remain focused on providing superior service to our customers and continuously seeking ways to improve our efficiency and performance. By providing water and wastewater services, we believe we are positioned as the primary resource for developers and communities throughout the Delmarva Peninsula seeking to fill both needs simultaneously. We have a proven ability to acquire and integrate high growth, reputable entities, through which we have captured additional service territories that will serve as a base for future revenue. We believe this experience presents a strong platform for further expansion and that our success to date also produces positive relationships and credibility with regulators, municipalities, developers and customers in both existing and prospective service areas.

In our regulated water division, our strategy is to focus on a wide spectrum of activities, which include identifying new and dependable sources of supply, developing the wells, treatment plants and delivery systems to supply water to customers and educating customers on the wise use of water. Our strategy includes focused efforts to expand in new regions added to our Delaware service territory over the last 10 years. In addition, we believe growth will occur in the Maryland counties on the Delmarva Peninsula. We plan to expand our regulated water service area in the Cecil County designated growth corridor and to expand our business through the design, construction, operation, management and acquisition of additional water systems. The expansion of our exclusive franchise areas elsewhere in Maryland and the award of contracts will similarly enhance our operations within the state.

We believe that Delaware's generally lower cost of living in the region, availability of development sites in relatively close proximity to the Atlantic Ocean in Sussex County, and attractive financing rates for construction and mortgages have resulted, and will continue to result, in increases to our customer base. Delaware's lower property and income tax rate make it an attractive region for new home development and retirement communities. Substantial portions of Delaware are currently not served by a public water system, which could also assist in an increase to our customer base as systems are added.

In our regulated wastewater division, we foresee significant growth opportunities and will continue to seek strategic partnerships and relationships with developers and municipalities to complement existing agreements for the provision of wastewater service on the Delmarva Peninsula. Artesian Wastewater plans to utilize our larger regional wastewater facilities to expand service areas to new customers while transitioning our smaller treatment facilities into regional pump stations in order to gain additional efficiencies in the treatment and disposal of wastewater. We feel this will reduce operational costs at the smaller treatment facilities in the future since they will be converted from treatment and disposal plants to pump stations to assist with transitioning the flow of wastewater from one regional facility to another.

The general need for increased capital investment in our water and wastewater systems is due to a combination of population growth, more protective water quality standards and aging infrastructure. Our capital investment plan for the next five years includes projects for water treatment plant improvements and additions in both Delaware and Maryland and wastewater treatment plant improvements and additions in Delaware. Capital improvements are

planned and budgeted to meet anticipated changes in regulations and needs for increased capacity related to projected growth. The Delaware Public Service Commission and Maryland Public Service Commission have generally recognized the operating and capital costs associated with these improvements in setting water and wastewater rates for current customers and capacity charges for new customers.

In our non-regulated division, we continue pursuing opportunities to expand our contract operations. Through Artesian Utility, we will seek to expand our contract design, engineering and construction services of water and wastewater facilities for developers, municipalities and other utilities. Artesian Development owns two nine-acre parcels of land, located in Sussex County, Delaware, which will allow for construction of a water treatment facility and wastewater treatment facility.

Inflation

We are affected by inflation, most notably by the continually increasing costs required to maintain, improve and expand our service capability. The cumulative effect of inflation results in significantly higher facility costs compared to investments made 20 to 40 years ago, which must be recovered from future cash flows.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those we believe are most important to portraying the financial condition and results of operations and also require significant estimates, assumptions or other judgments by management. The following provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of the Company. Changes in the estimates, assumptions or other judgments included within these accounting policies could result in a significant change to the financial statements in any quarterly or annual period. We consider the following policies to be the most critical in understanding the judgment that is involved in preparing our Consolidated Financial Statements. Senior management has discussed the selection and development of our critical accounting policies and estimates with the Audit Committee of the Board of Directors.

All additions to plant are recorded at cost. Cost includes direct labor, materials, and indirect charges for such items as transportation, supervision, pension, medical, and other fringe benefits related to employees engaged in construction activities. When depreciable units of utility plant are retired, any cost associated with retirement, less any salvage value or proceeds received, is charged to a regulated retirement liability. Maintenance, repairs, and replacement of minor items of plant are charged to expense as incurred.

We record water service revenue, including amounts billed to customers on a cycle basis and unbilled amounts, based upon estimated usage from the date of the last meter reading to the end of the accounting period. As actual usage amounts are received, adjustments are made to the unbilled estimates in the next billing cycle based on the actual results. Estimates are made on an individual customer basis, based on one of three methods (the previous year's consumption in the same period, the previous billing period's consumption, or averaging) and are adjusted to reflect current changes in water demand on a system-wide basis. While actual usage for individual customers may differ materially from the estimate, we believe the overall total estimate of consumption and revenue for the fiscal period will not differ materially from actual billed consumption, as the overall estimate has been adjusted to reflect any change in overall demand on the system for the period.

