NOTICE ANNUELLE:

ARTESIAN RESOURCES

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, 2020
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	**Trading Symbol (s)**	**Name of each exchange on which registered**
Common Stock	ARTNA	The Nasdaq Stock 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 every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☑Yes ☐No

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

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

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, 2020 was $294,467,185 and $8,901,771, 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 Select Market on June 30, 2020, which trade date was June 30, 2020. 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, 2020, which trade date was June 26, 2020.

As of March 9, 2021, 8,479,730 shares of Class A Non-Voting Common Stock and 881,452 shares of Class B Common Stock were outstanding.

ARTESIAN RESOURCES CORPORATION
TABLE OF CONTENTS

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 of 1933, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act and 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. They include, but are not limited to, the statements below:

– the specific and overall impacts of the COVID-19 global pandemic on our financial condition and results of operations;
– strategic plans for goals, priorities, growth and expansion;
– expectations 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;
– the execution of our strategic initiatives;
– our expectation regarding the timing for construction on new projects;
– the adoption of recent accounting pronouncements;
– contract operations opportunities;
– legal proceedings;
– our properties;
– deferred tax assets;
– the 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;
– our ability to adjust our debt level, interest rate, maturity schedule and structure;
– 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;
– 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; and
– sufficiency of internally generated funds and credit facilities to provide working capital and our liquidity needs.

Certain factors, as discussed under Item 1A - Risk Factors, that could cause results to differ materially from those in the forward-looking statements include, but are not limited to:

– changes in weather;
– changes in our contractual obligations;
– changes in government policies;
– the timing and results of our rate requests;
– failure to receive regulatory approvals;
– changes in economic and market conditions generally;
– unexpected events, restrictions and policies related to a public health crisis, including the COVID-19 pandemic; and
– other matters discussed elsewhere in this annual report.

While the Company may elect to update forward-looking statements, we specifically disclaim any obligation to do so, except as may be required under applicable securities laws, and you should not rely on any forward-looking statement as a 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, or Artesian Resources, is a Delaware corporation incorporated in 1927, that operates as the holding company of eight wholly-owned subsidiaries offering water, wastewater and other services in Delaware, Maryland and Pennsylvania. The Company's principal executive offices are located at 664 Churchmans Road, Newark, Delaware 19702. 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 in 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, sewer and internal Service Line Protection Plans. Our Class A Non-Voting Common Stock is listed on the Nasdaq Global Select Market and trades under the symbol "ARTNA." Our Class B Common Stock trades on the Nasdaq's OTC Bulletin Board under the symbol "ARTNB."

Artesian Resources operates as the parent holding company of five regulated public utilities: 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, and Artesian Wastewater Maryland, Inc., or Artesian Wastewater Maryland; and three non-regulated subsidiaries: Artesian Utility Development, Inc., or Artesian Utility, Artesian Development Corporation, or Artesian Development, and Artesian Storm Water Services, Inc., or Artesian Storm Water. The terms "we," "our," "Artesian," 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.

Our Market

Our current market area is the Delmarva Peninsula. Our largest service area is in the State of Delaware. Substantial portions of Delaware, particularly outside of northern 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 Delaware.

We hold Certificates of Public Convenience and Necessity, or CPCNs, for approximately 298 square miles of exclusive water service territory, most of which is in Delaware and some in Maryland and Pennsylvania. We hold CPCN's for approximately 30 square miles of wastewater service territory located in Sussex County, Delaware. Our largest connected regional water system, consisting of approximately 141 square miles and 77,200 metered customers, is located in northern New Castle County and portions of southern New Castle County, Delaware. A significant portion of our exclusive service territory is in Sussex County, Delaware and remains undeveloped, and if and when development occurs and there is population growth in these areas, 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, 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 has contract operation agreements with private and municipal water providers. Artesian Water also provides water for public and private fire protection to customers in our service territories. Artesian Water produced approximately 86% of our 2020 consolidated operating revenues.

We derive about 91% of our self-supplied groundwater from wells that pump groundwater from aquifers and other formations located in the Atlantic Coastal Plain. The remaining 9% 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 adsorption 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 59 different water treatment facilities in our Delaware systems. All water supplies that we purchase from neighboring utilities are potable.

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 86% of the overall 8.2 billion gallons of water we distributed in all of our Delaware systems during 2020 came from our groundwater wells, while the remaining 14% came from interconnections with other utilities and municipalities. In Delaware in 2020, we pumped an average of 19.3 million gallons per day, or mgd, from our groundwater wells and obtained an average of approximately 3.2 mgd from interconnections. Our peak water supply capacity currently is approximately 55.0 mgd.

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 23 interconnections with two neighboring water utilities and seven municipalities that provide us with the ability to purchase or sell water. An interconnection agreement with Chester Water Authority has a "take or pay" clause requiring us to purchase 1.095 billion gallons annually. The Chester Water Authority agreement expires December 31, 2021, and we do not intend to extend the term of the agreement under its existing terms.

As of December 31, 2020, we were serving customers through approximately 1,368 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 have 30 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.

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 Maryland owns and operates 9 public water systems.

The majority of the 0.1 billion gallons of water we distributed in all of our Maryland systems during 2020 came from our groundwater wells, while a portion came from treated surface water. We have nine separate water treatment facilities in our Maryland systems. We have one water treatment facility that treats surface water through an intake in the Susquehanna River, located in Cecil County, Maryland and has the ability to supply up to 1 mgd of water. Our peak water supply capacity currently is approximately 2.0 mgd. We have 7 storage tanks capable of storing approximately 2.4 million gallons. 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.

In Maryland, we have one interconnection with the Artesian Water system in Delaware, one interconnection with a neighboring utility, and four interconnections with municipalities. These interconnections are capable of providing over 3.0 mgd of water to our Maryland systems.

Artesian Water Pennsylvania

Artesian Water Pennsylvania began operations in 2002. It provides water service to a residential community in Chester County, Pennsylvania.

Artesian Wastewater

Artesian Wastewater began providing wastewater services in Sussex County, Delaware in July 2005. 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.

Artesian Wastewater owns and operates four wastewater treatment facilities, which are permitted to treat approximately 500,000 gallons per day. Artesian Wastewater and Sussex County, a political subdivision of Delaware, provide reciprocal services to address the periodic need of each for additional wastewater treatment and disposal capacity in certain service areas within Sussex County. There are numerous locations in Sussex County where Artesian Wastewater's and Sussex County's facilities are capable of being connected or integrated to allow for the movement and disposal of wastewater generated by one or the other's system in a manner that most efficiently and cost effectively manages wastewater transmission, treatment and disposal. Artesian Wastewater received an operations permit in March 2020 for a disposal facility that includes a 90 million gallon storage lagoon and spray irrigation to agricultural land. This facility will be used to provide treated process wastewater disposal services for an industrial customer at a rate of approximately 1.5 million gallons per day. We will begin operating this facility once the industrial customer receives their process wastewater treatment operating permit.

Artesian Wastewater Maryland

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

Artesian Utility

Artesian Utility was formed in 1996 and designs and builds water and wastewater infrastructure and provides contract water and wastewater operation services on the Delmarva Peninsula to private, municipal and governmental institutions. 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 agencies. Artesian Utility also contracts with developers and government agencies for design and construction of wastewater infrastructure within the Delmarva Peninsula. In addition, as further discussed below, Artesian Utility operates the Water Service Line Protection Plan, or WSLP Plan, the Sewer Service Line Protection Plan, or SSLP Plan, and the Internal Service Line Protection Plan, or ISLP Plan.

Artesian Utility currently operates wastewater treatment facilities for the town of Middletown, in southern New Castle County, Delaware, or Middletown, under a 20-year contract that expires in July 2039. The Company has been operating these facilities, which currently include two wastewater treatment stations with a combined capacity of up to approximately 2.8 mgd and the related wastewater disposal facilities, since 1998. The wastewater treatment facilities in Middletown provide reclaimed wastewater for use in spray irrigation on public and agricultural lands in the area.

Artesian Utility also offers three protection plans to customers, the WSLP Plan, the SSLP Plan, and the ISLP Plan. 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 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. The ISLP Plan enhances available coverage to include water and wastewater lines within customers' residences.

Artesian Development

Artesian Development is a real estate holding company that owns properties, including land approved 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.

Artesian Storm Water

Artesian Storm Water, incorporated in 2017, was formed to provide design, installation, maintenance and repair services related to existing or proposed storm water management systems in Delaware and the surrounding areas. The ability to offer storm water services will complement the primary water and wastewater services that we provide.

Government Regulations

Overview

The Company is subject to federal, state and local laws and regulations in all of the jurisdictions in which it operates.

These regulations include state commissions orders, environmental protection, securities and exchange activities, including financial reporting and internal controls processes, data protection and privacy, tax compliance, health and safety, labor and employment practices, and other general business activities.

State Regulatory Commission Matters

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. See Note 13 to our Consolidated Financial Statements for a full description of recent regulatory proceedings.

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 Delaware Public Service Commission, or 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:

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

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 we have been granted an exclusive franchise for each of our existing water and wastewater systems in Delaware, our 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 Maryland Public Service Commission, or 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.

Environmental Regulation

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 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. The Chester Water Authority, which supplies water to Artesian Water through an interconnection 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, results of operations and planned capital investments.

The water industry is capital intensive, with one of the highest levels of 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 have required the water industry to invest in more advanced treatment systems and processes, which require a heightened level of expertise. Significant enhancements were made to existing facilities to effectively treat and remove compounds as required by government agencies, such as ultra violet oxidation treatment, ceramic membrane filtration and carbon filtration. 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.

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.

The 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 adsorption 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.

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 130 operating and 61 observation and monitoring wells in our Delaware systems. At December 31, 2020, we had allocation permits for 111 wells and 20 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.

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. 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 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, capacity management guidance contains capacity limiting factors that 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 14 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, or the NPDES, permit program. In accordance with the NPDES permit program, the implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under the NPDES permit program can lead to the imposition of penalties. The Clean Water Act also requires that wastewater treatment plant discharges meet a minimum of secondary treatment. The secondary treatment process can remove 90% to 99% of the organic matter in wastewater. Our removal efficiency is generally 96% to 98%.

Under Delaware state laws and regulations, we are required to hold a permit from DNREC for the construction, operation, maintenance or repair of any on-site wastewater treatment and disposal systems with daily design flow rates of 2,500 gallons or greater. A classification on the facility is performed in accordance with Regulations Licensing Operators of Wastewater Facilities. The class of operator required for the facility is determined by the Board of Certification for Licensed Wastewater Operations in accordance with Regulations Licensing Operators of Wastewater Facilities. We work to ensure that we operate environmentally friendly wastewater systems that meet federal, state, and local laws.

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 Pennsylvania Public Utility Commission, or PAPUC, awarding franchises to other regulated water or wastewater utilities with whom we compete for such franchises.

Materials and Supplies

We are highly dependent on the availability of essential materials and parts from our suppliers for expansion, construction and maintenance of our services. The majority of the materials required for our water and wastewater utility business are under contract at fixed prices. The COVID-19 pandemic has not had an impact on our ability to obtain materials and supplies.

Suppliers and Independent Contractors

We are dependent upon the ability of our suppliers and independent contractors to meet performance specifications, quality standards and delivery schedules at our anticipated costs. While we maintain an extensive qualification and performance review system to control risk associated with such reliance on third parties, failure of suppliers or independent contractors to meet commitments could adversely affect construction and maintenance schedules. The COVID-19 pandemic has delayed some of our construction projects, however, they have not impacted our ability to maintain our level of services to customers. We are also dependent on the availability of electricity and purchased water at affordable prices. Our electric costs and purchased water costs are at a fixed price under contract.

Employees and Human Capital Resources

At December 31, 2020, we employed 235 full-time employees. Of these employees, 52 were officers and managers; 113 were employed as operations personnel, including engineers, technicians, draftsman, maintenance and repair persons, meter readers and utility personnel; and 32 were employed in accounting, budgeting, information systems, human resources, customer relations and public relations. The remaining 38 employees were administrative personnel. The Company has no collective bargaining agreements with any of its employees, and its work force is not union organized or union represented. We believe that our relations with our employees are good. Through ongoing employee development, competitive compensation and benefits, and a focus on health, safety and employee wellbeing, we strive to help our employees in all aspects of their lives.

We believe the Company's success depends on its ability to attract, develop and retain key personnel. We provide our employees with resources that contribute to their professional development, including technical training and performance reviews. A core principle of our company is to promote from within and offer advancement opportunities at all levels of employment, which helps us retain talented employees. We believe our management team has the experience, talent and dedication necessary to effectively execute our business goals and growth strategy. We recognize that the skills, experience, diversity, industry knowledge and dedication of our employees significantly benefit our operations and performance.

We set pay ranges based on market data. When considering compensation, we consider factors such as an employee's role, experience, and their performance. We regularly review our compensation practices, both in terms of our overall workforce and individual employees, to ensure our compensation is fair and equitable.

Health and safety in the workplace for our employees is one of the Company's core values. Hazards in the workplace are proactively identified and actions are taken to maintain workplace safety. We sponsor a wellness program designed to enhance physical, financial, and mental wellbeing for all our employees. Throughout the year, we encourage healthy behaviors through regular communications, educational sessions and other incentives. The COVID-19 pandemic has emphasized for us the importance of keeping our employees safe and healthy. In response to the pandemic, the Company has taken actions to help protect our employees so that they can continue to perform their work in a safe and effective manner.

We use outside consultants and independent contractors on an as needed basis for various services. We rely on our independent contractors to manage their respective employee relations so that the services they are contractually obligated to perform for us satisfy our requirements. Management believes that through our own employees, coupled with the services provided by our independent contractors and outside consultants, we have sufficient human capital to continue to operate our business successfully.

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, our Corporate Governance Guidelines, and our Board Committee Charters as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission, or 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. Information contained on our website shall not be deemed incorporated into, or to be a part of, this report.

ITEM 1A. RISK FACTORS

We are exposed to a variety of risks and uncertainties. Most are general risks and uncertainties applicable to all water and wastewater 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 occur, actual results may vary materially from our projections.

Risk Related to the COVID-19 Pandemic

Our business, results of operations, financial condition, cash flows and stock price may be adversely affected by pandemics, epidemics or other public health emergencies, such as the recent outbreak of the coronavirus, or COVID-19.

Our business, results of operations, financial condition, cash flows and stock price may be adversely affected by pandemics, epidemics or other public health emergencies, such as the recent outbreak of COVID-19. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The outbreak has resulted in governments around the world implementing increasingly stringent measures to help control the spread of the virus, including quarantines, "shelter in place" and "stay at home" orders, travel restrictions, business curtailments, school closures, and other measures.

We are considered an essential utility service company, as defined by the U.S. Department of Homeland Security. Although we have continued to operate our business to date consistent with federal guidelines and state and local orders, the outbreak of COVID-19 and any preventive or protective actions taken by governmental authorities may have an adverse effect on our operations. The extent to which COVID-19 may adversely impact our business depends on future developments, which are highly uncertain and unpredictable, depending upon the severity and duration of the outbreak and the effectiveness of actions taken to contain or mitigate its effects. Any resulting financial impact cannot be estimated reasonably at this time, but results of operations, financial condition and cash flows could be adversely impacted. State government agencies issued executive orders in March 2020 requiring utility companies to take a number of steps to support their customers and communities, which included prohibiting service disconnections for non-payment and prohibiting late fees. In July 2020, the State of Delaware lifted its executive orders placing a moratorium on service disconnections for non-payment, with a provision requiring utilities to offer payment arrangements extending at least four months to customers. After properly notifying customers, Artesian reinstated its late fee process in September 2020 and began administering service disconnections in October 2020 for its Delaware customers. The State of Maryland and the Commonwealth of Pennsylvania lifted their executive orders placing moratoriums on service disconnections for non-payment effective November 2020. The State of Maryland requires utilities to offer payment arrangements extending twelve months. The Company experienced longer receivable cycles throughout 2020 and made an adjustment to increase the reserve for bad debt in the amount of $0.5 million. Additionally, concerns over the economic impact of COVID-19 have caused extreme volatility in financial and other capital markets, which may adversely impact our stock price. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this report, such as those relating to our financial performance.

Risks Related to Our Operations

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 our results of operations and financial condition.

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.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and operation and management costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, the nature of information available on buried and newly acquired assets may be limited, which may challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and operation and management costs. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

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

We have security measures in place at our facilities, including for delivery and handling of certain chemicals, as well as programs in place to ensure employee awareness of potential threats. 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.

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.

Risks Related to Governmental Laws and Regulations

We rely on governmental approvals in the States of Delaware, Maryland and Pennsylvania, as well as from the Delaware River Basin Commission and Susquehanna River Basin Commission for applicable water allocation, water appropriation and water capacity permits. In addition, we rely on governmental approvals in the State of Delaware for applicable 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, we may risk the loss of economic opportunity and our ability to create additional systems for the effective operation of our water business in the States of Delaware, Maryland and Pennsylvania or our wastewater business in the State of Delaware. 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 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. If a public service commission disapproves or is unable to timely approve our requests for rate increases or approves rate increases that are inadequate to cover our investments, deferred regulatory assets or increased costs, our profitability may suffer.

We file rate increase requests, from time to time, to recover our investments in utility plant, deferred regulatory assets 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, deferred regulatory assets 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.

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 EPA 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.

Risks Related to Our Financial Statements and Operating Results

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 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.

Risks Related to Our Business Strategy

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

We face competition from other water and wastewater utilities as we 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. 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.

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:

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

Risks Related to Legal Uncertainty

<u>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.</u>

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 our 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.

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

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.

Risk Related to Cybersecurity and Technology

<u>We are dependent on the continuous and reliable operation of our information technology systems.</u>

We rely on our information technology systems to manage our operation of our business. Specifically, our business relies on the following technology systems: customer information system, financial reporting system, asset tracking system, remote monitoring system for some of our treatment, storage and pumping facilities, human resources management system, inventory management system, and accounts receivable collection management system. Such systems require periodic modifications, upgrades 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.

Risk Associated with Management

<u>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.</u>

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. In addition, turnover in our management team could adversely affect the financial market's perception of our ability to continue to grow.