We record accounts receivable at the invoiced amounts. The reserve for bad debts is adjusted based on the provision for bad debts, which is calculated as a percentage of total water sales. The Company reviews the bad debt provision expense and the reserve for bad debts on a quarterly basis. Account balances are written off against the reserve when it is probable the receivable will not be recovered.

Our regulated utilities record deferred regulatory assets under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 980, which are costs that may be recovered over various lengths of time as prescribed by the DEPSC, MDPSC and PAPUC. As the utility incurs certain costs, such as expenses related to rate case applications, a deferred regulatory asset is created. Adjustments to these deferred regulatory assets are made when the DEPSC, MDPSC or PAPUC determines whether the expense is recoverable in rates, the length of time over which an expense is recoverable, or, because of changes in circumstances, whether a remaining balance of deferred expense is recoverable in rates charged to customers. Adjustments to reflect changes in recoverability of certain deferred regulatory assets may have a significant effect on our financial results.

Our long-lived assets consist primarily of utility plant in service and regulatory assets. We review for impairment of our long-lived assets, including utility plant in service, in accordance with the requirements of FASB ASC Topic 360. We review regulatory assets for the continued application of FASB ASC Topic 980. Our review determines whether there have been changes in circumstances or events that have occurred that require adjustments to the carrying value of these assets. Adjustments to the carrying value of these assets would be made in instances where changes in circumstances or events indicate the carrying value of the asset may not be recoverable. The Company believes there are no impairments in the carrying amounts of its long-lived assets or regulatory assets at December 31,

2014.

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Results of Operations

2014 Compared to 2013

Operating Revenues

Revenues totaled \$72.5 million for the year ended December 31, 2014, \$3.4 million, or 4.9%, above revenues for the year ended December 31, 2013 of \$69.1 million. Water sales revenues increased \$2.8 million, or 4.6%, for the year ended December 31, 2014 from the corresponding period in 2013, a result of temporary rate increases of 3.98% and 7.17% placed into effect on June 10, 2014 and November 13, 2014, respectively, as permitted under Delaware law, until permanent rates are determined by the DEPSC. A portion of the second step of temporary increases was held in reserve based on an estimated outcome. The increase in water sales revenue is partially offset by a decrease in the Distribution System Improvement Charge, or DSIC, revenue, as the DSIC was reset to zero upon the implementation of the first step of temporary rate increases. We realized 89.2% of our total operating revenue for the year ended December 31, 2014 from the sale of water as compared to 89.5% for the year ended December 31, 2013.

Other utility operating revenue increased approximately \$395,000, or 12.1%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase is primarily due to an increase in service and finance charges and an increase in wastewater revenue. Wastewater revenue increased primarily due to an increase in rates that were fully implemented in 2014 and an increase in the number of wastewater customers.

Non-utility operating revenue increased approximately \$176,000, or 4.4%, for the year ended December 31, 2014 compared to same period in 2013. The increase is primarily due to an approximately \$334,000 increase in water and wastewater Service Line Protection Plan, or SLP Plans, revenue. The SLP Plans provide coverage for all material and labor required to repair or replace participants' leaking water service or clogged sewer lines up to an annual limit. The increase in non-utility operating revenue is partially offset by a decrease in contract revenue, primarily due to a decrease in wastewater contract services.

Percentage of Operating Revenues

	2014	2013	2012
Water Sales			
Residential	53.6 %	54.4 %	55.4 %
Commercial	21.3	21.3	21.5
Industrial	0.1	0.1	0.1
Government and Other	14.2	13.7	13.1
Other utility operating revenues	5.0	4.7	4.5
Non-utility operating revenues	5.8	5.8	5.4
Total	100.0%	100.0 %	100.0%

Residential

Residential water service revenues in 2014 amounted to \$38.8 million, an increase of \$1.3 million, or 3.5% above the \$37.5 million recorded in 2013, primarily due to a 3.98% and 7.17% temporary increase in rates placed in effect June 10, 2014 and November 13, 2014, respectively. The increase in 2014 follows a decrease of \$1.6 million, or 4.0%, in 2013 which was primarily due a decrease in overall water consumption. The volume of water sold to residential customers increased to 3,702 million gallons in 2014 compared to 3,616 million gallons in 2013, a 2.4% increase. The number of residential customers served increased by approximately 900, or 1.2%, in 2014.

Commercial

Water service revenues from commercial customers in 2014 increased by 4.9%, from \$14.7 million in 2013 to \$15.4 million in 2014, primarily due to a 3.98% and 7.17% temporary increase in rates placed in effect June 10, 2014 and November 13, 2014, respectively, and an increase in water consumption. We sold 2,120 million gallons of water to commercial customers in 2014, a slight increase as compared to 2,012 million gallons sold in 2013.

Industrial

Water service revenues from industrial customers increased from \$82,000 in 2013 to \$104,000 in 2014. The volume of water sold to industrial customers increased from 10 million gallons in 2013 to 12 million gallons in 2014.

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Government and Other

Government and other water service revenues in 2014 increased by 8.0%, from \$9.5 million in 2013 to \$10.3 million in 2014, primarily due to an increase in consumption by re-sale customers. The volume of water sold to government and other customers increased from 731 million gallons in 2013 to 857 million gallons in 2014.

Other Utility Operating Revenue

Other utility operating revenue, derived from contract operations, antenna leases on water tanks, finance/service charges and wastewater customer service revenues increased 12.1% in 2014, from \$3.3 million in 2013 to \$3.6 million in 2014. As a percentage of operating revenues, other utility operating revenues increased to 5.0% from 4.7%. The increase is primarily due to an increase in service and finance charges and wastewater revenue.

Non-Utility Operating Revenue

Non-utility operating revenue, derived from non-regulated water and wastewater operations, increased from \$4.0 million in 2013 to \$4.1 million in 2014. The increase is primarily due to an approximately \$0.3 million increase in water and wastewater SLP Plans revenue. The SLP Plans provide coverage for all material and labor required to repair or replace participants' leaking water service or clogged sewer lines up to an annual limit. The increase in non-utility operating revenue is partially offset by a decrease in Artesian Utility revenue, related to a decrease in wastewater contract services.

Operating Expenses

Operating expenses, excluding depreciation and income taxes, increased \$0.6 million, or 1.5%, to \$41.4 million in 2014. The components of the change in operating expenses includes an increase in utility operating expenses of \$0.4 million and an increase in property and other taxes of \$0.2 million.

The increase in utility operating expenses of \$0.4 million, or 1.2%, in 2014 as compared to 2013, is primarily comprised of an increase in payroll and employee benefit expenses, partially offset by a decrease in administration expenses.

Payroll and employee benefit costs increased \$1.0 million, or 5.3%, primarily the result of an increase in wages and an increase in medical benefit premiums, partially offset by the reclassification of personnel costs to overhead for capital projects based on a review of job responsibilities.

Administration expenses decreased approximately \$0.9 million, or 17.6%, of which \$0.8 million is due to decreased legal costs associated with the litigation against Chester Water Authority in regard to the proper determination of the rate charged for water purchased under contract from the Chester Water Authority, which is partially offset by an increase in rate case expense of \$0.2 million.

Non-utility expenses increased approximately \$0.1 million, or 3.3%, primarily the result of an increase in SLP plan repairs. The increased repair costs are a result of increased SLP Plan participation.

Percentage of Operating and Maintenance Expenses

	2014	2013	2012
Payroll and Associated Expenses	51.8 %	49.8 %	50.8 %
Administrative	19.4	21.7	20.1
Purchased Water	10.9	11.0	11.2

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Repair and Maintenance	8.6	8.2	8.5
Water Treatment	3.4	3.5	3.6
Non-utility Operating	5.9	5.8	5.8
Total	100.0 %	100.0 %	100.0 %

Property and other taxes increased by \$0.2 million, or 4.0%, compared to the same period in 2013, reflecting increases in tax rates charged for public schools in various areas where Artesian holds property and an increase in utility plant subject to taxation. Property taxes are assessed on land, buildings and certain utility plant, which include the footage and size of pipe, hydrants and wells primarily owned by Artesian Water.

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The ratio of operating expense, excluding depreciation and income taxes, to total operating revenues was 57.1% for the year ended December 31, 2014, compared to 59.0% for the year ended December 31, 2013.

Depreciation and amortization expense increased \$0.4 million, or 5.1%, primarily due to continued investment in utility plant in service providing supply, treatment, storage and distribution of water.

Federal and state income tax expense increased \$0.8 million, primarily due to higher pre-tax income for the year ended December 31, 2014, compared to the year ended December 31, 2013. Our total effective income tax rate, or ETR, for 2014 and 2013 was 40.1% and 40.2%, respectively.

Other Income, Net

Miscellaneous income decreased \$24,000, primarily due to a refund of assessment payments previously paid to the Delaware Public Service Commission, or DEPSC, received in 2013. Each year public utility companies, like Artesian Water, are required to fund the DEPSC's operations by paying an assessment based on their estimated annual gross revenues. After periodic review by the DEPSC, excess funds above those necessary to operate the DEPSC are refunded to the respective public utility company. The amount refunded to Artesian in 2013 reflected an assessment that covers 2011. There were no amounts refunded to Artesian in 2014. Refunds from the DEPSC related to excess fund payments are not typical and we can make no assurances that refunds for excess payments will be issued in the future. The decrease in miscellaneous income is partially offset by an increase in the amount of the annual CoBank investment patronage distribution.

Interest Charges

Interest expense increased \$0.3 million, due to accrual of prejudgment interest expense related with the litigation against Chester Water Authority in regard to the proper determination of the rate charged for water purchased under contract from Chester Water Authority, which is partially offset by a decrease in long-term debt outstanding.