Risks Related to Our Common Stock

<u>There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.</u>

Dividends on our common stock will only be paid if and when declared by our Board of Directors. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases, will determine both our ability to pay dividends on common stock and the amount of the dividends declared by our Board of Directors. There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

<u>The price of our common stock may be volatile and may be affected by market conditions beyond our control.</u>

The trading price of our common stock may fluctuate in the future based on a variety of factors, many of which are beyond our control and unrelated to our financial results. Factors that could cause fluctuations in the trading price of our common stock include but are not limited to volatility of the general stock market or the utility stock index, regulatory developments, general economic conditions and trends, actual or anticipated changes or fluctuations in our results of operations, actual or anticipated changes in the expectations of investors or securities analysts, actual or anticipated developments in our competitors' businesses or the competitive landscape generally, litigation involving us or our industry, major catastrophic events or sales of large blocks of our stock. Furthermore, we believe that stockholders invest in public utility stocks in part because they seek reliable dividend payments. If there is an over supply of stock of public utilities in the market relative to demand by such investors, the trading price of our common stock may decrease. Additionally, if interest rates rise above the dividend yield offered by our common stock, demand for our stock and its trading price may also decrease.

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.

The Company owns approximately six 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. The Company 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.

The Company owns land, rights-of-way, easements, transmission and distribution mains, collection mains, pump facilities, treatment plants, lift stations, treatment/disposal facilities, storage tanks, meters, vehicles and related equipment and facilities. The following table indicates our utility plant as of December 31, 2020.

Utility plant comprises:
In thousands

	Estimated Useful Life (In Years)	**December 31, 2020**
Utility plant at original cost		
Utility plant in service-Water		
Intangible plant	---	$ 140
Source of supply plant	45-85	23,940
Pumping and water treatment plant	8-62	100,317
Transmission and distribution plant		
Mains	81	293,643
Services	39	49,937
Storage tanks	76	29,946
Meters	26	27,994
Hydrants	60	15,895
General plant	5-31	62,379
Utility plant in service-Wastewater		
Intangible plant	---	116
Treatment and disposal plant	21-81	41,860
Collection mains and lift stations	81	32,133
General plant	5-31	1,545
Property held for future use	---	5,711
Construction work in progress	---	21,474
		707,030
Less – accumulated depreciation		147,469
		$ 559,561

Substantially all of Artesian Water's utility plant, except the utility plant in the town of Townsend, Delaware, is pledged as security for our First Mortgage Bonds. As of December 31, 2020, no other water utility plant has been pledged as security for loans. Two parcels of land in Artesian Wastewater are pledged as security for a loan.

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.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of our legal proceedings, refer to Note 18 to our Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for the Company's Common Equity

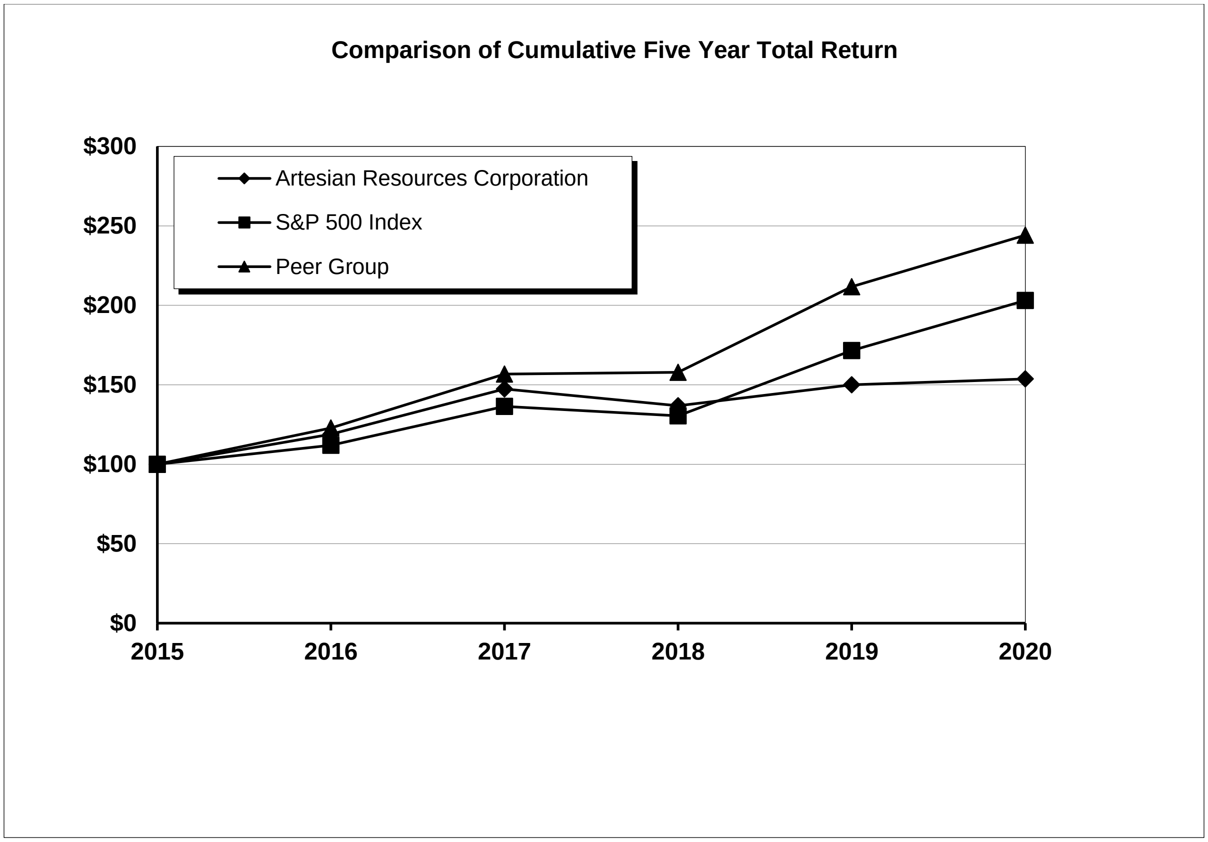
Artesian Resources' Class A Non-Voting Common Stock, or Class A Stock, is listed on the Nasdaq Global Select Market and trades under the symbol "ARTNA." On March 9, 2021, the last closing sale price as reported by the Nasdaq Global Select Market was $40.03 per share. As of March 9, 2021 there were 579 holders of record of the Class A Stock.

Our Class B Common 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 9, 2021, the last reported trade of the Class B Stock on the OTC Bulletin Board was at a price of $39.19 per share on February 11, 2021. As of March 9, 2021, there were 144 holders of record of the Class B Stock. The Class B shares are paid the same dividend as the Class A shares.

Recent Sales of Unregistered Securities

During the year ended December 31, 2020, we did not issue any unregistered shares of our Class A or Class B Stock.

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. The graph covers the period from December 2015 (assuming a $100 investment on December 31, 2015, and the reinvestment of any dividends) through December 2020:



			INDEXED RETURNS			
	Base Period		Years Ending December 31			
Company Name / Index	2015	2016	2017	2018	2019	2020
Artesian Resources Corporation	100	118.92	147.36	136.76	149.97	153.67
S&P 500 Index	100	111.96	136.40	130.42	171.49	203.04
Peer Group	100	122.78	156.72	157.81	211.69	244.13

The Peer Group includes American States Water Company, American Water Works Company, Inc., Essential Utilities, Inc., California Water Service Group, Connecticut Water Service, Inc. (included through October 9, 2019 when it was acquired by SJW Group), Middlesex Water Company, SJW Group and York Water Company.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, the Company is not required to provide the information otherwise required by this Item.

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 comprised 86.8% of total operating revenues for the year ended December 31, 2020. Our profitability is also attributed to the various contract operations, water, sewer and internal SLP 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 and other services provide a revenue stream that is not affected by changes in weather patterns.

While water sales are our primary source of revenues, we continue to seek growth opportunities to provide wastewater services 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, and 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, sewer, and internal SLP Plans.

COVID-19 Pandemic

In March 2020, the World Health Organization classified the coronavirus, or COVID-19, outbreak as a pandemic. Subsequently on March 13, 2020, the President of the United States declared the COVID-19 outbreak a national emergency. The emergence of COVID-19 around the world presents risks to the Company, not all of which the Company is able to fully evaluate or even to foresee at the current time. While the COVID-19 pandemic did not materially adversely affect the Company’s financial results and business operations for the year ended December 31, 2020, economic and health conditions in the United States and across most of the globe have continued to change rapidly. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the situation and impacts on its operations, suppliers, industry, and workforce.

The COVID-19 pandemic may affect the Company’s operations in future periods. The Company maintains essential utility services and is following social distancing and remote work directives, however prolonged workforce disruptions may negatively impact performance of services or require use of emergency personnel. Due to the COVID-19 pandemic causing hardships for many utility customers, state government agencies issued executive orders in March 2020 requiring utility companies to take a number of steps to support their customers and communities, including prohibiting service disconnections for non-payment and prohibiting late fees. In July 2020, the State of Delaware lifted its executive orders placing a moratorium on service disconnections for non-payment, with a provision requiring utilities to offer payment arrangements extending at least four months to customers. After properly notifying customers, Artesian reinstated its late fee process in September 2020 and began administering service disconnections in October 2020 for its Delaware customers. The State of Maryland and the Commonwealth of Pennsylvania lifted their executive orders placing moratoriums on service disconnections for non-payment effective November 2020. The State of Maryland requires utilities to offer payment arrangements extending twelve months. The DEPSC and the MDPSC issued orders authorizing utilities deferred regulatory treatment for incremental costs related to COVID-19.

Given the changing nature of the COVID-19 outbreak and the responses to curb its spread, management cannot predict the full impact of the COVID-19 pandemic on the Company’s results of operations. The ultimate extent of the effects of the COVID-19 pandemic on the Company is highly uncertain and will depend on future developments, and such effects could exist for an extended period of time even after the pandemic ends.

Water Division

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. As of December 31, 2020, we had approximately 90,300 metered water customers in Delaware, an increase of approximately 2,500 compared to December 31, 2019. The number of metered water customers in Maryland totaled approximately 2,500 as of December 31, 2020, a slight increase compared to December 31, 2019. The number of metered water customers in Pennsylvania remained consistent compared to December 31, 2019. For the year ended December 31, 2020, approximately

8.2 billion gallons of water were distributed in our Delaware systems and approximately 135.0 million gallons of water were distributed in our Maryland systems.

Wastewater Division

Artesian Wastewater owns wastewater collection and treatment infrastructure and began providing regulated wastewater services to customers in Delaware in July 2005. Artesian Wastewater Maryland was incorporated on June 3, 2008 and is able to provide regulated wastewater services to customers in Maryland. It is not currently providing these services in Maryland. Our residential and commercial wastewater customers are billed a flat monthly fee, which contributes to providing a revenue stream unaffected by weather. The number of Delaware wastewater customers totaled approximately 2,800 as of December 31, 2020, an increase of approximately 400, or 14.9%, compared to December 31, 2019. In addition, Artesian Wastewater entered into wastewater services agreements with a large industrial customer. The wastewater services agreements with this customer are discussed further in the "Strategic Direction" section below.

Non-Regulated Division

Artesian Utility provides contract water and wastewater operation services to private, municipal and governmental institutions. Artesian Utility also offers three protection plans to customers, the WSLP Plan, the SSLP Plan, and the ISLP Plan. SLP Plan customers are billed a flat monthly or quarterly rate, which contributes to providing a revenue stream unaffected by weather. There has been consistent customer growth over the years. As of December 31, 2020, approximately 20,900, or 24.3%, of our eligible water customers enrolled in the WSLP Plan, approximately 16,100, or 18.8%, of our eligible customers enrolled in the SSLP Plan, and approximately 7,600, or 8.9%, of our eligible customers enrolled in the ISLP Plan. Approximately 1,900 non-utility customers enrolled in one of our three protection plans.

Strategic Direction and Recent Developments

Our strategy is to increase customer growth, revenues, earnings and dividends by expanding our water, wastewater and SLP Plan services across the Delmarva Peninsula. We remain focused on providing superior service to our customers and continuously seek ways to improve our efficiency and performance. Our strategy has included a focus on building strategic partnerships with county governments, municipalities and developers. 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 believe 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 strategic acquisitions of existing systems, expanding certificated service area, 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 through strategic acquisitions and in new regions added to our Delaware service territory over the last 10 years. 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.

Our ability to develop partnerships with various county governments, municipalities and developers has provided a number of opportunities. In the last three years, we completed seven acquisitions including asset purchase agreements with municipal and developer/homeowner association operated systems. Some recent acquisitions are noted below.

On August 3, 2020, Artesian Water completed the purchase of substantially all of the water system operating assets from the City of Delaware City, a Delaware municipality, or Delaware City, including the right to provide water service to Delaware City's existing customers. The total purchase price was $2.1 million. Artesian Water had previously acquired the water assets of an area annexed by Delaware City, known as Fort DuPont, which was earmarked for growth and expansion of Delaware City.

On April 2, 2020, Artesian Water completed its purchase of substantially all of the operating assets of the water system of the Town of Frankford, a Delaware municipality, or Frankford, including the right to provide water service to Frankford's existing customers, or the Frankford Water System. Pursuant to the terms of the agreement, Frankford transferred to Artesian Water all of Frankford's right, title and interest in and to all of the plant and equipment, associated real property, contracts, easements and permits possessed by Frankford at closing related to the Frankford Water System. The total purchase price was $3.6 million.

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 currently are 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 governmental agencies 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 believe this will reduce operational costs at the smaller treatment facilities in the future because 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.

On September 27, 2016, Artesian Wastewater entered into a wastewater services agreement with a large industrial customer for Artesian Wastewater to provide treatment and disposal services for sanitary wastewater discharged from this customer's properties located in Sussex County, Delaware upon completion of a pipeline to transfer the sanitary wastewater. The pipeline was completed in the second quarter of 2017. The transfer of sanitary wastewater began in the second quarter of 2019. On January 27, 2017, Artesian Wastewater entered into a second wastewater agreement with this customer for Artesian Wastewater to provide disposal services for approximately 1.5 mgd of treated industrial process wastewater upon completion of an approximately eight mile pipeline that will transfer the wastewater from this customer's properties to a 90 million gallon storage lagoon at Artesian's Sussex Regional Recharge Facility. We will use the reclaimed wastewater for spray irrigation on agricultural land in the area. We received an operations permit in March 2020. We will begin operating this facility once this customer receives their process wastewater treatment operating permit.

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 planned and budgeted capital improvements over the next three years includes projects for water infrastructure improvements and expansion in both Delaware and Maryland and wastewater infrastructure improvements and expansion in Delaware. The DEPSC and MDPSC 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. We also anticipate continued growth due to our water, sewer and internal SLP Plans. 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. Artesian Storm Water was formed to expand contract work related to the design, installation, maintenance and repair services associated with existing or proposed storm water management systems in Delaware and the surrounding areas.

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 utility plant are recorded at cost. Business combinations pursuant to ASC Topic 805 may result in a purchase price allocation and the acquired assets are required to be evaluated by the applicable regulatory agency. Cost includes direct labor, materials, AFUDC (see description in Note 1-Utility Plant) and indirect charges for items such as transportation, supervision, pension, medical, and other fringe benefits related to employees engaged in construction activities. When depreciable units of utility plant are retired, the historical costs of plant retired is charged to accumulated depreciation. Any cost associated with retirement, less any salvage value or proceeds received, is charged to the regulated retirement liability. Maintenance, repairs, and replacement of minor items of utility 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, using one of three methods: the previous year's consumption in the same period, the previous billing period's consumption, or averaging. 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.

We record accounts receivable at the invoiced amounts. An allowance for doubtful accounts is calculated as a percentage of total associated revenues based upon historical trends and adjusted for current conditions. We mitigate our exposure to credit losses by discontinuing services in the event of non-payment; accordingly, the related allowance for doubtful accounts and associated bad debt expense has not been significant. However, the Company experienced longer receivable cycles throughout 2020 related to temporary executive orders issued by state governmental agencies requiring utility companies to prohibit late fees and service disconnections for non-payment, resulting in an adjustment to increase the reserve for bad debt. Account balances are written off against the allowance when it is probable the receivable will not be recovered.

The Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 980 stipulates generally accepted accounting principles for companies whose rates are established or subject to approvals by a third-party regulatory agency. Our regulated utilities record deferred regulatory assets under FASB 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. In addition, our regulated utilities record deferred and/or amortized regulatory liabilities under FASB ASC Topic 980, as determined by the DEPSC, the MDPSC, and the PAPUC. Regulatory liabilities represent excess recovery of cost or other items that have been deferred because it is probable such amounts will be returned to customers through future regulated rates. Adjustments to reflect changes in recoverability of certain deferred regulatory assets or certain deferred regulatory liabilities 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 in rates charged to customers. The Company believes there are no impairments in the carrying amounts of its long-lived assets or regulatory assets at December 31, 2020.

Results of Operations

2020 Compared to 2019

Operating Revenues

Revenues totaled $88.1 million for the year ended December 31, 2020, $4.5 million, or 5.4%, more than revenues for the year ended December 31, 2019. Water sales revenue increased $2.9 million, or 3.9%, for the year ended December 31, 2020 from the corresponding period in 2019, primarily due to an increase in residential consumption revenue, partially offset by a decrease in non-residential consumption revenue. In addition, water sales revenue increased due to an increase in Distribution System Improvement Charges, or DSIC, revenue. Also, fixed fee revenue increased related to customer growth. We realized 86.8% and 88.1% of our total operating revenue for the years ended December 31, 2020 and December 31, 2019, respectively, from the sale of water.

Other utility operating revenue increased approximately $1.6 million, or 32.7%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase is primarily due to an increase in industrial wastewater service revenue, related to the minimum required volume of wastewater under contract. In addition, there was an increase in wastewater revenue from customer growth. This increase is partially offset by a decrease in service and finance charges, related to executive orders issued by state governmental agencies requiring utility companies to prohibit late fees and service disconnections for non-payment.

Non-utility operating revenue increased approximately $0.1 million, or 1.4%, for the year ended December 31, 2020 compared to the same period in 2019. The increase is primarily due to an increase in SLP Plan revenue, partially offset by a decrease in contract revenue.