Net Income

For the year ended December 31, 2014, our net income applicable to common stock increased \$1.2 million compared to the same period a year ago. This increase in net income was due to higher operating income margins and decreased legal costs. The increased water sales revenue is primarily due to temporary rate increases placed in effect on June 10, 2014, and November 13, 2014 in addition to an increase in overall water consumption. A portion of the second step of temporary increases was held in reserve based on an estimated outcome and is not reflected in net income. The decrease of \$0.8 million in legal costs are primarily associated with the litigation against Chester Water Authority in regard to the proper determination of the rate charged for water purchased under contract.

2013 Compared to 2012

Operating Revenues

Revenues totaled \$69.1 million for the year ended December 31, 2013, \$1.5 million, or 2.1%, below revenues for the year ended December 31, 2012 of \$70.6 million. Water sales revenues decreased \$1.8 million, or 2.8%, for the year ended December 31, 2013 from the corresponding period in 2012. A decrease in overall water consumption, a result of the effects of weather associated with the heavy precipitation experienced during 2013, reduced water sales revenues by \$2.8 million for the year ended December 31, 2013 as compared to the same period in 2012. Partially offsetting this decrease in water sales revenues was an increase in the Distribution System Improvement Charge, or DSIC, revenue of approximately \$1.1 million for the year ended December 31, 2013 compared to the same period in 2012. We realized 89.5% of our total operating revenue for the year ended December 31, 2013 from the sale of water

as compared to 90.1% for the year ended December 31, 2012.

Other utility operating revenue increased approximately \$84,000, or 2.7%, for the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase was primarily due to an increase in wastewater revenue.

Non-utility operating revenue increased approximately \$187,000, or 4.9%, for the year ended December 31, 2013 compared to same period in 2012. The increase was primarily due to an approximately \$271,000 increase in water and wastewater Service Line Protection Plan, or SLP Plans, revenue. The SLP Plans provide coverage for all material and labor required to repair or replace participants' leaking water service or clogged sewer lines up to an annual limit. The increase in non-utility operating revenue was partially offset by an approximately \$92,000 decrease in Artesian Utility revenue, related to a decrease in contract services performed for municipalities in Maryland and a decrease in design services.

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Residential

Residential water service revenues in 2013 amounted to \$37.5 million, a decrease of \$1.6 million, or 4.0% below the \$39.1 million recorded in 2012, primarily due to a decrease in overall water consumption. The decrease in 2013 followed an increase of \$3.7 million, or 10.5%, in 2012, which was primarily due to an 11.13% permanent increase in rates effective January 1, 2012. The volume of water sold to residential customers decreased to 3,616 million gallons in 2013 compared to 3,959 million gallons in 2012, an 8.7% decrease, primarily the result of weather associated with the heavy precipitation experienced during 2013. The number of residential customers served increased by approximately 745, or 1.0%, in 2013.

Commercial

Water service revenues from commercial customers in 2013 decreased by 3.4%, from \$15.2 million in 2012 to \$14.7 million in 2013, primarily due to a decrease in water consumption. We sold 2,012 million gallons of water to commercial customers in 2013, a slight decrease as compared to 2,118 million gallons sold in 2012.

Industrial

Water service revenues from industrial customers increased from \$70,000 in 2012 to \$82,000 in 2013. The volume of water sold to industrial customers increased from 8 million gallons in 2012 to 10 million gallons in 2013.

Government and Other

Government and other water service revenues in 2013 increased by 3.1%, from \$9.2 million in 2012 to \$9.5 million in 2013, primarily due to an increase in consumption by re-sale customers. The volume of water sold to government and other customers increased from 645 million gallons in 2012 to 731 million gallons in 2013.

Other Utility Operating Revenue

Other utility operating revenue, derived from contract operations, antenna leases on water tanks, finance/service charges and wastewater customer service revenues increased 2.7% in 2013, from \$3.2 million in 2012 to \$3.3 million in 2013. As a percentage of operating revenues, other utility operating revenues increased to 4.7% from 4.5%. The increase was primarily due to increased wastewater revenue.

Non-Utility Operating Revenue

Non-utility operating revenue, derived from non-regulated water and wastewater operations, increased from \$3.8 million in 2012 to \$4.0 million in 2013. The increase was primarily due to an approximately \$271,000 increase in water and wastewater SLP Plans revenue. The increase in non-utility operating revenue was partially offset by an approximately \$92,000 decrease in Artesian Utility revenue, related to a decrease in contract services performed for municipalities in Maryland and a decrease in design services.

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Operating Expenses

Operating expenses, excluding depreciation and income taxes, increased \$0.6 million, or 1.5%, to \$40.8 million in 2013. The components of the change in operating expenses included an increase in utility operating expenses of \$0.4 million and an increase in property and other taxes of \$0.2 million.

The increase in utility operating expenses of \$0.4 million, or 1.1%, in 2013 as compared to 2012, was primarily comprised of an increase in administration expenses, partially offset by a decrease in payroll and employee benefit costs.