Percentage of Operating Revenues

	2020	2019	2018
Water Sales			
Residential	**53.8**%	52.8%	52.7%
Commercial	**19.5**	21.0	21.4
Industrial	**0.1**	0.1	0.1
Government and Other	**13.4**	14.1	13.9
Other utility operating revenues	**7.4**	5.9	5.5
Non-utility operating revenues	**5.8**	6.1	6.4
Total	**100.0**%	100.0%	100.0%

Residential

Residential water service revenues in 2020 amounted to $47.4 million, an increase of $3.2 million, or 7.3%, above the $44.2 million recorded in 2019, primarily due to an increase in overall water consumption and an increase in DSIC revenue. The volume of water sold to residential customers increased to 4,209 million gallons in 2020 compared to 3,900 million gallons in 2019, a 7.9% increase. The number of residential customers served increased by approximately 2,400, or 2.8%, in 2020.

Commercial

Water service revenues from commercial customers in 2020 decreased by 2.3%, to $17.2 million in 2020 from $17.6 million in 2019, primarily due to a decrease in overall water consumption. The volume of water sold to commercial customers decreased to 2,180 million gallons in 2020 compared to 2,303 million gallons sold in 2019, a decrease of 5.4%.

Industrial

Water service revenues from industrial customers decreased to $71,000 in 2020 from $88,000 in 2019. The volume of water sold to industrial customers decreased to 9.2 million gallons in 2020 from 11.1 million gallons in 2019.

Government and Other

Government and other water service revenues in 2020 increased slightly by 0.3%, and were $11.8 million for both 2019 and 2020. The volume of water sold to government and other customers increased to 1,050 million gallons in 2020 compared to 993 million gallons in 2019, an increase of 5.8%.

Other Utility Operating Revenue

Other utility operating revenue, derived from regulated wastewater services, contract operations, antenna leases on water tanks, finance/service charges, wastewater customer service revenues and industrial wastewater service revenues, increased 32.7%, from $4.9 million in 2019 to $6.5 million in 2020. The increase is primarily due to an increase in industrial wastewater service revenue and an increase in wastewater revenue from customer growth. This increase is partially offset by a decrease in service and finance charges.

Non-Utility Operating Revenue

Non-utility operating revenue, derived from non-regulated water and wastewater operations, increased slightly but remained at $5.1 million for the year December 31, 2020 compared to the year ended December 31, 2019. The increase is primarily due to an increase in SLP Plan revenue, partially offset by a decrease in contract revenue.

Operating Expenses

Operating expenses, excluding depreciation and income taxes, increased $1.3 million, or 2.8%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The components of the change in operating expenses primarily include an increase in utility operating expenses of $1.1 million and an increase in property and other taxes of $0.2 million.

Utility operating expenses increased $1.1 million, or 2.9%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The net increase is primarily related to the following.

- Payroll and employee benefit costs increased $0.9 million, primarily related to an increase in overall compensation and an increase in employee benefit costs.
- Administrative costs increased $0.3 million, primarily due to an increase in bad debt expense of $0.5 million, related to executive orders issued during 2020 by state governmental agencies requiring utility companies to prohibit late fees and service disconnections for non-payment resulting in a longer receivable cycle and the need for increased reserves for bad debt. This increase is partially offset by a decrease in employee related costs and professional service fees.
- Purchased water increased $0.1 million, primarily due to higher water purchased in order to meet customer demands and maintain high-quality water.
- Purchased power increased $0.1 million, primarily due to higher operational usage.
- Repair and maintenance costs decreased $0.3 million, primarily due to the timing of maintenance costs associated with treatment facilities and equipment.

Property and other taxes increased $0.2 million, or 4.3%, primarily due to 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.

Percentage of Operating and Maintenance Expenses

	2020	2019	2018
Payroll and Associated Expenses	**51.0%**	50.1%	48.9%
Administrative	**14.1**	13.6	14.3
Purchased Water	**9.9**	9.9	10.1
Repair and Maintenance	**8.3**	9.3	10.3
Purchased Power	**5.5**	5.5	5.8
Water Treatment	**3.7**	3.8	3.6
Non-utility Operating	**7.5**	7.8	7.0
Total	**100.0%**	100.0%	100.0%

The ratio of operating expense, excluding depreciation and income taxes, to total revenue was 55.6% for the year ended December 31, 2020, compared to 57.0% for the year ended December 31, 2019.

Depreciation and amortization expense increased $0.3 million, or 3.1%, primarily due to continued investment in utility plant providing supply, treatment, storage and distribution of water to customers and service to our wastewater customers.

Federal and state income tax expense increased $0.5 million, or 9.7%, primarily due to higher pre-tax income for the year ended December 31, 2020, compared to the year ended December 31, 2019.

Other Income, Net

Other income, net increased $0.1 million, or 5.8%, primarily due to an increase in miscellaneous income of $0.3 million, related to an increase in the annual patronage refund from CoBank, ACB. The refund is calculated based on 0.8% of the average loan balance outstanding. In addition, in 2020, CoBank, ACB issued a one-time additional patronage distribution based on 0.1% of the average loan balance outstanding. Allowance for funds used during construction, or AFUDC, decreased $0.2 million, as a result of lower long-term construction activity subject to AFUDC for the twelve months ended December 31, 2020 compared to the same period in 2019.

Interest Charges

Interest expense increased $0.6 million, primarily due to an increase in long-term debt interest related to the Series V First Mortgage Bond issued on December 17, 2019. This increase is partially offset by a decrease in short-term debt interest, primarily related to lower interest rates and short-term borrowing levels in 2020. Customer deposit interest decreased $0.1 million from the 2019 customer refund amount held in reserve related to the Tax Cuts and Jobs Act.

Net Income

Our net income applicable to common stock increased $1.9 million. Operating revenues increased $4.5 million and other income, net increased $0.1 million, while operating expenses increased $2.2 million and interest expense increased $0.6 million.

Part I, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 Annual Report on Form 10-K includes a comparative discussion of the years ended December 31, 2019 and 2018 and is incorporated herein by reference.

Liquidity and Capital Resources

Overview

The Company's primary sources of liquidity for the year ended December 31, 2020 were $20.3 million of cash provided by operating activities, $9.3 million in net contributions and advances from developers, $19.3 million from lines of credit borrowings and $1.5 million in net proceeds from the issuance of common stock. These funds were used to invest $40.0 million in capital expenditures and to pay dividends of approximately $9.4 million.

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 net investments in utility plant in 2021 will be approximately $48.1 million. Our total obligations related to interest and principal payments on indebtedness, rental payments and water service interconnection agreements for 2021 are anticipated to be approximately $12.6 million. We expect to fund our activities for the next year using our available cash balances, bank credit lines, projected cash generated from operations and capital market financings. 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, because 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. There is no assurance that we will be able to secure funding on terms acceptable to us, or at all.

Operating Activities

Our primary source of liquidity for the year ended December 31, 2020 was $20.3 million provided by cash flow from operating activities. 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. We will continue to borrow on available lines of credit in order to satisfy current liquidity needs. 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.

Investment Activities

The primary focus of our investment in 2020 was to continue to provide high quality reliable service to our growing service territory. Capital expenditures during 2020 were $40.0 million compared to $40.7 million invested during the same period in 2019. During 2020, we invested approximately $12.1 million for our rehabilitation program for transmission and distribution facilities by replacing aging or deteriorating mains and for installing new mains. We invested $7.8 million to enhance or improve existing treatment facilities and replace aging wells and pumping equipment to better serve our customers. We invested $3.0 million for equipment purchases, computer hardware and software upgrades and transportation equipment. Developers financed $4.1 million for the installation of water mains and hydrants in 2020 compared to $4.5 million in 2019. We invested $1.2 million to upgrade and automate our meter reading equipment. We invested approximately $3.6 million in mandatory utility plant expenditures due to governmental highway projects, which required the relocation of water service mains in addition to facility improvements and upgrades. We invested $2.5 million in wastewater projects in Delaware. In addition, Artesian Water invested $5.7 million to purchase water system operating assets from the Town of Frankford and the City of Delaware City.

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

In thousands	**2020**	2019	2018
Source of supply, treatment and pumping	**$ 14,999**	$ 13,000	$ 11,470
Transmission and distribution	**15,993**	13,789	16,395
General plant and equipment	**3,089**	3,180	4,454
Developer financed utility plant	**4,132**	4,573	4,772
Wastewater facilities	**2,586**	7,021	12,389
Allowance for Funds Used During Construction, AFUDC	**(781)**	(886)	(427)
Total	**$ 40,018**	$ 40,677	$ 49,053

Of the $58.0 million gross investment expected in 2021, approximately $15.6 million will be for extending transmission and distribution facilities to address service needs in growth areas of our service territory. Approximately $14.7 million will be invested for new treatment facilities, facility upgrades, equipment and wells throughout Delaware, Maryland, and Pennsylvania to identify, develop, treat and protect sources of water supply to assure uninterrupted service to our customers. Approximately $10.2 million will be invested in renewals associated with the rehabilitation of aging infrastructure. Approximately $5.6 million will be invested in ongoing construction of wastewater plants and $2.0 million will be invested in the construction of force mains used for the transmission of wastewater to plants. Additionally, $4.7 million will be invested in the relocations of facilities as a result of government mandates. In addition, we will refund $0.9 million to customers, real estate developers and builders related to previous advances for construction they provided to Artesian for distribution facilities on their properties.

We also plan to invest $4.3 million in general plant, which includes new corporate automation, building renovations and transportation and equipment upgrades. 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 2021 is expected to be offset by developer contributions of $9.9 million for a net investment of $48.1 million in 2021.

Financing Activities

We expect to fund our activities for the next twelve months using our available cash balances, bank credit lines, projected cash generated from operations, state revolving fund loans and capital market financings.

We depend on the availability of capital for expansion, construction and maintenance. We have several sources of liquidity to finance our investment in utility plant and other fixed assets. We estimate that future investments will be financed by our operations and external sources, including short-term borrowings under our revolving credit agreements discussed below. We expect to fund our activities for the next twelve months using our available cash balances, bank credit lines, projected cash generated from operations, state revolving fund loans and capital market financing.

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.

Lines of Credit and Long Term Debt

At December 31, 2020, 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, 2020, there was $31.2 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 1.25%. 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 31, 2021 or any date on which Citizens demands payment. The Company expects to renew this line of credit.

At December 31, 2020, 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, 2020, there was $2.0 million of available funds under this line of credit. The interest rate for borrowings under this line allows the Company to select either LIBOR plus 1.50% or a weekly variable rate established by CoBank; the Company has historically used the weekly variable interest rate. The patronage refunds earned by Artesian Water for 2020 and 2019 were $1.0 million and $0.9 million respectively. The term of this line of credit expires on July 30, 2021. Artesian Water expects to renew this line of credit.

Line of Credit Commitments	**Commitment Due by Period**			
In thousands	Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years
Lines of Credit	$ 26,813	$ -----	$ -----	$ -----

Contractual Obligations	**Payments Due by Period**				
In thousands	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
First mortgage bonds (principal and interest)	$ 6,650	$ 13,218	$ 13,115	$ 194,734	$ 227,717
State revolving fund loans (principal and interest)	1,002	674	674	3,626	5,976
Promissory note (principal and interest)	960	1,922	1,921	12,538	17,341
Operating leases	42	51	47	1,306	1,446
Operating agreements	73	78	79	866	1,096
Unconditional purchase obligations	3,881	114	28	---	4,023
Total contractual cash obligations	$ 12,608	$ 16,057	$ 15,864	$ 213,070	$ 257,599

Artesian's long-term debt agreements and revolving lines of credit contain 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, guarantee certain obligations, enter into, or undertake, certain mergers, consolidations or acquisitions, transfer certain assets or change our business. In addition, we are required to abide by certain financial covenants and ratios. As of December 31, 2020, we were in compliance with these covenants.

Long-term debt obligations reflect the maturities of certain series of our first mortgage bonds, which we intend to refinance when due if not refinanced earlier. One first mortgage bond is subject to redemption in a principal amount equal to $150,000 plus interest per calendar quarter. The state revolving fund loan obligation has an amortizing mortgage payment payable over a 20-year period. The promissory note obligation has an amortizing payment payable over a 20-year period. The first mortgage bonds, the state revolving fund loan and the promissory note 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.

On December 17, 2019, Artesian Water Company entered into a Bond Purchase Agreement relating to the issue and sale by Artesian Water to CoBank of a $30 million principal amount First Mortgage Bond, Series V, or the Series V Bond, due October 31, 2049, or the

Maturity Date. The Series V Bond was issued pursuant to Artesian Water's Indenture of Mortgage dated as of July 1, 1961, as amended and supplemented by supplemental indentures, including the Twenty-Fourth Supplemental Indenture dated as of December 17, 2019 from Artesian Water to Wilmington Trust Company, as Trustee. The Indenture is a first mortgage lien against substantially all of Artesian Water's utility plant. The proceeds from the sale of the Series V Bond were used to pay down outstanding lines of credit of the Company and a loan payable to Artesian Resources. The DEPSC approved the issuance of the Series V Bond on November 14, 2019.

The Series V Bond carries an annual interest rate of 4.42% through but excluding the Maturity Date. Interest is payable on January 30th, April 30th, July 30th and October 30th in each year and on the Maturity Date, beginning January 30, 2020 until Artesian Water's obligation with respect to the payment of principal, premium (if any) and interest shall be discharged. Overdue payments shall bear interest as provided in the Twenty-Fourth Supplemental Indenture. The term of the Series V Bond also includes certain limitations on Artesian Water's indebtedness.

On April 28, 2020, Artesian Water entered into three financing agreements, or the Financing Agreements, 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 the state of Delaware, or the Department. Under the Financing Agreements, the Department has agreed to advance to Artesian Water up to approximately $1.7 million, $1.0 million and $1.3 million, collectively, the Loans, to finance all or a portion of the costs to replace specific water transmission mains in service areas located in New Castle County, Delaware, collectively, the Projects. In accordance with the Financing Agreements, Artesian Water will from time to time request funds under the Loans as it incurs costs in connection with the Projects. The Company shall pay to the Department, on the principal amount drawn down and outstanding from the date drawn, interest at a rate of 0.6% per annum and an administrative fee at the rate of 0.6% per annum. As of December 31, 2020, no funds were borrowed under the Loans.

In order to control purchased power cost, in August 2018 Artesian Water entered into an electric supply contract with MidAmerican. The fixed rate for MidAmerican was lowered 6.8% starting in September 2018. The current fixed price contract is effective from September 2018 through May 2022. In February 2021, Artesian Water entered into an electric supply contract with MidAmerican that is effective from May 2021 to May 2025. The fixed rate will be lowered 5.6% starting in May 2021. In August 2018, Artesian Water Maryland entered into an electric supply agreement with Constellation NewEnergy. The fixed rate for Constellation NewEnergy was lowered 4.9% starting in May 2019. The current fixed price contract is effective from May 2019 through May 2022.

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, which expires December 31, 2021 and minimum water purchase obligations based on a contract rate under our interconnection agreement with the Town of North East, which expires June 26, 2024.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 19 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 and the term of the promissory note, which have final maturity dates ranging from 2028 to 2049, and interest rates ranging from 4.24% to 5.96%, 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, 2020 were approximately $26.8 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 multi-year supply contracts at fixed prices.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS

In thousands

	December 31, 2020	December 31, 2019
ASSETS		
Utility plant, at original cost less accumulated depreciation	$ 559,561	$ 530,721
Current assets		
Cash and cash equivalents	28	596
Accounts receivable (less allowance for doubtful accounts 2020 - $862; 2019 - $264)	10,162	6,913
Income tax receivable	629	19
Unbilled operating revenues	1,166	1,211
Materials and supplies	1,535	1,264
Prepaid property taxes	1,891	1,954
Prepaid expenses and other	2,208	2,250
Total current assets	17,619	14,207
Other assets		
Non-utility property (less accumulated depreciation 2020 - $865; 2019 - $790)	3,796	3,812
Other deferred assets	5,309	4,257
Operating lease right of use assets	460	480
Total other assets	9,565	8,549
Regulatory assets, net	6,473	6,891
Total Assets	$ 593,218	$ 560,368
LIABILITIES AND STOCKHOLDERS' EQUITY		
Stockholders' equity		
Common stock	$ 9,357	$ 9,292
Preferred stock	—	—
Additional paid-in capital	103,463	101,811
Retained earnings	56,606	49,165
Total stockholders' equity	169,426	160,268
Long-term debt, net of current portion	142,333	144,156
	311,759	304,424
Current liabilities		
Lines of credit	26,813	7,500
Current portion of long-term debt	1,757	1,706
Accounts payable	6,341	8,176
Accrued expenses	3,414	3,113
Overdraft payable	105	15
Accrued interest	930	830
Income taxes payable	237	343
Customer and other deposits	2,060	1,970
Other	2,067	1,946
Total current liabilities	$ 43,724	$ 25,599
Commitments and contingencies (Note 11)		
Deferred credits and other liabilities		
Net advances for construction	$ 4,578	$ 5,421
Operating lease liabilities	432	450
Regulatory liabilities	21,681	22,246
Deferred investment tax credits	473	490
Deferred income taxes	50,313	52,259
Total deferred credits and other liabilities	$ 77,477	$ 80,866
Net contributions in aid of construction	160,258	149,479
Total Liabilities and Stockholders' Equity	$ 593,218	$ 560,368

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

CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except per share amounts

	For the Year Ended December 31,		
	2020	2019	2018
Operating revenues			
Water sales	$ 76,476	$ 73,609	$ 70,829
Other utility operating revenue	6,525	4,916	4,456
Non-utility operating revenue	5,140	5,070	5,126
Total Operating Revenues	88,141	83,595	80,411
Operating expenses			
Utility operating expenses	40,338	39,189	38,330
Non-utility operating expenses	3,277	3,315	2,879
Depreciation and amortization	11,143	10,803	10,288
Taxes			
State and federal income tax expense (benefit)			
Current	8,073	8,420	4,172
Deferred	(2,389)	(3,239)	819
Property and other taxes	5,404	5,182	4,968
Total Operating Expenses	65,846	63,670	61,456
Operating income	22,295	19,925	18,955
Other income, net			
Allowance for funds used during construction (AFUDC)	1,170	1,410	622
Miscellaneous	971	614	953
	2,141	2,024	1,575
Income before interest charges	24,436	21,949	20,530
Interest charges	7,619	7,024	6,252
Net income applicable to common stock	$ 16,817	$ 14,925	$ 14,278
Income per common share:			
Basic	$ 1.80	$ 1.61	$ 1.55
Diluted	$ 1.79	$ 1.60	$ 1.54
Weighted average common shares outstanding:			
Basic	9,327	9,277	9,239
Diluted	9,369	9,326	9,293
Cash dividends per share of common stock	$ 1.01	$ 0.9837	$ 0.9549