Administration expenses increased \$0.6 million, or 12.3%, of which \$0.5 million was due to increased legal costs associated with the litigation against Chester Water Authority in regard to the proper determination of the rate charged for water purchased under contract from the Chester Water Authority. In addition, consulting services increased primarily related to the upgrade of our customer service software.

Payroll and employee benefit costs decreased \$0.2 million, or 0.8%, primarily the result of bonuses issued to employees in 2012 not issued in 2013, partially offset by an increase in medical benefit premiums and an increase in wages.

Non-utility expenses increased approximately \$21,000, or 1.0%, primarily the result of increased SLP Plan repair costs in Artesian Utility, as compared to the same period in 2012. The increased repair costs are a result of increased SLP Plan participation.

Property and other taxes increased by \$0.2 million, or 4.4%, compared to the same period in 2012, reflecting increases in tax rates charged for public schools in various areas where Artesian holds property and an increase in utility plant subject to taxation. Property taxes are assessed on land, buildings and certain utility plant, which include the footage and size of pipe, hydrants and wells primarily owned by Artesian Water.

The ratio of operating expense, excluding depreciation and income taxes, to total operating revenues was 59.0% for the year ended December 31, 2013, compared to 56.9% for the year ended December 31, 2012.

Depreciation and amortization expense increased \$0.3 million, or 4.0%, primarily due to continued investment in utility plant in service providing supply, treatment, storage and distribution of water.

Federal and state income tax expense decreased \$1.0 million, primarily due to lower pre-tax income for the year ended December 31, 2013, compared to the year ended December 31, 2012. Our total effective income tax rate, or ETR, for 2013 and 2012 was 40.2%.

Other Income, Net

Miscellaneous income decreased \$165,000 primarily due to a refund of assessment payments previously paid to the Delaware Public Service Commission, or DEPSC, received in 2012. Each year public utility companies, like Artesian Water, are required to fund the DEPSC's operations by paying an assessment based on their estimated annual gross revenues. After periodic review by the DEPSC, excess funds above those necessary to operate the DEPSC are refunded to the respective public utility company. The amount refunded to Artesian in 2012 reflected an assessment that covered a 4-year period from 2007 to 2010. The amount refunded to Artesian in 2013 reflects an assessment that covers 2011. Refunds from the DEPSC related to excess fund payments are not typical and we can make no assurances that refunds for excess payments will be issued in the future.

Interest Charges

Interest charges increased \$10,000, or 0.1%, primarily due to an increase in short-term debt outstanding.

Net Income

For the year ended December 31, 2013, our net income applicable to common stock decreased \$1.5 million compared to the same period a year ago. This decrease in net income was due to lower operating income margins in our water utility business, primarily the result of decreased water sales revenue and increased legal costs. The decreased water sales revenue is primarily due to a decrease in overall water consumption, which is the result of the effects of weather associated with the heavy precipitation experienced during 2013. The increased legal costs, approximately \$0.5 million, are primarily associated with the litigation against Chester Water Authority in regard to the proper determination of the rate charged for water purchased under contract.

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Liquidity and Capital Resources

Overview

Our primary sources of liquidity for the year ended December 31, 2014 were \$18.3 million provided by cash flow from operating activities, \$3.8 million in net contributions and advances from developers and \$1.7 million in net proceeds from the issuance of common stock. In addition, the Company has a long history of paying regular quarterly dividends as approved by our Board of Directors using net cash from operating activities. We paid dividends totaling \$7.5 million, \$7.2 million and \$6.9 million in 2014, 2013 and 2012, respectively. Cash flow from operating activities is primarily provided by our utility operations, and is impacted by the timeliness and adequacy of rate increases and changes in water consumption as a result of year-to-year variations in weather conditions, particularly during the summer. A significant part of our ability to maintain and meet our financial objectives is to ensure that our investments in utility plant and equipment are recovered in the rates charged to customers. As such, from time to time, we file rate increase requests to recover increases in operating expenses and investments in utility plant and equipment.

The amount outstanding on the Company's lines of credit was \$18.5 million as of December 31, 2014, an increase of \$8.2 million over the amount outstanding as of December 31, 2013, compared to a decrease of \$0.4 million for the year ended December 31, 2013. The increase in overall borrowings during 2014 as compared to 2013 was primarily the result of higher investments made in utility plant in 2014. In addition, pursuant to the Order issued on September 30, 2014 by the United States District Court for the Eastern District of Pennsylvania regarding the complaint filed on December 22, 2010 by Artesian Water against Chester Water Authority, or CWA, Artesian Water was required to pay CWA amounts withheld related to CWA rate increases from 2008, 2009, and 2010 totaling approximately \$3.1 million. The approximately \$3.1 million withheld from Artesian Water's previous payments to CWA were accrued by Artesian Water when originally invoiced by CWA. Artesian Water financed the \$3.1 million payment using existing lines of credit. The \$3.1 million withheld was paid by Artesian Water to CWA in October 2014.