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

	For the Year Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 16,817	$ 14,925	$ 14,278
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,143	10,803	10,288
Deferred income taxes, net	(1,963)	(2,813)	899
Stock compensation	178	181	192
AFUDC, equity portion	(781)	(886)	(427)
Changes in assets and liabilities:			
Accounts receivable, net of allowance for doubtful accounts	(2,324)	(94)	(87)
Income tax receivable	(610)	753	1,581
Unbilled operating revenues	45	230	(14)
Materials and supplies	(271)	195	60
Income taxes payable	(106)	343	—
Prepaid property taxes	63	(84)	(75)
Prepaid expenses and other	42	(126)	(82)
Other deferred assets	(409)	(361)	(245)
Regulatory assets	390	388	417
Regulatory liabilities	(635)	(642)	(388)
Accounts payable	(1,835)	(11)	(666)
Accrued expenses	301	(789)	1,014
Accrued interest	100	46	(1,021)
Revenue reserved for refund	—	(3,298)	3,298
Customer deposits and other	213	110	119
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,358	18,870	29,141
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures (net of AFUDC, equity portion)	(34,277)	(40,677)	(49,053)
Investment in acquisitions	(5,741)	—	—
Proceeds from sale of assets	46	51	49
NET CASH USED IN INVESTING ACTIVITIES	(39,972)	(40,626)	(49,004)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings (repayments) under lines of credit agreements	19,313	(8,442)	6,332
Increase (decrease) in overdraft payable	90	(102)	(187)
Net advances and contributions in aid of construction	9,280	10,507	10,461
Net proceeds from issuance of common stock	1,539	1,033	956
Issuance of long-term debt	—	30,000	12,000
Dividends paid	(9,376)	(9,122)	(8,819)
Debt issuance costs	(28)	(90)	(195)
Principal repayments of long-term debt	(1,772)	(1,725)	(1,344)
NET CASH PROVIDED BY FINANCING ACTIVITIES	19,046	22,059	19,204
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(568)	303	(659)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	596	293	952
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 28	$ 596	$ 293

CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED

In thousands

Non-cash Investing and Financing Activity:						
Utility plant received as construction advances and contributions in aid of construction	$	2,403	$	3,716	$	1,153
Contractual amounts of contributions in aid of construction due from developers included in accounts receivable	$	1,705	$	710	$	2,156
Contractual amounts of contributions in aid of construction received from developers previously included in accounts receivable	$	781	$	2,050	$	2,981
Supplemental Disclosures of Cash Flow Information:						
Interest paid	$	7,519	$	6,978	$	7,273
Income taxes paid	$	8,792	$	7,332	$	3,287
Purchase price allocation of investment in acquisitions:						
Utility plant	$	5,118	$	---	$	---
Other deferred assets/goodwill		623		---		---
Total investment in acquisitions	$	5,741	$	---	$	---

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

In thousands

	Common Shares Outstanding Class A Non-Voting (1) (3) (4)	Common Shares Outstanding Class B Voting (2)	$1 Par Value Class A Non-Voting	$1 Par Value Class B Voting	Additional Paid-in Capital	Retained Earnings	Total
Balance as of December 31, 2017	8,333	882	$8,333	$882	$99,526	$37,903	$146,644
Net income	—	—	—	—	—	14,278	14,278
Cash dividends declared							
Common stock	—	—	—	—	—	(8,819)	(8,819)
Issuance of common stock							
Dividend reinvestment plan	10	—	10	—	356	—	366
Employee stock options and awards(4)	13	—	13	—	306	—	319
Employee Retirement Plan(3)	12	—	12	—	451	—	463
Balance as of December 31, 2018	8,368	882	$8,368	$882	$100,639	$43,362	$153,251
Net income	—	—	—	—	—	14,925	14,925
Cash dividends declared							
Common stock	—	—	—	—	—	(9,122)	(9,122)
Issuance of common stock							
Dividend reinvestment plan	11	—	11	—	389	—	400
Employee stock options and awards(4)	21	—	21	—	426	—	447
Employee Retirement Plan(3)	10	—	10	—	357	—	367
Balance as of December 31, 2019	8,410	882	$8,410	$882	$101,811	$49,165	$160,268
Net income	—	—	—	—	—	16,817	16,817
Cash dividends declared							
Common stock	—	—	—	—	—	(9,376)	(9,376)
Issuance of common stock							
Dividend reinvestment plan	11	—	11	—	377	—	388
Employee stock options and awards(4)	42	—	42	—	832	—	874
Employee Retirement Plan(3)	12	—	12	—	443	—	455
Balance as of December 31, 2020	8,475	882	$8,475	$882	$103,463	$56,606	$169,426

(1) *At December 31, 2020, 2019, and 2018, Class A Common Stock had 15,000,000 shares authorized. For the same periods, shares issued, inclusive of treasury shares, were 8,504,429, 8,439,223 and 8,398,005, respectively.*

(2) *At December 31, 2020, 2019, and 2018, Class B Common Stock had 1,040,000 shares authorized and 882,000 shares issued.*

(3) *Artesian Resources Corporation registered 500,000 shares of Class A Common Stock available for purchase through the Artesian Retirement Plan and the Artesian Supplemental Retirement Plan.*

(4) *Under the Equity Compensation Plan, effective December 9, 2015, Artesian Resources Corporation authorized up to 331,500 shares of Class A Common Stock for issuance of grants in forms of stock options, stock units, dividend equivalents and other stock-based awards, subject to adjustment in certain circumstances as discussed in the Plan. Includes stock compensation expense for the years ended December 31, 2020, 2019, and 2018, see Note 1-Stock Compensation Plans.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The audited consolidated financial statements are presented in accordance with the requirements of Form 10-K and accounting principles generally accepted in the United States and consequently include all the disclosures required in the consolidated financial statements included in the Company's annual report on Form 10-K. The accompanying consolidated financial statements include the accounts of Artesian Resources Corporation and its subsidiaries and all intercompany balances and transactions between subsidiaries have been eliminated.

Utility Subsidiary Accounting

The accounting records of Artesian Water Company, Inc., or Artesian Water, and Artesian Wastewater Management, Inc., or Artesian Wastewater, are maintained in accordance with the uniform system of accounts as prescribed by the Delaware Public Service Commission, or the DEPSC. The accounting records of Artesian Water Pennsylvania, Inc., or Artesian Water Pennsylvania, are maintained in accordance with the uniform system of accounts as prescribed by the Pennsylvania Public Utility Commission, or the PAPUC. The accounting records of Artesian Water Maryland, Inc., or Artesian Water Maryland, and Artesian Wastewater Maryland, Inc., or Artesian Wastewater Maryland, are maintained in accordance with the uniform system of accounts as prescribed by the Maryland Public Service Commission, or the MDPSC. All five subsidiaries follow the provisions of Financial Accounting Standards Board, or FASB, ASC Topic 980, which provides guidance for companies in regulated industries. These regulated subsidiaries account for the majority of our operating revenue. The operating revenues of our non-regulated division are presented in the Consolidated Statements of Operations.

Utility Plant

Utility plant is stated at original cost. Cost includes direct labor, materials, AFUDC (see description below) and indirect charges for such capitalized 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, the historical costs of plant retired is charged to accumulated depreciation. Any cost associated with retirement, less any salvage value or proceeds received, is charged to the regulated retirement liability. Maintenance, repairs, and replacement of minor items of utility plant are charged to expense as incurred.

In accordance with a rate order issued by the DEPSC, Artesian Water and Artesian Wastewater accrue an Allowance for Funds Used during Construction, or AFUDC. AFUDC, which represents the cost of funds devoted to construction projects through the date the project is placed in service, is capitalized as part of construction work in progress. The rate used for the AFUDC calculation is based on Artesian Water's and Artesian Wastewater’s weighted average cost of debt and the rate of return on equity authorized by the DEPSC. The rate used to capitalize AFUDC for Artesian Water in 2020, 2019, and 2018 was 7.0%, 7.1%, and 7.4%, respectively. The rate used to capitalize AFUDC for Artesian Wastewater in 2020, 2019, and 2018 was 6.3%, 7.1%, and 5.9%, respectively.

Utility plant comprises:
In thousands

		December 31,	
	Estimated Useful Life (In Years)	2020	2019
Utility plant at original cost			
Utility plant in service-Water			
Intangible plant	—	$ 140	$ 140
Source of supply plant	45-85	23,940	22,611
Pumping and water treatment plant	8-62	100,317	90,795
Transmission and distribution plant			
Mains	81	293,643	277,125
Services	39	49,937	48,190
Storage tanks	76	29,946	27,968
Meters	26	27,994	27,498
Hydrants	60	15,895	15,071
General plant	5-31	62,379	61,512
Utility plant in service-Wastewater			
Intangible plant	—	116	—
Treatment and disposal plant	21-81	41,860	19,315
Collection mains & lift stations	81	32,133	19,348
General plant	5-31	1,545	1,223
Property held for future use	—	5,711	24,632
Construction work in progress	—	21,474	31,881
		707,030	667,309
Less – accumulated depreciation		147,469	136,588
		$ 559,561	$ 530,721

Depreciation and Amortization

For financial reporting purposes, depreciation is recorded using the straight-line method at rates based on estimated economic useful lives, which range from 5 to 85 years. Composite depreciation rates for water utility plant were 2.23%, 2.27% and 2.28% for 2020, 2019 and 2018, respectively. In a rate order issued by the DEPSC, the Company was directed effective January 1, 1998 to begin using revised depreciation rates for utility plant. In rate orders issued by the DEPSC, Artesian Water was directed, effective May 28, 1991 and August 25, 1992, to offset depreciation recorded on utility plant by depreciation on utility property funded by Contributions in Aid of Construction, or CIAC, and Advances for Construction, or Advances, respectively. This reduction in depreciation expense is also applied to outstanding CIAC and Advances. Other deferred assets are amortized using the straight-line method over applicable lives, which range from 20 to 24 years.

Regulatory Assets

The FASB ASC Topic 980 stipulates generally accepted accounting principles for companies whose rates are established or subject to approvals by a third-party regulatory agency. Certain expenses are recoverable through rates charged to our customers, without a return on investment, and are deferred and amortized during future periods using various methods as permitted by the DEPSC, MDPSC, and PAPUC.

The deferred income taxes will be amortized over future years as the tax effects of temporary differences that previously flowed through to our customers are reversed.

Debt related costs include debt issuance costs and other debt related expense. The DEPSC has approved deferred regulatory accounting treatment for issuance costs associated with Artesian Water's Series V First Mortgage bond in December 2019 that paid down outstanding lines of credit and a loan payable to Artesian Resources. Debt issuance costs and other debt related expenses are reviewed during Artesian Water's rate applications as part of its cost of capital calculations. For the Series V First Mortgage bond, cash was paid for the issuance costs and $30 million of cash was received from the proceeds of the bond.

Regulatory expenses amortized on a straight-line basis are noted below:

Expense	Years Amortized
Rate case studies	5
Delaware rate proceedings	2.5
Maryland rate proceedings	5
Debt related costs	15 to 30 (based on term of related debt)
Goodwill (resulting from acquisition of Mountain Hill Water Company in 2008)	50
Deferred acquisition costs (resulting from purchase of water assets in Cecil County, Maryland in 2011 and Port Deposit, Maryland in 2010)	20
Franchise Costs (resulting from purchase of water assets in Cecil County, Maryland in 2011)	80

Regulatory assets, net of amortization, comprise:

	(in thousands)	
	December 31, 2020	December 31, 2019
Deferred income taxes	$ 370	$ 386
Expense of rate case studies and other	46	78
Debt related costs	5,233	5,556
Goodwill	281	288
Deferred acquisition and franchise costs	543	583
	$ 6,473	$ 6,891

Impairment or Disposal of Long-Lived Assets

Our long-lived assets consist primarily of utility plant in service and regulatory assets. A review of our long-lived assets is performed in accordance with the requirements of FASB ASC Topic 360. In addition, the regulatory assets are reviewed for the continued application of FASB ASC Topic 980. The review determines whether there have been changes in circumstances or events that have occurred requiring adjustments to the carrying value of these assets. FASB ASC Topic 980 stipulates that adjustments to the carrying value of these assets would be made in instances where the inclusion in the rate-making process is unlikely. For the years ended December 31, 2020, 2019 and 2018, there was no impairment or regulatory disallowance identified in our review.

Other Deferred Assets

The investment in CoBank, which is a cooperative bank, is related to certain outstanding First Mortgage Bonds and is a required investment in the bank based on the underlying long-term debt agreements. Goodwill is a result of the acquisition of water assets from the Town of Frankford in April 2020 based on the purchase price allocation. The DEPSC will evaluate this amount in Artesian Water’s next base rate case to determine the appropriate ratemaking treatment of the acquisition price and the assets acquired. A large portion of the remaining other deferred assets, approximately $0.2 million, is in relation to the Mountain Hill acquisition.

Other deferred assets at December 31, net of amortization, comprise:

In thousands	2020	2019
Investment in CoBank	$ 4,374	$ 3,968
Goodwill	623	—
Other	312	289
	$ 5,309	$ 4,257

Advances for Construction

Cash advances to reimburse Artesian Water for its costs to construct water mains, services and hydrants are contributed to Artesian Water by real estate developers and builders in order to extend water service to their properties. The value of these contributions is recorded as Advances for Construction. Artesian Water makes refunds on these advances over a specific period of time based on operating revenues generated by the specific plant or as new customers are connected to the mains. After all refunds are made within the contract period, any remaining balance is transferred to CIAC.

Contributions in Aid of Construction

CIAC includes the non-refundable portion of advances for construction and direct contributions of water mains, services and hydrants, and wastewater treatment facilities and collection systems, or cash to reimburse our water and wastewater divisions for costs to construct water mains, services and hydrants, and wastewater treatment and disposal plant. Effective with the Tax Cuts and Jobs Act, or TCJA, CIAC is now taxable and the DEPSC, MDPSC and PAPUC allow the Company to collect additional CIAC to pay the associated tax.

Regulatory Liabilities

FASB ASC Topic 980 stipulates generally accepted accounting principles for companies whose rates are established or subject to approvals by a third-party regulatory agency. Certain obligations are deferred and/or amortized as determined by the DEPSC, MDPSC, and PAPUC. Regulatory liabilities represent excess recovery of cost or other items that have been deferred because it is probable such amounts will be returned to customers through future regulated rates.

Utility plant retirement cost obligation consists of estimated costs related to the potential removal and replacement of facilities and equipment on the Company's water and wastewater properties. Effective January 1, 2012, as authorized by the DEPSC, 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. Each year the liability is increased by an annual amount authorized by the DEPSC.

Pursuant to the enactment of the TCJA on December 22, 2017, the Company adjusted its existing deferred income tax balances to reflect the decrease in the corporate income tax rate from 34% to 21% (see Note 5) resulting in a decrease in the net deferred income tax liability of $24.3 million, of which $22.8 million was reclassified to a regulatory liability based on DEPSC orders dated January 31, 2019 for Artesian Water and Artesian Wastewater. The regulatory liability amount is subject to certain Internal Revenue Service normalization rules that require the benefits to customers be spread over the remaining useful life of the underlying assets giving rise to the associated deferred income taxes. On January 31, 2019, the DEPSC approved the amortization of the regulatory liability amount of $22.2 million over a period of 49.5 years beginning February 1, 2018, subject to audit at a later date. The MDPSC has not issued a final order on the regulatory liability amount of $0.6 million regarding the effects of the TCJA on Maryland customers.

Regulatory liabilities comprise:

	(in thousands)	
	December 31, 2020	December 31, 2019
Utility plant retirement cost obligation	$ 126	$ 247
Deferred income taxes (related to TCJA)	21,555	21,999
	$ 21,681	$ 22,246

Income Taxes

The TCJA made many changes to the Internal Revenue Code. The most significant change impacting Artesian Resources is the reduction of the corporate federal income tax rate from our previous effective rate of 34% to the new flat tax rate of 21% beginning January 1, 2018.

Deferred income taxes are provided in accordance with FASB ASC Topic 740 on all differences between the tax basis of assets and liabilities and the amounts at which they are carried in the consolidated financial statements based on the enacted tax rates expected to be in effect when such temporary differences are expected to reverse. The Company's rate regulated utilities recognize regulatory liabilities, to the extent considered in ratemaking, for deferred taxes provided in excess of the current statutory tax rate and regulatory assets for deferred taxes provided at rates less than the current statutory rate. Such tax-related regulatory assets and liabilities are reported at the revenue requirement level and amortized to income as the related temporary differences reverse, generally over the lives of the related properties.

Under FASB ASC Topic 740, an uncertain tax position represents our expected treatment of a tax position taken, or planned to be taken in the future, that has not been reflected in measuring income tax expense for financial reporting purposes. The Company establishes reserves for uncertain tax positions based upon management's judgment as to the sustainability of these positions. These accounting estimates related to the uncertain tax position reserve require judgments to be made as to the sustainability of each uncertain tax position based on its technical merits. The Company believes its tax positions comply with applicable law and that it has adequately recorded reserves as required. However, to the extent the final tax outcome of these matters is different than the estimates recorded, the Company would then adjust its tax reserves or unrecognized tax benefits in the period that this information becomes known. The statute of limitations for the 2015 Corporate tax returns lapsed during the third quarter of 2019, which resulted in the reversal of the reserve in the amount of approximately $73,000. The statute of limitations for the 2016 Corporate tax returns lapsed during the fourth quarter of 2020. The Company has elected to recognize accrued interest (net of related tax benefits) and penalties related to uncertain tax positions as a component of its income tax expense. The Company has accrued approximately $21,000 in penalties and interest for the year ended December 31, 2020. The Company remains subject to examination by federal and state authorities for the tax years 2017 through 2020.

The Tax Reform Act of 1986 mandated that Advances and CIAC received subsequent to December 31, 1986, generally are taxable income. The 1996 Tax Act provided an exclusion from taxable income for CIAC and Advances received after June 12, 1996 except for certain contributions for large services that are not included in rate base for rate-making purposes. On December 22, 2017, the TCJA repealed the 1996 exclusion from gross income effective prospectively on the enactment date.

Investment tax credits were deferred through 1986 and are recognized as a reduction of deferred income tax expense over the estimated economic useful lives of the related assets.

Stock Compensation Plans

On December 9, 2015, the Company’s stockholders approved the 2015 Equity Compensation Plan, or the 2015 Plan. The 2015 Plan replaced the 2005 Equity Compensation Plan, or the 2005 Plan, which expired on May 24, 2015. The 2015 Plan authorizes an aggregate number of shares of our Class A Non-Voting Common Stock, or Class A Stock, that may be issued or transferred under the 2015 Plan equal to the sum of: 331,500 shares, plus the number of shares of Class A Stock subject to outstanding grants under the 2005 Plan as of December 9, 2015 that terminate, expire or are cancelled, forfeited, exchanged or surrendered without having been exercised, vested or paid under the 2005 Plan. The Company accounts for stock options issued after January 1, 2006 under FASB ASC Topic 718. Compensation costs for restricted stock grants and options were $178,000, $181,000 and $192,000 in 2020, 2019 and 2018, respectively. Cost for options and restricted stock grants were determined based on the fair value at the grant dates and those costs were charged to income over the associated service periods. As of December 31, 2020, there was $59,900 of unrecognized expense related to non-vested awards of restricted shares granted under the 2015 Plan.

There was no stock compensation cost capitalized as part of an asset.

Stock Options

No options were granted in 2018, 2019 or 2020.

Shares of Class A Stock have been reserved for future issuance under the 2015 Plan.

Stock Awards

On May 6, 2020, 5,000 shares of Class A Stock were granted as restricted stock awards. The fair value per share was $35.01, the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 6, 2020. Prior to their release date, these restricted stock awards may be subject to forfeiture in the event of the recipient’s termination of service.

On May 8, 2019, 5,000 shares of Class A Stock were granted as restricted stock awards. The fair value per share was $36.11, the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 8, 2019. Prior to their release date, these restricted stock awards may be subject to forfeiture in the event of the recipient’s termination of service.

On May 2, 2018, 5,000 shares of Class A were granted as restricted stock awards. The fair value per share was $38.51, the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 2, 2018. Prior to their release date, these restricted stock awards may be subject to forfeiture in the event of the recipient’s termination of service.

Revenue Recognition and Unbilled Revenues

See Note 2 to our Consolidated Financial Statements for a full description of our revenue recognition.

Leases

In the first quarter of 2019 the Company adopted ASC 842, the new standard on leases. The Company elected the practical expedient not to evaluate land easements that existed prior to implementation and were not previously accounted for as leases. The Company also elected not to recognize Right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company has agreements for land easements and office equipment under operating leases. The Company evaluated each lease agreement to determine whether the lease was to be accounted for as an operating or financing lease. It was determined that all leases subject to this new standard are operating leases and are recognized on a straight line basis. Management makes certain estimates and assumptions regarding each lease agreement, renewal and amendment, including, but not limited to, discount rates and probable term, which can impact the escalations in payment that are taken into consideration when calculating the straight line basis. The amount of rent expense and income reported could vary if different estimates and assumptions are used. Management also makes certain estimates and assumptions regarding the fair value of the leased property at lease commencement and the separation of lease and nonlease components. See Note 3 to our Consolidated Financial Statements for a full description of our leases.

Accounts Receivable

Accounts receivable are recorded at the invoiced amounts. An allowance for doubtful accounts is calculated as a percentage of total associated revenues based upon historical trends and adjusted for current conditions. We mitigate our exposure to credit losses by discontinuing services in the event of non-payment; accordingly, the related allowance for doubtful accounts and associated bad debt expense has not been significant. However, due to the coronavirus pandemic, or COVID-19, causing hardships for many utility customers, state government agencies issued executive orders in March 2020 requiring utility companies to take a number of steps to support their customers and communities, including prohibiting service disconnections for non-payment and prohibiting late fees. The Company experienced longer receivable cycles throughout 2020 and made an adjustment to increase the reserve for bad debt in the amount of $0.5 million. Account balances are written off against the allowance when it is probable the receivable will not be recovered. The allowance for doubtful accounts was $0.9 million and $0.3 million at December 31, 2020 and December 31, 2019, respectively. The corresponding expense for each of the years ended December 31, 2020 and 2019 was $0.8 million and $0.2 million, respectively. The following table summarizes the changes in the Company’s accounts receivable balance:

In thousands	December 31, 2020	December 31, 2019
Customer accounts receivable – water	$ 6,707	$ 5,574
Customer accounts receivable – wastewater	1,717	209
Miscellaneous accounts receivable	699	402
CIAC receivable	1,901	992
	11,024	7,177
Less allowance for doubtful accounts	862	264
Net accounts receivable	$ 10,162	$ 6,913

The activities in the allowance for doubtful accounts are as follows:

In thousands	December 31, 2020	December 31, 2019
Beginning balance	$ 264	$ 232
Allowance adjustments	754	198
Recoveries	13	34
Write off of uncollectible accounts	(169)	(200)
Ending balance	$ 862	$ 264

Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, Artesian Resources considers all temporary cash investments with an original maturity of three months or less to be cash equivalents. Artesian Resources and its subsidiaries utilize their bank's zero balance account disbursement service to reduce the use of their lines of credit by funding checks as they are presented to the bank for payment rather than at issuance. If the checks currently outstanding, but not yet funded, exceed the cash balance on our books, the net liability is recorded as a current liability on the Consolidated Balance Sheet in the Overdraft Payable account.

Use of Estimates in the Preparation of Consolidated Financial Statements

The consolidated financial statements were prepared in conformity with generally accepted accounting principles in the U.S., which require management to make estimates about the reported amounts of assets and liabilities including unbilled revenues, reserve for a portion of revenues received under temporary rates and regulatory asset recovery and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

Management makes certain estimates and assumptions regarding each lease agreement, renewal and amendment, including, but not limited to, discount rates and probable term, which can impact the escalations in payment that are taken into consideration when calculating the straight line basis. The amount of rent expense and income reported could vary if different estimates and assumptions are used. Management also makes certain estimates and assumptions regarding the fair value of the leased property at lease commencement and the separation of lease and nonlease components.

The ultimate impact from COVID-19 on the Company’s operations and financial results will depend on, among other things, the severity and scope of the pandemic and full impact of governmental restrictions and executive orders issued. We are not able to fully quantify the impact that these factors will have on our future financial results. Management has made certain estimates and assumptions regarding credit losses and reserves for bad debt related to the executive orders issued by state government agencies in March 2020 requiring utility companies to temporarily prohibit late fees and service disconnections for non-payment. In July 2020, the State of Delaware lifted its executive orders placing a moratorium on service disconnections for non-payment, with a provision requiring utilities to offer payment arrangements extending at least four months to customers. After properly notifying customers, Artesian reinstated its late fee process in September 2020 and began administering service disconnections in October 2020 for its Delaware customers. The State of Maryland and the Commonwealth of Pennsylvania lifted their executive orders placing moratoriums on service disconnections for non-payment effective November 2020. The State of Maryland requires utilities to offer payment arrangements extending twelve months. The DEPSC and the MDPSC issued orders authorizing utilities deferred regulatory treatment for incremental costs related to COVID-19.

NOTE 2

REVENUE RECOGNITION

Background

Artesian’s operating revenues are primarily attributable to contract services based upon tariff rates approved by the DEPSC, the Maryland Public Service Commission, or MDPSC, and the Pennsylvania Public Utility Commission, or PAPUC. Tariff contract service revenues consist of water consumption, industrial wastewater services, fixed fees for water and wastewater services including customer and fire protection fees, service charges and Distribution System Improvement Charges, or DSIC, billed to customers at rates outlined in our tariffs that represent stand-alone selling prices. Our non-tariff contract revenues consist of Service Line Protection Plan, or SLP Plan, fees, water and wastewater contract operations, design and installation contract services, and wastewater inspection fees. Other operating revenue primarily consists of developer guarantee contributions for wastewater and rental income for antenna contracts.

Tariff Contract Revenues

Artesian generates revenue from the sale of water to customers in Delaware, Cecil County, Maryland, and Southern Chester County, Pennsylvania once a customer requests service in our territory. We recognize water consumption revenue at tariff rates on a cycle basis for the volume of water transferred to customers based upon meter readings for actual gallons of water consumed as well as unbilled amounts for estimated usage from the date of the last meter reading to the end of the accounting period. As actual usage amounts are known based on recurring meter readings, 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. While actual usage for individual customers may differ materially from the estimate based on management judgments described above, we believe the overall total estimate of consumption and revenue for the fiscal period will not differ materially from actual billed consumption. The majority of our water customers are billed for water consumed on a monthly basis, while the remaining customers are billed on a quarterly basis. As a result, we record unbilled operating revenue (contract asset) for any estimated usage through the end of the accounting period that will be billed in the next monthly or quarterly billing cycle.

Artesian generates revenue from industrial wastewater services provided to a customer in Sussex County, Delaware. We recognize industrial wastewater service revenue at a contract rate on a monthly basis for the volume of wastewater transferred to Artesian’s wastewater facilities based upon meter readings for actual gallons of wastewater transferred. These services are invoiced at the end of every month based on the actual meter readings for that month, and therefore there is no contract asset or liability associated with this revenue. The contract also provides for a minimum required volume of wastewater flow to our facility. At each year end, any shortfall of the actual volume from the required minimum volume is billed to the industrial customer and recorded as revenue. Additionally, if during the course of the year it is probable that the actual volume will not meet the minimum required volume, estimated revenue amounts would be recorded for the pro rata minimum volume, constrained for potential flow capacity that could occur in the remainder of the year.

Artesian generates fixed fee revenue for water and wastewater services provided to customers once a customer requests service in our territory. Our wastewater territory is located in Sussex County, Delaware. We recognize revenue from these services on a ratable basis over time as the customer simultaneously receives and consumes all the benefits of the Company remaining ready to provide them water and wastewater service. These contract services are billed in advance at tariff rates on a monthly, quarterly or semi-annual basis. As a result, we record deferred revenue (contract liability) and accounts receivable for any amounts for which we have a right to invoice but for which services have not been provided. This deferred revenue is netted with unbilled operating revenue on the Consolidated Balance Sheet.

Artesian generates service charges primarily from non-payment fees, such as water shut off and reconnection fees and finance charges. These fees are billed and recognized as revenue at the point in time when our tariffs indicate the Company has the right to payment such as days past due have been reached or shut-offs and reconnections have been performed. There is no contract asset or liability associated with these fees.

Artesian generates revenue from DSIC, which are surcharges applied to water customer tariff rates in Delaware related to specific types of water distribution system improvements. This rate is calculated on a semi-annual basis based on an approved projected revenue requirement over the following six-month period. This rate is adjusted up or down at the next DSIC filing to account for any differences between actual earned revenue and the projected revenue requirement. Since DSIC revenue is a surcharge applied to tariff rates, we recognize DSIC revenue based on the same guidelines as noted above depending on whether the surcharge was applied to consumption revenue or fixed fee revenue.

The DEPSC required Delaware utilities to determine the impact that the TCJA had on its customers and potential rate relief due to customers. The reduction in corporate income tax expense resulting from the TCJA was passed through to customers in the form of reduced tariff rates as approved by the DEPSC on January 31, 2019. Approximately $3.8 million was refunded to customers during the second quarter of 2019. This amount was previously held in reserve (refund liability) and was not reflected in income.

Accounts receivable related to tariff contract revenues are typically due within 25 days of invoicing. An allowance for doubtful accounts is calculated as a percentage of total associated revenues based upon historical trends and adjusted for current conditions. We mitigate our exposure to credit losses by discontinuing services in the event of non-payment; accordingly, the related allowance for doubtful accounts and associated bad debt expense has not been significant. However, due to the COVID-19 pandemic causing hardships for many utility customers, in March 2020, state government agencies issued executive orders requiring utility companies to take a number of steps to support their customers and communities, including prohibiting service disconnections for non-payment and prohibiting late fees. In July 2020, the State of Delaware lifted its executive orders placing a moratorium on service disconnections for non-payment, with a provision requiring utilities to offer payment arrangements extending at least four months to customers. After properly notifying customers, Artesian reinstated its late fee process in September 2020 and began administering service disconnections in October 2020 for its Delaware customers. The State of Maryland and the Commonwealth of Pennsylvania lifted their executive orders placing moratoriums on service disconnections for non-payment effective November 2020. The State of Maryland requires utilities to offer payment arrangements extending twelve months. The Company experienced longer receivable cycles throughout 2020 and made an adjustment to increase the reserve for bad debt in the amount of $0.5 million. We will continue to evaluate this adjustment amount as government agencies consider additional executive orders prohibiting late fees and service disconnections for non-payment.

The DEPSC and the MDPSC issued orders authorizing utilities deferred regulatory treatment for incremental costs related to COVID-19. As of December 31, 2020, we have not recorded a deferred regulatory asset for incremental costs related to COVID-19, but will continue to evaluate the on-going impact of the pandemic and whether incremental costs incurred are sufficient to warrant treatment as a deferred regulatory asset in accordance with the orders issued by the DEPSC and MDPSC.

Non-tariff Contract Revenues

Artesian generates SLP Plan revenue once a customer requests service to cover all parts, materials and labor required to repair or replace leaking water service lines, leaking or clogged sewer lines, or water and wastewater lines within the customer’s residence, up to an annual limit. We recognize revenue from these services on a ratable basis over time as the customer simultaneously receives and consumes all the benefits of having service line protection services. These contract services are billed in advance on a monthly or quarterly basis. As a result, we record deferred revenue (contract liability) and accounts receivable for any amounts for which we have a right to invoice but for which services have not been provided. Accounts receivable from SLP Plan customers are typically due within 25 days of invoicing. An allowance for doubtful accounts is calculated as a percentage of total SLP Plan contract revenue. We mitigate our exposure to credit losses by discontinuing services in the event of non-payment; accordingly, the related allowance for doubtful accounts and associated bad debt expense has not been significant.

Artesian generates contract operation revenue from water and wastewater operation services provided to customers. We recognize revenue from these operation contracts, which consist primarily of monthly operation and maintenance services over time as customers receive and consume the benefits of such services performed. These services are invoiced in advance at the beginning of every month and are typically due within 30 days, and therefore there is no contract asset or liability associated with these revenues. An allowance for doubtful accounts is provided based on a periodic analysis of individual account balances, including an evaluation of days outstanding, payment history, recent payment trends, and our assessment of our customers' creditworthiness. The related allowance for doubtful accounts and associated bad debt expense has not been significant.

Artesian generates design and installation revenue for services related to the design and construction of wastewater infrastructure for a state agency under contract. We recognize revenue from these services over time as services are performed using the percentage-of-completion method based on an input method of incurred costs (cost-to-cost). These services are invoiced at the end of every month based on incurred costs to date. As of December 31, 2020, there is no associated contract asset or liability. There are no allowance for doubtful accounts or bad debt expense associated with this revenue.

Artesian generates inspection fee revenue for inspection services related to onsite wastewater collection systems installed by developers of new communities. These fees are paid by developers in advance when a service is requested for a new phase of a development. Inspection fee revenue is recognized on a per lot basis once the inspection of the infrastructure that serves each lot is completed. As a result, we record deferred revenue (contract liability) for any amounts related to infrastructure not yet inspected. There are no accounts receivable, allowance for doubtful accounts or bad debt expense associated with inspection fee contracts.

Sales Tax

The majority of Artesian's revenues are earned within the State of Delaware, where there is no sales tax. Revenues earned in the State of Maryland and the Commonwealth of Pennsylvania are related primarily to the sale of water by a public water utility and are exempt from sales tax. Therefore, no sales tax is collected on revenues.

Disaggregated Revenues

The following table shows the Company's revenues disaggregated by service type; all revenues are generated within a similar geographical location:

(in thousands)	For the Year Ended December 31, **2020**	2019	2018
Tariff Revenue			
Consumption charges	**$ 47,145**	$ 45,451	$ 47,747
Fixed fees	**27,109**	26,216	25,557
Service charges	**351**	617	718
DSIC	**4,997**	4,331	2,797
Industrial wastewater services	**1,448**	22	---
Revenue reserved for refund – TCJA impact	**---**	---	(3,234)
Total Tariff Revenue	**$ 81,050**	$ 76,637	$ 73,585
Non-Tariff Revenue			
Service line protection plans	**$ 4,381**	$ 4,177	$ 3,992
Contract operations	**840**	1,122	1,352
Design and installation	**88**	---	---
Inspection fees	**266**	246	211
Total Non-Tariff Revenue	**$ 5,575**	$ 5,545	$ 5,555
Other Operating Revenue not in scope of ASC 606	**$ 1,516**	$ 1,413	$ 1,271
Total Operating Revenue	**$ 88,141**	$ 83,595	$ 80,411

Contract Assets and Contract Liabilities

Our contract assets and liabilities consist of the following:

(in thousands)	December 31, 2020	December 31, 2019
Contract Assets – Tariff	$ 2,175	$ 2,146
Deferred Revenue		
Deferred Revenue – Tariff	$ 1,150	$ 1,050
Deferred Revenue – Non-Tariff	300	251
Total Deferred Revenue	$ 1,450	$ 1,301

For the year ended December 31, 2020, the Company recognized revenue of $1.1 million from amounts that were included in Deferred Revenue – Tariff at the beginning of the year and revenue of $0.2 million from amounts that were included in Deferred Revenue – Non-Tariff at the beginning of the year.

The increases (decreases) of Accounts Receivable, Contract Assets and Deferred Revenue were primarily due to normal timing differences between our performance and customer payments.

Remaining Performance Obligations

As of December 31, 2020 and December 31, 2019, Deferred Revenue – Tariff is recorded net of contract assets within Unbilled operating revenues and represents our remaining performance obligations for our fixed fee water and wastewater services, all of which are expected to be satisfied and associated revenue recognized in the next three months.

As of December 31, 2020 and December 31, 2019, Deferred Revenue – Non-Tariff is recorded within Other current liabilities and represents our remaining performance obligations for our SLP Plan services and wastewater inspections, which are expected to be satisfied and associated revenue recognized within the next three months and one year for the SLP Plan revenue and inspection fee revenue, respectively.