We depend on the availability of capital for expansion, construction and maintenance. We rely on our sources of liquidity for investments in our utility plant and to meet our various payment obligations. We expect that our aggregate investments in our utility plant and systems in 2015 will be approximately \$21.1 million. Our total obligations related to interest and principal payments on indebtedness, rental payments and water service interconnection agreements for 2015 are anticipated to be approximately \$12.0 million. We expect to fund our activities for the next year using our available cash balances, bank credit lines and projected cash generated from operations. We believe that internally generated funds along with existing credit facilities will be adequate to provide sufficient working capital to maintain normal operations and to meet our financing requirements. However, since part of our business strategy is to expand through strategic acquisitions, we may seek additional debt financing or issue additional equity securities to finance future acquisitions or for other purposes.

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Investment in Plant and Systems

The primary focus of Artesian's investment was to continue to provide high quality reliable service to our growing service territory. We invested \$23.7 million in capital expenditures during 2014 compared to \$21.2 million invested during the same period in 2013. During 2014, we invested \$7.8 million to enhance or improve existing treatment facilities and sources of supply and for the rehabilitation of pumping equipment to better serve our customers. We invested \$1.2 million to upgrade and automate our meter reading equipment. We invested approximately \$8.4 million for our rehabilitation program for transmission and distribution facilities by replacing aging or deteriorating mains and for new transmission and distribution facilities. We invested approximately \$0.5 million in mandatory utility plant expenditures due to governmental highway projects which require the relocation of water service mains in addition to facility improvements and upgrades. Developers financed \$2.8 million for the installation of water mains and hydrants in 2014 compared to \$4.3 million in 2013. We invested \$1.8 million for equipment purchases, computer hardware and software upgrades, and furniture and equipment related to renovations made to our main office building located in New Castle County. The investment in general plant also includes an additional investment of \$0.8 million for transportation and equipment purchases. An additional \$0.4 million was invested in wastewater projects in Delaware.

The following chart summarizes our investment in plant and systems over the past three fiscal years.

In thousands	2014	2013	2012
Source of supply	\$945	\$885	\$1,321
Treatment and pumping	6,914	1,857	5,025
Transmission and distribution	10,220	9,016	7,681
General plant and equipment	2,622	4,253	3,460
Developer financed utility plant	2,784	4,292	1,632
Wastewater facilities	457	1,094	1,632
Allowance for Funds Used During Construction, AFUDC	(212)	(209)	(205)
Total	\$23,730	\$21,188	\$20,546

Of the \$21.1 million we expect to invest in 2015, approximately \$7.9 million will be invested in transmission and distribution facilities, including the replacement of facilities, and the extension of facilities to address service needs in growth areas of our service territory. Approximately \$1.4 million will be invested in the relocations of facilities as a result of government mandates and renewals associated with the rehabilitation of aging infrastructure. Approximately \$4.9 million will be invested for new treatment facilities, facility upgrades, equipment and wells throughout Delaware and Maryland to identify, develop, treat and protect sources of water supply to assure uninterrupted service to our customers. In addition, we will refund \$1.1 million to customers, real estate developers and builders related to previous advances for construction they provided to Artesian in order to extend water service to their properties.

We also plan to invest \$4.7 million in general plant, which includes new corporate automation, building renovations and transportation and equipment upgrades. Additionally, \$1.1 million will be invested in Artesian Wastewater for ongoing construction of wastewater plants. Our projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors. The company's investment for 2015 is partially offset by expected developer contributions and advances of \$5.9 million.

Financing

We expect to fund our activities for the next twelve months using our available cash balances, bank credit lines, projected cash generated from operations and financing in the capital markets as necessary.

We have several sources of liquidity to finance our investment in utility plant and other fixed assets. We estimate that the projected investment will be financed by our operations and external sources, including a combination of capital investment as well as short-term borrowings under our revolving credit agreements discussed below.

Our cash flows from operations are primarily derived from water sales revenues and may be materially affected by changes in water sales due to weather and the timing and extent of increases in rates approved by state Public Service Commissions.

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Lines of Credit

At December 31, 2014, Artesian Resources had a \$40 million line of credit with Citizens Bank, or Citizens, which is available to all subsidiaries of Artesian Resources. As of December 31, 2014, there was \$31.5 million of available funds under this line of credit. The interest rate for borrowings under this line is the London Interbank Offered Rate, or LIBOR, plus 1.00%. This is a demand line of credit and therefore the financial institution may demand payment for any outstanding amounts at any time. The term of this line of credit expires on the earlier of May 28, 2015 or any date on which Citizens demands payment.

At December 31, 2014, Artesian Water had a \$20 million line of credit with CoBank, ACB, or CoBank, that allows for the financing of operations for Artesian Water, with up to \$10 million of this line available for the operations of Artesian Water Maryland. As of December 31, 2014, there was \$10.0 million of available funds under this line of credit. The interest rate for borrowings under this line is LIBOR plus 1.50%. CoBank may make an annual patronage refund, which has been equal to 1.00% of the average line of credit and loan volume outstanding by Artesian during each of the years ended December 31, 2014, December 31, 2013, and December 31, 2012. The patronage refunds earned by Artesian for the years ended December 31, 2014, December 31, 2013 and December 31, 2012 were \$682,000, \$629,000 and \$654,000, respectively. The term of this line of credit expires on January 12, 2016.

Line of Credit Commitments	Commitment Due by Period			
	Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years
In thousands	\$18,491	\$-----	\$-----	\$-----
Lines of Credit				

Long-Term Debt

Artesian Water's trust indentures, which set certain criteria for the issuance of new long-term debt, limit long-term debt, including the short-term portion thereof, to 66 % of total capitalization. Our debt to total capitalization, including the short-term portion thereof, was 45.8% at December 31, 2014. In addition, our revolving line of credit with CoBank contains customary affirmative and negative covenants that are binding on us (which are in some cases subject to certain exceptions), including, but not limited to, restrictions on our ability to make certain loans and investments, guaranty certain obligations, enter into, or undertake, certain mergers, consolidations or acquisitions, transfer certain assets, change our business or incur additional indebtedness. In addition, this line of credit requires us to abide by certain financial covenants and ratios. As of December 31, 2014, we were in compliance with these covenants.

Contractual Obligations	Payments Due by Period				
	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
In thousands					
First mortgage bonds (principal and interest)	\$6,903	\$13,694	\$35,325	\$105,575	\$161,497
State revolving fund loans (principal and interest)	984	1,969	1,969	7,104	12,026
Operating leases	73	107	112	1,533	1,825
Unconditional purchase obligations	3,813	7,637	7,626	7,637	26,713
Tank painting contractual obligation	306	306	-	-	612
Total contractual cash obligations	\$12,079	\$23,713	\$45,032	\$121,849	\$202,673

Long-term debt obligations reflect the maturities of certain series of our first mortgage bonds, which we intend to refinance when due. The state revolving fund loan obligation has an amortizing mortgage payment payable over a 20-year period, and will be refinanced as future securities are issued. Both the long-term debt and the state revolving

fund loan have certain financial covenant provisions, the violation of which could result in default and require the obligation to be immediately repaid, including all interest. We have not experienced conditions that would result in our default under these agreements, and we do not anticipate any such occurrence. Payments for unconditional purchase obligations reflect minimum water purchase obligations based on rates that are subject to change under our interconnection agreement with the Chester Water Authority.

On July 15, 2011, Artesian Water entered into a Financing Agreement with the Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health & Social Services, Division of Public Health, a public agency of Delaware, or the Department. The Company has been given a loan of approximately \$3.6 million, or the Loan, from the Delaware Safe Drinking Water Revolving Fund to finance all or a portion of the cost to replace specific water transmission mains in service areas located in New Castle County, Delaware (collectively, the "Project"). The Company shall pay to the Department, on the principal amount drawn down and outstanding from the date drawn, interest at a rate of 1.7% per annum and an administrative fee at the rate of 1.7% per annum. As of December 31, 2014, approximately \$2.6 million was borrowed under this Loan. The Company will not request any further funds under this Loan.

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IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 17 to our Consolidated Financial Statements for a full description of the impact of recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, short-term debt. The Company's exposure to interest rate risk related to existing fixed rate, long-term debt is due to the term of the majority of our First Mortgage Bonds, which have final maturity dates ranging from 2018 to 2043, which exposes the Company to interest rate risk as interest rates may drop below the existing fixed rate of the long-term debt prior to such debt's maturity. In addition, the Company has interest rate exposure on \$60 million of variable rate lines of credit with two banks, under which the interim bank loans payable at December 31, 2014 were approximately \$18.5 million. An increase in interest rates will result in an increase in the cost of borrowing on this variable rate line. We are also exposed to market risk associated with changes in commodity prices. Our risks associated with price increases in chemicals, electricity and other commodities are mitigated by our ability to recover our costs through rate increases to our customers. We have also sought to mitigate future significant electric price increases by signing a two year supply contract, at a fixed price.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2014	December 31, 2013
ASSETS		
Utility plant, at original cost less accumulated depreciation	\$ 393,793	\$ 378,960
Current assets		
Cash and cash equivalents	243	422
Accounts receivable (less allowance for doubtful accounts 2014 - \$250; 2013-\$221)	5,065	5,115
Income tax receivable	3,068	455
Unbilled operating revenues	3,314	3,009
Materials and supplies	1,890	1,485
Prepaid property taxes	1,401	1,491
Prepaid expenses and other	1,667	1,277
Total current assets	16,648	13,254
Other assets		
Non-utility property (less accumulated depreciation 2014-\$468; 2013-\$389)	4,030	4,142
Other deferred assets	5,181	5,172
Total other assets	9,211	9,314
Regulatory assets, net	2,561	2,304
	\$ 422,213	\$ 403,832
LIABILITIES AND STOCKHOLDERS' EQUITY		
Stockholders' equity		
Common stock	\$ 8,912	\$ 8,830
Preferred stock	—	—
Additional paid-in capital	92,545	90,841
Retained earnings	24,148	22,165
Total stockholders' equity	125,605	121,836
Long-term debt, net of current portion	104,954	105,510
	230,559	227,346
Current liabilities		
Lines of credit	18,491	10,332
Current portion of long-term debt	1,245	1,132
Accounts payable	3,783	4,140
Accrued expenses	1,513	3,710
Overdraft payable	141	746
Deferred income taxes	812	838
Accrued interest	1,428	1,054
Customer deposits	713	801
Other	2,066	2,810
Total current liabilities	\$ 30,192	\$ 25,563
Commitments and contingencies (Note 10)	—	—
Deferred credits and other liabilities		
Net advances for construction	\$ 10,228	\$ 11,427
Postretirement benefit obligation	268	309