NOTE 3

LEASES

The Company leases land and office equipment under operating leases from non-related parties. Our leases have remaining lease terms of 1 year to 76 years, some of which include options to automatically extend the leases for up to 66 years. Payments made under operating leases are recognized in the consolidated statement of operations on a straight-line basis over the period of the lease. The annual lease payments for the land operating leases increase each year either by the most recent increase in the Consumer Price Index or by 3%, as applicable based on the lease agreements. Periodically, the annual lease payment for one operating land lease is determined based on the fair market value of the applicable parcel of land. None of the operating leases contain contingent rent provisions. The commencement date of all the operating leases is the earlier of the date we become legally obligated to make rent payments or the date we may exercise control over the use of the land or equipment. The Company currently does not have any financing leases and does not have any lessor leases that require disclosure.

Management made certain assumptions related to the separation of lease and nonlease components and to the discount rate used when calculating the right of use asset and liability amounts for the operating leases. As our leases do not provide an implicit rate, we use our incremental borrowing rates for long-term and short-term agreements and apply the rates accordingly based on the term of the lease agreements to determine the present value of lease payments.

In October 1997, Artesian Water entered into a 33 year operating lease for a parcel of land with improvements located in South Bethany, a municipality in Sussex County, Delaware. The annual lease payments increase each year by the most recent increase in the Consumer Price Index for Urban Workers, CPI-U, as published by the U.S. Department of Labor, Bureau of Labor Statistics. At each eleventh year of the lease term, the annual lease payment shall be determined based on the fair market value of the parcel of land. Rental payments for 2020, 2019 and 2018 were $16,500, $16,300, and $16,500, respectively. The future minimum rental payment as disclosed in the following table is calculated using the adjustment for an appraisal conducted in 2019 to determine the fair market value of the parcel of land.

In March 2019, Artesian Water entered into a 3 year operating lease for office equipment. The quarterly lease payments remain fixed throughout the term of the lease. Payments for both 2020 and 2019 were $19,000, respectively.

Rent expense for all operating leases except those with terms of 12 months or less comprises:

(in thousands)	For the Twelve Months Ended December 31, 2020	2019
Minimum rentals	$ 44	$ 40
Contingent rentals	---	---
	$ 44	$ 40

Supplemental cash flow information related to leases is as follows:

(in thousands)	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 44	$ 40
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 460	$ 480

Supplemental balance sheet information related to leases is as follows:

(in thousands, except lease term and discount rate)	December 31, 2020	December 31, 2019
Operating Leases:		
Operating lease right-of-use assets	$ 460	$ 480
Other current liabilities	$ 20	19
Operating lease liabilities	432	450
Total operating lease liabilities	$ 452	$ 469
Weighted Average Remaining Lease Term		
Operating leases	59 years	58 years
Weighted Average Discount Rate		
Operating leases	5.0%	5.0%

Maturities of operating lease liabilities that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2020 are as follows:

		(in thousands) Operating Leases
Year		
2021	$	42
2022		28
2023		23
2024		23
2025		24
Thereafter		1,306
Total undiscounted lease payments	$	1,446
Less effects of discounting		(994)
Total lease liabilities recognized		452

As of December 31, 2020, we have not entered into operating or finance leases that will commence at a future date.

NOTE 4

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Current Assets and Liabilities

For those current assets and liabilities that are considered financial instruments, the carrying amounts approximate fair value because of the short maturity of those instruments.

Long-term Financial Liabilities

All of Artesian Resources' outstanding long-term debt as of December 31, 2020 and December 31, 2019 was fixed-rate. The fair value of the Company's long-term debt is determined by discounting their future cash flows using current market interest rates on similar instruments with comparable maturities consistent with FASB ASC 825. Under the fair value hierarchy, the fair value of the long-term debt in the table below is classified as Level 2 measurements. Level 2 is valued using observable inputs other than quoted prices. The fair values for long-term debt differ from the carrying values primarily due to interest rates that differ from the current market interest rates. The carrying amount and fair value of Artesian Resources' long-term debt (including current portion) are shown below:

In thousands	December 31, 2020	December 31, 2019
Carrying amount	$ 144,090	$ 145,862
Estimated fair value	171,374	157,710

The fair value of Advances for Construction cannot be reasonably estimated due to the inability to estimate accurately the timing and amounts of future refunds expected to be paid over the life of the contracts. Refund payments are based on the water sales to new customers in the particular development constructed. The fair value of Advances for Construction would be less than the carrying amount because these financial instruments are non-interest bearing.

NOTE 5

INCOME TAXES

Deferred income taxes reflect temporary differences between the valuation of assets and liabilities for financial and tax reporting. Pursuant to the enactment of the TCJA, the Company adjusted its existing deferred income tax balances to reflect the decrease in the corporate income tax rate from 34% to 21% resulting in a decrease in the net deferred income tax liability of approximately $24.3 million, of which $22.8 million was reclassified to a regulatory liability based on DEPSC orders dated January 31, 2019 for Artesian

Water and Artesian Wastewater. The regulatory liability amount is subject to certain Internal Revenue Service normalization rules that require the benefits to customers be spread over the remaining useful life of the underlying assets giving rise to the associated deferred income taxes. On January 31, 2019, the DEPSC approved the amortization of the regulatory liability amount of $22.2 million over a period of 49.5 years beginning February 1, 2018, subject to audit at a later date. The MDPSC has not issued a final order on the regulatory liability amount of $0.6 million regarding the effects of the TCJA on Maryland customers.

As of December 31, 2020, the Company fully utilized all of its federal net operating loss carrybacks and carry-forwards. As of December 31, 2020, the Company has separate company state net operating loss carry-forwards aggregating approximately $9.4 million. Most of these net operating loss carry-forwards will expire if unused between 2022 and 2042. The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized due to the expiration of the state net operating loss carry-forwards. The valuation allowance increased to approximately $618,000 in 2020 from approximately $335,000 in 2019. Management believes that it is more likely than not that the Company will realize the benefit of these deferred tax assets, net of the valuation allowance.

Components of Income Tax Expense

In thousands	For the Year Ended December 31,		
State income taxes	2020	2019	2018
Current	$ 2,348	$ 2,405	$ 1,768
Deferred	(279)	(610)	71
Total state income tax expense	$ 2,069	$ 1,795	$ 1,839

	For the Year Ended December 31,		
Federal income taxes	2020	2019	2018
Current	$ 5,725	$ 6,015	$ 2,404
Deferred	(2,110)	(2,629)	748
Total federal income tax expense	$ 3,615	$ 3,386	$ 3,152

Reconciliation of effective tax rate:

	For the Year Ended December 31,					
In thousands	2020 Amount	2020 Percent	2019 Amount	2019 Percent	2018 Amount	2018 Percent
Reconciliation of effective tax rate						
Income before federal and state income taxes	$ 22,501	100.0%	$ 20,106	100.0%	$ 19,270	100.0%
Amount computed at statutory rate	4,725	21.0%	4,222	21.0%	4,047	21.0%
Reconciling items						
State income tax-net of federal tax benefit	1,704	7.6%	1,414	7.0%	1,350	7.0%
Regulatory liability adjustment	(451)	(2.0)%	(451)	(2.2)%	(920)	(4.8)%
Federal rate change and TCJA effect	---	0.0%	---	0.0%	325	1.7%
Other	(294)	(1.3)%	(4)	0.0%	189	1.0%
Total income tax expense and effective rate	$ 5,684	25.3%	$ 5,181	25.8%	$ 4,991	25.9%

Deferred income taxes at December 31, 2020 and 2019 were comprised of the following:

In thousands	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Deferred tax assets related to:		
Federal and state operating loss carry-forwards	$ 629	$ 725
Less: valuation allowance	(493)	(335)
Bad debt allowance	240	73
Stock options	148	185
Other	75	70
Total deferred tax assets	$ 599	$ 718
Deferred tax liabilities related to:		
Property plant and equipment basis differences	$ (48,536)	$ (50,490)
Bond retirement costs	(1,210)	(1,286)
Expenses of rate proceedings	-	-
Property taxes	(481)	(544)
Other	(685)	(657)
Total deferred tax liabilities	$ (50,912)	$ (52,977)
Net deferred tax liability	$ (50,313)	$ (52,259)

Schedule of Valuation Allowance

In thousands	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
Classification				
For the Year Ended December 31, 2020 Valuation allowance for deferred tax assets	$ 335	$ 158	---	$ 493
For the Year Ended December 31, 2019 Valuation allowance for deferred tax assets	$ 396	$ 41	(102)	$ 335
For the Year Ended December 31, 2018 Valuation allowance for deferred tax assets	$ 360	$ 36	—	$ 396

Under FASB ASC Topic 740, the Company established two reserves for uncertain tax positions based upon management's judgment as to the sustainability of these positions.

In 2014, the Company changed its tax method of accounting for qualifying utility system repairs effective with the tax year ended December 31, 2014 and for prior tax years. The tax accounting method was changed to permit the expensing of qualifying utility asset improvement costs that were previously being capitalized and depreciated for book and tax purposes. In December 2015, the Company was notified by the IRS that its Federal tax filing for 2014 would be reviewed with respect to the tax accounting method change, along with the effects of the net operating loss generated in 2014 and carryback to the 2012 and 2013 tax years. This review, which began in the first quarter of 2016 and was completed in the second quarter of 2016, resulted in no change to the tax liability. During 2020, based upon this audit outcome and the Company's belief that the deductions taken on its tax returns are appropriate, the Company decided to reverse any liabilities related to the repair deduction from prior years.

Additionally, the Company reserved a liability related to the difference in the tax depreciation utilizing the half-year convention rather than the mid-quarter convention for 2017 and 2018.

The following table provides the changes in the Company's uncertain tax position:	For the years ended December 31,	
In thousands	2020	2019
Balance at beginning of year	$ 271	$ 283
Additions based on tax positions related to the current year	---	37
Additions based on tax positions related to prior years	21	24
Reductions for tax positions of prior years	(83)	_—_
Settlements	—	—
Federal tax rate change	—	—
Lapses in statutes of limitations	—	(73)
Balance at end of year	$ 209	$ 271

NOTE 6

PREFERRED STOCK

As of December 31, 2020 and 2019, Artesian Resources had no preferred stock outstanding. Artesian Resources has 100,000 shares of $1.00 par value Series Preferred stock authorized but unissued.

NOTE 7

COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

The Class A Non-Voting Common Stock, or Class A Stock, of Artesian Resources trades on the Nasdaq Global Select Market under the symbol ARTNA. The Class B Common Stock, or Class B Stock, of Artesian Resources trades on the Nasdaq's OTC Bulletin Board under the symbol ARTNB. The rights of the holders of the Class A Stock and the Class B Stock are identical, except with respect to voting.

Under Artesian Resources' dividend reinvestment plan, which allows for reinvestment of cash dividends and optional cash payments, stockholders were issued approximately 11,000, 11,000 and 10,000 shares at fair market value for the investment of $388,000, $400,000, and $366,000 of their monies in the years 2020, 2019, and 2018, respectively.

NOTE 8

DEBT

At December 31, 2020, 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, 2020, there was $31.2 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 1.25%. 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 31, 2021 or any date on which Citizens demands payment. The Company expects to renew this line of credit.

At December 31, 2020, 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, 2020, there was $2.0 million of available funds under this line of credit. The interest rate for borrowings under this line allows the Company to select either LIBOR plus 1.50% or a weekly variable rate established by CoBank; the Company has historically used the weekly variable interest rate. The term of this line of credit expires on July 30, 2021. Artesian Water expects to renew this line of credit.

On December 17, 2019, Artesian Water entered into a Bond Purchase Agreement relating to the issue and sale by Artesian Water to CoBank of a $30 million principal amount First Mortgage Bond, Series V, or the Series V Bond, due October 31, 2049, or the Maturity Date. The Series V Bond was issued pursuant to Artesian Water's Indenture of Mortgage dated as of July 1, 1961, as amended and supplemented by supplemental indentures, including the Twenty-Fourth Supplemental Indenture dated as of December 17, 2019 from Artesian Water to Wilmington Trust Company, as Trustee. The Indenture is a first mortgage lien against substantially all of Artesian Water's utility plant. The proceeds from the sale of the Series V Bond were used to pay down outstanding lines of credit of the Company and a loan payable to Artesian Resources. The DEPSC approved the issuance of the Series V Bond on November 14, 2019.

The Series V Bond carries an annual interest rate of 4.42% through but excluding the Maturity Date. Interest is payable on January 30th, April 30th, July 30th and October 30th in each year and on the Maturity Date, beginning January 30, 2020 until Artesian Water's obligation with respect to the payment of principal, premium (if any) and interest shall be discharged. Overdue payments shall bear interest as provided in the Twenty-Fourth Supplemental Indenture. The term of the Series V Bond also includes certain limitations on Artesian Water's indebtedness.

On April 28, 2020, Artesian Water entered into three financing agreements, or the Financing Agreements, 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 the state of Delaware, or the Department. Under the Financing Agreements, the Department has agreed to advance to Artesian Water up to approximately \$1.7 million, \$1.0 million and \$1.3 million, collectively, the Loans, to finance all or a portion of the costs to replace specific water transmission mains in service areas located in New Castle County, Delaware, collectively, the Projects. In accordance with the Financing Agreements, Artesian Water will from time to time request funds under the Loans as it incurs costs in connection with the Projects. The Company shall pay to the Department, on the principal amount drawn down and outstanding from the date drawn, interest at a rate of 0.6% per annum and an administrative fee at the rate of 0.6% per annum. As of December 31, 2020, no funds were borrowed under the Loans.

CoBank may make an annual patronage refund. The annual patronage refund rate was reduced in 2019 to 0.80% from 1.00% of the average line of credit and loan volume outstanding by Artesian. The \$20 million line of credit, the First Mortgage Bonds and the promissory note are with CoBank. The patronage refunds earned by Artesian in 2020 and 2019 were \$1.0 million and \$0.9 million, respectively. In 2020, CoBank issued a one-time additional all-cash patronage distribution of \$107,000, or 0.10%, of the average line of credit and loan volume outstanding in the prior year, which was in addition to the standard 0.80% patronage rate.

The weighted average interest rate on the lines of credit discussed above paid by the Company was 1.82% for the year ended December 31, 2020. These lines of credit, as well as the long-term debt obligations shown below, require us to abide by certain financial covenants and ratios. As of December 31, 2020, we were in compliance with these covenants.

Long-term debt consists of:

	December 31,	
In thousands	2020	2019
First mortgage bonds		
Series R, 5.96%, due December 31, 2028	$ 25,000	$ 25,000
Series S, 4.45%, due December 31, 2033	7,800	8,400
Series T, 4.24%, due December 20, 2036	40,000	40,000
Series U, 4.71%, due January 31, 2038	25,000	25,000
Series V, 4.42%, due October 31, 2049	30,000	30,000
	127,800	128,400
State revolving fund loans		
4.48%, due August 1, 2021	318	622
3.57%, due September 1, 2023	294	385
3.64%, due May 1, 2025	648	778
3.41%, due February 1, 2031	1,887	2,034
3.40%, due July 1, 2032	1,864	1,995
	5,011	5,814
Notes Payable		
Promissory Note, 5.12%, due December 30, 2028	$ 11,279	$ 11,648
Sub-total	144,090	145,862
Less: current maturities (principal amount)	1,757	1,706
Total long-term debt	$ 142,333	$ 144,156

Payments of principal amounts due during the next five years and thereafter:

In thousands	2021	2022	2023	2024	2025	Thereafter
First Mortgage bonds	$ 600	$ 600	$ 600	$ 600	$ 600	$ 124,800
State revolving fund loans	767	533	552	466	404	2,289
Promissory note	390	411	433	454	480	9,111
Total payments	$ 1,757	1,544	1,585	1,520	1,484	136,200

Substantially all of Artesian Water's utility plant is pledged as security for our First Mortgage Bonds. As of December 31, 2020, no other water utility plant has been pledged as security for loans. Two parcels of land in Artesian Wastewater are pledged as security for the promissory note.

NOTE 9

STOCK COMPENSATION PLANS

On December 9, 2015, the Company's stockholders approved the 2015 Equity Compensation Plan, or the 2015 Plan, that replaced the 2005 Equity Compensation Plan, or the 2005 Plan, which expired on May 24, 2015. The 2015 Plan provides that grants may be in any of the following forms: incentive stock options, nonqualified stock options, stock units, stock awards, dividend equivalents and other stock-based awards. The 2015 Plan is administered and interpreted by the Compensation Committee of the Board of Directors, or the Committee. The Committee has the authority to determine the individuals to whom grants will be made under the 2015 Plan, determine the type, size and terms of the grants, determine the time when grants will be made and the duration of any applicable exercise or restriction period (subject to the limitations of the 2015 Plan) and deal with any other matters arising under the 2015 Plan. The Committee presently consists of three directors, each of whom is a non-employee director of the Company. All of the employees of the Company and its subsidiaries are eligible for grants under the 2015 Plan. Non-employee directors of the Company are also eligible to receive grants under the 2015 Plan.

The following summary reflects changes in the shares of Class A Stock under option:

	2020 Shares	2020 Weighted Average Exercise Price	2019 Shares	2019 Weighted Average Exercise Price	2018 Shares	2018 Weighted Average Exercise Price
Plan options						
Outstanding at beginning of year	153,250	$ 20.40	168,750	$ 20.11	176,802	$ 19.91
Granted	—	—	—	—	—	—
Exercised	(36,903)	18.83	(15,500)	17.15	(8,052)	15.77
Expired	—	—	—	—	—	—
Outstanding at end of year	116,347	$ 20.90	153,250	$ 20.40	168,750	$ 20.11
Options exercisable at year end	116,347	$ 20.90	153,250	$ 20.40	168,750	$ 20.11

The total intrinsic value of options exercised during 2020, 2019 and 2018 were $620,000, $334,000 and $176,000, respectively. During 2020, we received $695,000 in cash from the exercise of options, with a $799,000 tax benefit realized for those options.

The following table summarizes information about employee and director stock options outstanding and exercisable at December 31, 2020:

Options Outstanding and Exercisable

Range of Exercise Price	Shares Outstanding at December 31, 2020	Weighted Average Remaining Life	Weighted Average Exercise Price	Aggregate Intrinsic Value
$ 19.01 - $20.46	48,847	0.92 Years	$ 19.03	$ 881,573
$ 20.47 - $22.66	67,500	2.85 Years	$ 22.26	$ 1,000,350

As of December 31, 2020, there was no unrecognized expense related to non-vested option shares granted under the 2015 Plan.

The following summary reflects changes in the shares of Class A Stock Restricted Stock Awards (RSA):

	2020 Shares	2020 Weighted Average Grant Date Fair Value	2019 Shares	2019 Weighted Average Grant Date Fair Value	2018 Shares	2018 Weighted Average Exercise Price
Plan RSA's						
Outstanding at beginning of year	5,000	$ 36.11	5,000	$ 38.51	5,000	$ 38.10
Granted	5,000	35.01	5,000	36.11	5,000	38.51
Vested/Released	(5,000)	36.11	(5,000)	38.51	(5,000)	38.10
Cancelled	—	—	—	—	—	—
Unvested Outstanding at end of year	5,000	$ 35.01	5,000	$ 36.11	5,000	$ 38.51

On May 6, 2020, 5,000 shares of Class A Stock were granted as restricted stock awards. The fair value per share was $35.01, the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 6, 2020. Prior to their release date, these restricted stock awards may be subject to forfeiture in the event of the recipient's termination of service.

On May 8, 2019, 5,000 shares of Class A Common Stock, or Class A Stock, were granted as restricted stock awards. The fair value per share was $36.11, the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 8, 2019. Prior to their release date, these restricted stock awards may be subject to forfeiture in the event of the recipient's termination of service.

On May 2, 2018, 5,000 shares of Class A Stock were granted as restricted stock awards. The fair value per share was $38.51, the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 2, 2018. Prior to their release date, these restricted stock awards may be subject to forfeiture in the event of the recipient's termination of service.

As of December 31, 2020, there was $59,900 of total unrecognized expense related to non-vested awards of restricted shares awarded under the 2015 Plan. The cost will be recognized over 0.35 years, the remaining vesting period for the restricted stock awards.

The total intrinsic value of awards released during 2020 was approximately $178,250.

NOTE 10

EMPLOYEE BENEFIT PLANS

401(k) Plan

Artesian Resources has a defined contribution 401(k) Salary Reduction Plan, or the 401(k) Plan, which covers substantially all employees. Under the terms of the 401(k) Plan, Artesian Resources contributed 2% of eligible salaries and wages and matched employee contributions up to 6% of gross pay at a rate of 50%. Artesian Resources may, at its option, make additional contributions of up to 3% of eligible salaries and wages. No such additional contributions were made in 2020, 2019 or 2018. The 401(k) Plan also provides additional retirement benefits to full-time employees hired prior to April 26, 1994, allowing them to save for future retiree medical costs that will be paid by employees by providing additional cash resources to those employees upon a termination of employment or retirement to meet the cost of future medical expenses. These eligible employees receive an additional contribution based upon their years of service ranging from 2% to 6% of eligible salaries and wages. The 401(k) Plan expenses, which include Company contributions and administrative fees, for the years 2020, 2019 and 2018, were approximately $1.1 million for each year, respectively.

NOTE 11

COMMITMENTS AND CONTINGENCIES

Leases

In the first quarter of 2019, the Company adopted the new standard on leases that was issued by the FASB and has applied this standard as disclosed in Note 3.

Easements

During 2003, Artesian Water Pennsylvania entered into a 40 year easement agreement to acquire an easement to access, operate, maintain, repair, improve, replace and connect Artesian's water system to a well, including a parcel of land around the well. Management made certain estimates and assumptions regarding the separation of lease and nonlease components related to this easement agreement. It was determined that the majority of this easement agreement contains nonlease components. Easement payments for 2020, 2019 and 2018 were $41,000, $40,000 and $38,000, respectively.

Artesian Wastewater entered into a perpetual agreement for the use of approximately 460 acres of land in Sussex County, Delaware for wastewater disposal. Beginning January 2007, Artesian Wastewater was required to pay a minimum of $40,000 per year for the use of this land. Beginning January 2012, and on each anniversary thereof until January 2027, the fee was adjusted upwards by an adjustment factor of two percent. In November 2016, this agreement was amended to remove the 2% increase. Once disposal operations begin, the monthly fee will be based on the volume of wastewater disposed on the properties charged at a rate per one thousand gallons of wastewater, providing for a minimum monthly payment. Payments for 2020, 2019 and 2018 were $44,000 each year. The agreement can be terminated by giving 180 day notice prior to the termination date.

Future minimum annual payments related to the easement agreements noted above for the years subsequent to 2020 are as follows:

In thousands		
2021	$	73
2022		40
2023		38
2024		39
2025		40
2026 through 2043		866
	$	1,096

Interconnections

Artesian Water has one water service interconnection agreement with a neighboring utility, Chester Water Authority, which requires minimum annual purchases. Rates charged under this agreement are subject to change. The minimum purchase requirement is 1,095 million gallons annually, calculated as 3 million gallons per day times the number of calendar days in a year. The agreement extends through the year 2021. We provided written notice to Chester Water Authority that we do not intend to extend the term of the agreement under its existing terms.

Artesian Water Maryland has one interconnection agreement with the Town of North East that has a "take or pay" clause requiring us to purchase a minimum of 35,000 gallons per day. The agreement extends through February 2024.

The minimum annual purchase commitments for all interconnection agreements for 2021 through 2024, calculated at the noticed rates, are as follows:

In thousands		
2021	$	3,881
2022		57
2023		57
2024		28
	$	4,023

Expenses for purchased water were $4.3 million, $4.2 million and $4.2 million for 2020, 2019 and 2018, respectively.

Other Commitments

In March 2017, Artesian Water entered into a 3-year agreement with Worldwide Industries Corporation to clean and paint tanks in 2017, 2018 and 2019. Pursuant to the 3-year agreement, the expenditure committed in total for the years 2017 through 2019 was $1.3 million. In 2020, Artesian Water entered into a short term agreement with Worldwide Industries Corporation to clean and paint a tank in 2020. Pursuant to the agreement, the expenditure in 2020 was $0.1 million. Tank painting expense for 2020, 2019 and 2018 was $155,000, $447,000, and $658,000, respectively.

Budgeted mandatory utility plant expenditures, due to planned governmental highway projects, which require the relocation of Artesian Water's water service mains, expected to be incurred in 2021 through 2023 are as follows:

In thousands		
2021	$	3,020
2022		3,020
2023		3,020
	$	9,060

The exact timing and extent of these relocation projects is controlled primarily by the Delaware Department of Transportation.

NOTE 12

GEOGRAPHIC CONCENTRATION OF CUSTOMERS

Artesian Water, Artesian Water Maryland and Artesian Water Pennsylvania provide water utility service to customers within their established service territory in all three counties of Delaware and in portions of Maryland and Pennsylvania, pursuant to rates filed with and approved by the DEPSC, the MDPSC and the PAPUC. As of December 31, 2020, Artesian Water was serving approximately 90,300 customers, Artesian Water Maryland was serving approximately 2,500 customers and Artesian Water Pennsylvania was serving approximately 40 customers.

Artesian Wastewater provides wastewater utility service to customers within its established service territory in Sussex County, Delaware pursuant to rates filed with and approved by the DEPSC. As of December 31, 2020, Artesian Wastewater was serving approximately 2,800 customers, including one large industrial customer that comprises approximately 24% of the outstanding accounts receivable balance at year end. All wastewater customers are located in Sussex County, Delaware.

NOTE 13

REGULATORY PROCEEDINGS

Overview

Our water and wastewater utilities generate operating revenue from customers based on rates that are established by state Public Service Commissions through a rate setting process that may include public hearings, evidentiary hearings and the submission of evidence and testimony in support of the requested level of rates by the Company.

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

- The DEPSC, regulates both Artesian Water and Artesian Wastewater.
- The MDPSC, regulates both Artesian Water Maryland and Artesian Wastewater Maryland.
- The PAPUC, regulates Artesian Water Pennsylvania.

Our water and wastewater utility operations are also subject to regulation under the federal Safe Drinking Water Act of 1974, or Safe Drinking Water Act, the Clean Water Act of 1972, or 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 customers the portion found to be in excess with interest. The timing of our rate increase requests is 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.

The DEPSC required Delaware utilities to determine the impact that the TCJA had on their customers and potential rate relief due to customers. The reduction in corporate income tax expense resulting from the TCJA was passed through to customers in the form of reduced tariff rates as approved by the DEPSC on January 31, 2019. Approximately $3.8 million was refunded to customers during the second quarter of 2019. This amount was previously held in reserve and was not reflected in income.

Other Proceedings

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 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 7.50% of the amount billed to customers under otherwise applicable rates and charges, and the DSIC rate increase applied cannot exceed 5.0% within any 12-month period.

The following table summarizes (1) Artesian Water's applications with the DEPSC to collect DSIC rates and (2) the rates upon which eligible plant improvements are based:

Application Date	11/28/2018	05/29/2019	11/15/2019	05/29/2020	11/20/20
DEPSC Approval Date	12/20/2018	06/18/2019	12/12/2019	06/17/2020	12/14/20
Effective Date	01/01/2019	07/01/2019	01/1/2020	07/01/2020	01/01/21
Cumulative DSIC Rate	5.55%	7.41%	7.50%	7.41%	7.50%
Net Eligible Plant Improvements – Cumulative Dollars (in millions)	$30.4	$43.1	$43.1	$43.1	$43.1
Eligible Plant Improvements – Installed Beginning Date	10/01/2014	10/01/2014	10/01/2014	10/01/2014	10/01/2014
Eligible Plant Improvements – Installed Ending Date	10/31/2018	04/30/2019	04/30/2019	04/30/2019	04/30/2019

The rate reflects the eligible plant improvements installed through April 30, 2019. The DSIC rates effective January 1, 2020, July 1, 2020, and January 1, 2021 are still subject to audit at a later date by the DEPSC. For the years ended December 31, 2020, December 31, 2019 and December 31, 2018, we earned approximately $5.0 million, $4.3 million and $2.8 million in DSIC revenue, respectively.

NOTE 14

NET INCOME PER COMMON SHARE AND EQUITY PER COMMON SHARE

Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share is based on the weighted average number of common shares outstanding, the potentially dilutive effect of employee stock options and restricted stock awards. The following table summarizes the shares used in computing basic and diluted net income per share:

	For the Year Ended December 31,		
	2020	2019	2018
		(in thousands)	
Weighted average common shares outstanding during the period for Basic computation	9,327	9,277	9,239
Dilutive effect of employee stock options	42	49	54
Weighted average common shares outstanding during the period for Diluted computation	9,369	9,326	9,293

For the year ended 2020 no shares of restricted stock awards were excluded from the calculations of diluted net income per share. For the years ended 2019 and 2018, 5,390 and 3,480 shares of restricted stock awards were excluded from the calculations of diluted net income per share, respectively. Due to unrecognized compensation costs, the hypothetical repurchase of shares exceeded the number of restricted shares expected to vest during the period, creating an anti-dilutive effect. For the years ended 2020, 2019 and 2018, no stock options were excluded from the calculations of diluted net income per share.

The Company has 15,000,000 authorized shares of Class A Stock, and 1,040,000 authorized shares of Class B Stock. As of December 31, 2020, 8,475,452 shares of Class A Stock and 881,452 shares of Class B Stock were issued and outstanding. As of December 31, 2019, 8,410,246 shares of Class A Stock and 881,452 shares of Class B Stock were issued and outstanding. As of December 31, 2018, 8,368,428 shares of Class A Stock and 881,452 shares of Class B Stock were issued and outstanding. The par value for both classes is $1.00 per share.

Equity per common share was $18.16, $17.28, and $16.53 at December 31, 2020, December 31, 2019, and December 31, 2018, respectively. These amounts were computed by dividing common stockholders' equity by the number of weighted average shares of common stock outstanding on December 31, 2020, December 31, 2019, and December 31, 2018, respectively.

NOTE 15

SELECTED CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table is derived from quarterly unaudited consolidated statements of operations for the years ended December 31, 2020 and 2019. Quarterly basic and diluted per share amounts may not add to the full year total due to rounding.

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
In thousands (except per share data)	2020	2019	2020	2019	2020	2019	2020	2019
Operating revenues	**$** 19,901	$ 19,386	$ 21,752	$ 20,652	$ 24,737	$ 22,549	$ 21,751	$ 21,008
Operating income	**$** 4,462	$ 4,284	$ 6,124	$ 5,320	$ 6,869	$ 5,730	$ 4,840	$ 4,591
Net income applicable to common stock	**$** 4,074	$ 3,590	$ 4,566	$ 3,778	$ 5,063	$ 4,458	$ 3,114	$ 3,099
Income per common share								
Basic	**$** 0.44	$ 0.39	$ 0.49	$ 0.41	$ 0.54	$ 0.48	$ 0.33	$ 0.33
Diluted	**$** 0.44	$ 0.39	$ 0.49	$ 0.41	$ 0.54	$ 0.48	$ 0.33	$ 0.33

NOTE 16

RELATED PARTY TRANSACTIONS

Mr. Michael Houghton currently serves as a director through the remainder of the three year term class that expires at the Annual Meeting of the Class B Stock shareholders to be held in 2021 and until his respective successor shall be elected and qualified. Mr. Houghton is a Partner in the law firm of Morris Nichols Arsht & Tunnell, or MNAT, in Wilmington, Delaware. In the normal course of business, the Company utilizes the services of MNAT for various regulatory, real estate and public policy matters. Approximately $386,000, $253,000 and $524,000 was paid to MNAT during the years ended December 31, 2020, December 31, 2019 and December 31, 2018, respectively, for legal and director related services. As of December 31, 2020, the Company had a $2,000 accounts payable balance due to MNAT.

As set forth in the Charter of the Audit Committee of the Board, the Audit Committee is responsible for reviewing and, if appropriate, approving all related party transactions between us and any officer, any director, any person known to be the beneficial owner of more than 5% of any class of the Company's voting securities or any other related person that would potentially require disclosure. In its review and approval of the related party transactions with MNAT, the Audit Committee considered the nature of the related person's interest in the transactions; the satisfactory performance of work contracted with the related party prior to the election of Mr. Houghton as a director; and the material terms of the transactions, including, without limitation, the amount and type of transactions, the importance of the transactions to the related person, the importance of the transactions to the Company and whether the transactions would impair the judgment of a director or officer to act in the best interest of the Company. The Audit Committee approves only those related person transactions that are in, or are consistent with, the best interests of the Company and its stockholders.

NOTE 17

BUSINESS COMBINATIONS

As part of the Company's growth strategy, on April 2, 2020, Artesian Water purchased substantially all of the water system operating assets from the Town of Frankford, or Frankford, a Delaware municipality located in Sussex County, Delaware, including the right to provide water service to Frankford's existing customers, or the Frankford Water System. The Frankford Water System serves approximately 360 customers. The total purchase price was $3.6 million. The acquisition was accounted for as a business combination under ASC Topic 805, "Business Combinations". The purchase price allocation is primarily attributed to utility plant assets. The Company utilized a combination of three methods to determine the reasonableness of the purchase price: the cost approach, market approach and income approach. Given the majority of the assets acquired were tangible utility plant, the Company utilized the cost approach to record the fair value of the assets. The cost approach values the underlying assets to derive market value based on the estimated current new replacement cost, less the loss in value caused by physical deterioration, and functional and economic obsolescence of the assets. Goodwill was recognized primarily as a result of expected synergies of operations and interconnections to our existing utility plant infrastructure.

Additionally, as part of the Company's growth strategy, on August 3, 2020, Artesian Water completed its purchase of substantially all of the water system operating assets from the City of Delaware City, or Delaware City, a Delaware municipality located in New Castle County, Delaware, including the right to provide water service to Delaware City's existing customers, or the Delaware City Water System. The Delaware City Water System currently serves approximately 800 customers. The total purchase price was $2.1 million. The acquisition was accounted for as a business combination under ASC Topic 805. The preliminary purchase price allocation is primarily attributed to utility plant assets and will be finalized in the first quarter of 2021, once the valuation of assets acquired has been completed. Management does not anticipate any material changes in the allocation.

A summary of the allocation of purchase price to the assets acquired is presented in the table below and is recorded in the accompanying Consolidated Balance Sheet.

(In thousands)		
Utility plant		
Source of supply plant	$	201
Pumping and water treatment plant		1,455
Transmission and distribution plant		3,462
Other deferred assets		
Goodwill		623
Purchase Price	**$**	**5,741**

The Frankford Water System acquisition and the Delaware City Water System acquisition were approved by the DEPSC on March 18, 2020 and July 15, 2020, respectively, subject to the DEPSC determining the appropriate ratemaking treatment of the acquisition price and the assets acquired in Artesian Water's next base rate case. The pro forma effects of the businesses acquired, individually and in the aggregate, are not material to the Company's financial position or results of operations.

NOTE 18

LEGAL PROCEEDINGS

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.

NOTE 19

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued new guidance on the measurement of credit losses on financial instruments, to provide financial statement users with more information about expected credit losses on financial instruments. The guidance revises the incurred loss impairment methodology to reflect current expected credit losses and requires consideration of a broader range of information to estimate credit losses. The new standard is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company adopted this standard in the first quarter of 2020, which is primarily applicable to accounts receivable balances. The Company's credit losses on accounts receivable is minimal since we mitigate our exposure by discontinuing services in the event of non-payment. However, due to the COVID-19 pandemic causing hardships for many utility customers, in March 2020, state government agencies issued executive orders requiring utility companies to take a number of steps to support their customers and communities, including prohibiting service disconnections for non-payment and prohibiting late fees. In July 2020, the State of Delaware lifted its executive orders placing a moratorium on service disconnections for non-payment, with a provision requiring utilities to offer payment arrangements extending at least four months to customers. After properly notifying customers, Artesian reinstated its late fee process in September 2020 and began administering service disconnections in October 2020 for its Delaware customers. The State of Maryland and the Commonwealth of Pennsylvania lifted their executive orders placing moratoriums on service disconnections for non-payment effective November 2020. The State of Maryland requires utilities to offer payment arrangements extending twelve months. The Company experienced longer receivable cycles throughout 2020 and made an adjustment to increase the reserve for bad debt in the amount of $0.5 million. We will continue to evaluate this adjustment amount when accounting for current expected credit losses as government agencies consider additional executive orders prohibiting late fees and service disconnections for non-payment.