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Deferred investment tax credits	581	601
Utility plant retirement cost obligation	913	979
Deferred income taxes	57,043	49,742
Total deferred credits and other liabilities	\$ 69,033	\$ 63,058
Net contributions in aid of construction	92,429	87,865
	\$ 422,213	\$ 403,832

The notes are an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except per share amounts

	For the Year Ended December 31,		
	2014	2013	2012
Operating revenues			
Water sales	\$64,667	\$61,846	\$63,607
Other utility operating revenue	3,648	3,253	3,169
Non-utility operating revenue	4,150	3,974	3,787
	72,465	69,073	70,563
Operating expenses			
Utility operating expenses	34,893	34,509	34,117
Non-utility operating expenses	2,193	2,121	2,100
Depreciation and amortization	8,673	8,251	7,930
Taxes			
State and federal income taxes			
Current	(900)	1,725	1,940
Deferred	7,275	3,863	4,676
Property and other taxes	4,285	4,120	3,945
	56,419	54,589	54,708
Operating income	16,046	14,484	15,855
Other income, net			
Allowance for funds used during construction (AFUDC)	329	324	323
Miscellaneous	524	548	713
	853	872	1,036
Income before interest charges	16,899	15,356	16,891
Interest charges	7,393	7,055	7,045
Net income applicable to common stock	\$9,506	\$8,301	\$9,846
Income per common share:			
Basic	\$1.07	\$0.95	\$1.14
Diluted	\$1.07	\$0.94	\$1.13
Weighted average common shares outstanding:			
Basic	8,884	8,774	8,666
Diluted	8,926	8,836	8,717
Cash dividends per share of common stock	\$0.8477	\$0.8229	\$0.7913

The notes are an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands	For the Year Ended December 31,		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$9,506	\$8,301	\$9,846
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,673	8,251	7,930
Deferred income taxes, net	7,255	3,843	4,191
Stock compensation	135	123	108
AFUDC, equity portion	(212)	(208)	(205)
Changes in assets and liabilities:			
Accounts receivable, net of allowance for doubtful accounts	147	457	(757)
Income tax receivable	(2,613)	(334)	252
Unbilled operating revenues	(305)	(12)	639
Materials and supplies	(405)	(132)	130
Prepaid property taxes	90	(163)	(35)
Prepaid expenses and other	(390)	59	(179)
Other deferred assets	(172)	(139)	(266)
Regulatory assets	(307)	50	341
Accounts payable	(357)	641	715
Accrued expenses	(2,197)	280	1,177
Accrued interest	374	(11)	(85)
Customer deposits and other, net	(832)	81	(348)
Postretirement benefit obligation	(41)	(65)	(81)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,349	21,022	23,373
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures (net of AFUDC, equity portion)	(23,730)	(21,188)	(20,546)
Proceeds from sale of assets	35	33	29
NET CASH USED IN INVESTING ACTIVITIES	(23,695)	(21,155)	(20,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments under lines of credit agreements	8,159	(385)	(1,023)
(Decrease) increase in overdraft payable	(605)	(4)	385
Net advances and contributions in aid of construction	3,808	5,701	3,629
Change in deferred debt issuance costs	120	120	119
Net proceeds from issuance of common stock	1,651	2,439	2,079
Dividends paid	(7,523)	(7,207)	(6,850)
Issuance of long-term debt	689	385	729
Principal repayments of long-term debt	(1,132)	(1,111)	(1,618)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	5,167	(62)	(2,550)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(179)	(195)	306
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	422	617	311
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$243	\$422	\$617

Supplemental Disclosures of Cash Flow Information:

Utility plant received as construction advances and contributions	\$1,491	\$948	\$1,904
Contractual amounts of contributions in aid of construction due from developers included in accounts receivable	\$456	\$349	\$629
Contractual amounts of contributions in aid of construction received from developers previously included in accounts receivable	\$361	\$505	\$602

Supplemental Disclosures of Cash Flow Information:

Interest paid	\$7,019	\$7,066	\$7,255
Income taxes paid	\$1,615	\$2,014	