In December 2019, the FASB issued new guidance on income taxes, which removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The guidance also reduces complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. This standard is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual reporting periods. Management does not expect a material impact on the Company's financial statements due to the adoption of this guidance.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Artesian Resources Corporation
Newark, Delaware

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Artesian Resources Corporation (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Tangible Assets in Business Combinations

As described in Notes 1 and 17 to the consolidated financial statements, the Company completed two acquisitions of municipal water systems during the year ended December 31, 2020 for net consideration of $5.7 million, which resulted in $5.1 million of identifiable tangible utility plant assets. Management estimated fair value of the tangible assets acquired using the cost method with assistance from third-party valuation specialists.

We identified the valuation of the tangible utility plant assets as a critical audit matter. Management's determination of fair value of the tangible assets acquired using the cost method required management to make significant estimates and assumptions related to economic lives of the assets, replacement costs, and physical characteristics of the tangible assets comprising the acquired systems. Auditing these elements involved a high degree of subjectivity, auditor judgment and an increased extent of effort when performing audit procedures, including the use of our valuation specialists.

The primary procedures we performed to address this critical audit matter included:

- Assessing the reasonableness of significant underlying assumptions used to calculate the fair value through (i) validating the existence of acquired assets and the reasonableness of attributes such as length and age based on external data, (ii) independently recalculating replacement costs using construction quotes and indices, and (iii) performing procedures to evaluate the appropriateness of the useful lives assigned to the newly acquired assets.
- Utilizing personnel with specialized knowledge and skill in valuation to assist in the evaluation of the assumptions and methodologies used in the preparation of the fair value measurements for the utility plant assets.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2005.

Wilmington, Delaware
March 12, 2021

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective in providing reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In addition, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective to achieve the foregoing objectives. A control system cannot provide absolute assurance, however, that the objectives of the control system are met and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Management's Annual Report on Internal Control Over Financial Reporting

The Management of Artesian Resources Corporation is responsible for establishing and maintaining adequate internal control over its financial reporting. Artesian Resources Corporation's internal control over financial reporting is a process designed under the supervision of the Corporation's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Artesian Resources Corporation's Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control Integrated Framework (2013)." Based on this assessment, Management determined that at December 31, 2020, the Corporation's internal control over financial reporting was effective.

(c) Change in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting, occurred during the fiscal quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Date: March 12, 2021

CHIEF EXECUTIVE OFFICER:

/s/ DIAN C. TAYLOR
Dian C. Taylor

CHIEF FINANCIAL OFFICER:

/s/ DAVID B. SPACHT
David B. Spacht

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Name	Age	Position
Dian C. Taylor	75	**Biography:** Director since 1991 - Chair of the Board since July 1993, and Chief Executive Officer of Artesian Resources Corporation and its subsidiaries since September 1992. Ms. Taylor has been employed by the Company since August 1991. She was formerly a consultant to the Small Business Development Center at the University of Delaware from February 1991 to August 1991 and Owner and President of Achievement Resources Inc. from 1977 to 1991. Achievement Resources, Inc. specialized in strategic planning, marketing, entrepreneurial and human resources development consulting. Ms. Taylor was a marketing director for SMI, Inc. from 1982 to 1985. Ms. Taylor is the aunt of John R. Eisenbrey, Jr. and Nicholle R. Taylor. She serves on the Executive and Strategic Planning, Budget and Finance Committees. **Qualifications:** Ms. Dian Taylor has over 25 years of experience as Chief Executive Officer and President of the Company, during which the Company has continuously expanded its service area. Ms. Taylor has extensive knowledge of the complex issues facing smaller companies and prior strategic planning expertise. Ms. Taylor has served as President of the National Association of Water Companies, a trade organization of the investor-owned water utility industry. Ms. Taylor also has served on the Delaware Economic and Financial Advisory Council, on the Board of Governors of the Delaware State Chamber of Commerce, the American Heart Association, the Committee of 100 and the Delaware Council on Economic Education, as a Regional Advisory Board Member for Citizens Bank, a Trustee of the Delaware Grand Opera and the Christiana Care Hospital and as a Commissioner for the Delaware River and Bay Authority. Ms. Taylor currently serves on the Executive Committee of the Delaware Business Round Table. The Board views Ms. Taylor's experience with various aspects of the utility industry and her demonstrated leadership roles in business and community activities as important qualifications, skills and experiences for the Board of Directors' conclusion that Ms. Taylor should serve as a director of the Company.
Kenneth R. Biederman Ph. D.	77	**Biography:** Director since 1991 - Currently retired and former Professor of Finance at the Lerner College of Business and Economics of the University of Delaware, from May 1996 to May 2011. Interim Dean of the College of Business and Economics of the University of Delaware from February 1999 to June 2000. Dean of the College of Business and Economics of the University of Delaware from 1990 to 1996. Former Director of the Mid-Atlantic Farm Credit Association from 2006 to 2010. Director of Chase Manhattan Bank USA from 1993 to 1996. Formerly a financial and banking consultant from 1989 to 1990 and President of Gibraltar Bank from 1987 to 1989. Previously Chief Executive Officer and Chairman of the Board of West Chester Savings Bank; Economist and former Treasurer of the State of New Jersey and Staff Economist for the United States Senate Budget Committee. He serves on the Executive; Audit; Strategic Planning, Budget and Finance; Governance and Nominating; and Compensation Committees. **Qualifications:** Mr. Biederman's experience as a former State Treasurer of New Jersey and the former Dean of the Lerner College of Business and Economics at the University of Delaware gives him a substantial amount of business, economic and financial reporting knowledge.
John R. Eisenbrey, Jr.	65	**Biography:** Director since 1993 – Small Business Executive. For more than 30 years, Owner and President of Bear Industries, Inc., a contracting firm providing building fire sprinkler protection installations for businesses throughout the Delmarva Peninsula. Mr. Eisenbrey is the nephew of Dian C. Taylor and the cousin of Nicholle R. Taylor. He serves on the Audit; Governance and Nominating; and Compensation Committees.

Qualifications: The Board of Directors has determined that Mr. Eisenbrey's hands-on experience as a business owner in one of our primary geographic regions qualifies him to be a member of the Board. For more than 30 years, Mr. Eisenbrey has been the Owner and President of a privately held contracting firm providing fire sprinkler protection installations for businesses throughout the Delmarva Peninsula. Mr. Eisenbrey is a past President of the Delaware Contractors Association. Mr. Eisenbrey's operating business background provides hands-on experience with operational, technical and regulatory matters also applicable to our water business.

Michael Houghton, Esq. 64

Biography: Director since 2018 - Partner in the law firm of Morris Nichols Arsht & Tunnell ("MNAT") in Wilmington, Delaware since 1991. In 2017, Mr. Houghton was appointed by Delaware Governor John Carney to serve as Chair of the Delaware Economic and Financial Advisory Council (DEFAC). DEFAC includes public and private sector representatives responsible for providing non-partisan and objective revenue and expenditure estimates to the Governor and General Assembly, as well as with providing advice on tax policy and projected economic trends that impact the State's current and projected financial condition. He was admitted to practice law in Delaware in 1982, before the U.S. District Court for the District of Delaware in 1983 and before the U.S. Court of Appeals for the Third Circuit in 1985. He served a clerkship with the Delaware Court of Chancery in 1982-1983. He serves on the Governance and Nominating; and Strategic Planning, Budget and Finance Committees.

Qualifications: Mr. Houghton has extensive experience representing governmental entities, banks, trust companies, insurance companies and public utilities in commercial transactions and before regulatory authorities. He has served in numerous leadership roles with both Delaware and national business and professional organizations, including as President of the Uniform Law Commission and the Delaware State Bar Association, as well as serving as member of the Boards of the Delaware State Chamber of Commerce, the Delaware Public Policy Institute, the Pete du Pont Freedom Foundation and the Rockefeller Trust Company of Delaware. The Board determined that Mr. Houghton's 30 years of relationships and regulatory and public policy experience in Delaware make him well qualified to serve on the Board.

Nicholle R. Taylor 53

Biography: Director since 2007 – Senior Vice President of Artesian Resources Corporation and its subsidiaries since May 9, 2012 and Chief Operating Officer of Artesian Water Company since August 2019. She was Vice President of Artesian Resources Corporation and its subsidiaries from May 2004 to May 2012. Ms. Taylor has been employed by the Company since 1991 and has held various management level and operational positions within the Company. She serves on the Strategic Planning, Budget and Finance Committee. Ms. Taylor is the niece of Dian C. Taylor and the cousin of John R. Eisenbrey, Jr.

Qualifications: Ms. Nicholle Taylor has over twenty-nine years of experience with the Company in a variety of field, office and managerial positions. The Board of Directors has determined that the range of her experience across various company functions gives her a clear perception of how the Company operates, thus enhancing the Board's ability to know the Company's current capabilities and limitations, and qualifies her to serve as a director. Ms. Taylor serves on the Board of Directors of the National Association of Water Companies, a trade organization of the investor-owned water utility industry. Ms. Taylor also currently serves on the Board of Directors of the Committee of 100, which is a business organization that promotes responsible economic development in the state of Delaware. In 2019, Ms. Taylor was appointed to the Board of Directors of the Delaware Nature Society, a non-profit organization dedicated to connecting people with the natural world to improve the environment through education, advocacy and conservation.

William C. Wyer 74

Biography: Director since 1991 - Business Consultant with Wyer Group, Inc. since September 2005. Previously, Mr. Wyer served as Managing Director of Wilmington Renaissance Corporation (formerly Wilmington 2000) from January 1998 to August 2005. Wilmington Renaissance Corporation was a private organization seeking to revitalize the City of Wilmington, Delaware. Mr. Wyer served as a Director and

		member of the Audit Committee of GMAC Bank and its' successor National Motors Bank, FBS from August 2001 through 2008, President of All Nation Life Insurance and Senior Vice President of Blue Cross/Blue Shield of Delaware from September 1995 to January 1998, Managing Director of Wilmington 2000 from May 1993 to September 1995, President of Wyer Group, Inc. from 1991 to 1993 and Commerce Enterprise Group from 1989 to 1991, both of which are management-consulting firms specializing in operations reviews designed to increase productivity, cut overhead and increase competitiveness, and President of the Delaware State Chamber of Commerce from 1978 to 1989. He serves on the Executive; Audit; Strategic Planning, Budget and Finance; Governance and Nominating; and Compensation Committees. **Qualifications:** Mr. Wyer has extensive management experience with both local and national organizations that facilitates the Company's growth from a local to a regional provider of water and wastewater services. Mr. Wyer's extensive experience in economic development efforts and as President of the Delaware State Chamber of Commerce and his associated skills in public, media and governmental communications were determined by the Board of Directors to qualify him to serve as a director.
Pierre A. Anderson	42	Vice President of Information Technologies of Artesian Resources Corporation and its subsidiaries since May 2012. Mr. Anderson previously served as Director of Information Technologies from December 2006 to May 2012. Prior to joining the Company, Mr. Anderson was employed by the Christina School District as Manager, Project & Support Services. From 2000 to 2005, while with MBNA (now Bank of America), he served in several information technology positions.
Joseph A. DiNunzio, CPA, CGMA	58	Executive Vice President and Corporate Secretary of Artesian Resources Corporation and its subsidiaries since May 2007 and as President of Artesian Water Maryland, Inc. since May 2017. Mr. DiNunzio has been employed by the Company since 1989 and has held various executive and management level positions within the Company. Prior to joining Artesian Resources, Mr. DiNunzio was employed by PriceWaterhouseCoopers LLP from 1984 to 1989.
Jennifer L. Finch, CPA	52	Corporate Treasurer and Senior Vice President of Finance since December 2020. Previously Ms. Finch served as Vice President and Assistant Treasurer of Artesian Resources Corporation and its subsidiaries since February 2010. Prior to joining the Company, Ms. Finch held various accounting positions for Handler Corporation, a home builder and developer located in Wilmington, Delaware. Ms. Finch was employed by the Handler Corporation from 1994 through 2008.
Karl G. Randall, Esq.	52	Assistant Secretary of Artesian Resources Corporation and its subsidiaries since May 2017 and General Counsel since August 2016. Prior to joining Artesian Resources in 2016, Mr. Randall served as Special Counsel at the Wilmington, Delaware law firm Morris, Nichols, Arsht & Tunnell LLP ("MNAT"). He received his undergraduate degree from Rutgers University and his law degree from American University's Washington College of Law. He was admitted to the Delaware Bar in 2007.
David B. Spacht	61	Chief Financial Officer of Artesian Resources Corporation and its subsidiaries since January 1995 and President of Artesian Wastewater Management, Inc. since August 2019. Mr. Spacht joined the Company in 1980 and has held various executive and management level positions. Mr. Spacht has worked closely with the Public Service Commission for over 30 years on developing rates in Delaware. He was selected by the National Association of Regulatory Utility Commissioners Subcommittee on Water as an instructor for their semi-annual course on rate making. Mr. Spacht is a member of several national and local organizations, including the National Association of Water Companies, having served on their Finance Committee for 31 years, and most recently in 2015 joining the Rate and Regulatory Committee; the American Water Works Association; the National Association of Regulatory Utility Commissioners; the International Organization of Management Accountants; and Special Olympics Delaware. Mr. Spacht received a B.S. degree in Accounting from Goldey Beacom College.

John M. Thaeder	62	Senior Vice President of Operations since May 2007. Prior to joining the Company, Mr. Thaeder was employed by Hydro Group, Inc. from 1996 to 1998 as Southeastern District Manager of Sales and Operations from Maryland to Florida. During 1995 and 1996, Mr. Thaeder was Hydro Group's Sales Manager of the Northeast Division with sales responsibilities from Maine to Florida. From 1988 to 1995, he served as District Manager of the Layne Well and Pump Division of Hydro Group.

Corporate Governance

The executive officers are elected or approved by our Board, or the Board of our appropriate subsidiary, to serve until his or her successor is appointed or shall have been qualified or until earlier death, resignation or removal.

In accordance with the provisions of the Company's By-laws, the Board is divided into three classes. Members of each class serve for three years and one class is elected each year to serve a term until his or her successor shall have been elected and qualified or until earlier resignation or removal. Kenneth R. Biederman and Michael Houghton have been nominated for election to the Board of Directors at the shareholders Annual Meeting to be held May 5, 2021.

The Board, which met fourteen times in 2020, has established five standing committees: the Executive Committee, the Audit Committee, the Compensation Committee, the Strategic Planning, Budget and Finance Committee, and the Governance and Nominating Committee. Information with respect to these committees is set forth below. In addition, the charter for each of the five standing committees of the Board is available on our website, www.artesianwater.com.

Dian C. Taylor, the Company's Chief Executive Officer, also serves as Chair of the Board. The Board, after considering the size of the Company and the composition of the Board (six members, four of which are independent), has determined that the combined structure is appropriate. The Board has determined that having one person serving as Chair of the Board and Chief Executive Officer ensures a unified leadership of the Board and management and provides potential efficiency in the execution of the strategies and visions of the Board and management. The Board believes that Ms. Taylor's experience and operational knowledge of the business enables her to effectively perform both roles. Given the limited number of Board members and the practice of open communication with the entire Board, the Company does not have a lead independent director. The Board meets as often as needed and at least twice a year in executive session without any management or non-independent directors present. The Board believes this is an appropriate structure for the Company which provides the appropriate independent oversight. In addition, the Audit Committee and the Compensation Committee regularly consult with the Company's General Counsel to review the various types of risks that affect the Company and to consult on strategies to anticipate such risks. The Board believes this structure has been effective. The Board meets with management on a regular basis to review operational reports, financial updates, strategic development and other matters. Frequent meetings help to promote and ensure open communication with the management team. All Board members are engaged and remain actively involved in their oversight roles. The Board is responsible for oversight of the Company's risk management process. The senior management team is responsible for identifying risks, managing risks and reporting and communicating risks back to the Board.

Director Compensation

In May 2020, each independent director received an annual retainer fee of $32,000 paid in advance. Dian C. Taylor and Nicholle R. Taylor received annual retainer fees of $31,000. The chair of the Audit Committee received an additional annual retainer of $9,000. The chair of the Corporate Governance and Nominating Committee received an additional annual retainer of $9,000. The chair of the Compensation Committee received an additional annual retainer of $7,000. The members of the Strategic Planning, Budget and Finance Committee each received additional annual retainers of $3,000. The members of the Executive Committee each received additional annual retainers of $1,000. Each director received $2,000 for each Board meeting attended, $1,500 for each committee meeting attended on the day of a regular board meeting and $2,000 for each committee meeting attended on any other day. Each director received $500 per diem for workshops.

In 2020, our directors, other than Dian C. Taylor and Nicholle R. Taylor, whose fees as director are included in the Summary Compensation Table, received the following compensation:

Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	All other Compensation ($)(2)	Total ($)
Kenneth R. Biederman	96,750	35,010	---	132,760
John R. Eisenbrey, Jr.	95,750	35,010	---	130,760
Michael Houghton	74,250	N/A	---	74,250
William C. Wyer	94,750	35,010	21,561	151,321

(1) On May 6, 2020, each director, other than Mr. Houghton, received a restricted stock award of 1,000 shares of Class A Stock. The fair market value per share was $35.01, the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 6, 2020. The restricted shares vest one year from the date of grant. The aggregate number of stock options and restricted shares outstanding at December 31, 2020 for each director is:

	Option Shares Outstanding at December 31, 2020	Restricted Shares Outstanding at December 31, 2020
Kenneth R. Biederman	13,500	1,000
John R. Eisenbrey, Jr.	27,000	1,000
William C. Wyer	27,000	1,000

(2) $18,540 was for medical insurance premiums for Mr. Wyer and his spouse, $3,000 was for a physical for Mr. Wyer and $21 was for life insurance premiums for Mr. Wyer.

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2020, the members of our Compensation Committee were Kenneth R. Biederman, John R. Eisenbrey, Jr. and William C. Wyer. None of our executive officers serves as a director or as a member of the compensation committee, or any other committee serving an equivalent function, of any entity that has one or more of its executive officers serving as members of our Compensation Committee or as a director of our Board. No member of our Compensation Committee has ever been our employee.

Independence

In 2020, the Board of Directors determined that Messrs. Biederman, Eisenbrey, Houghton and Wyer, a majority of the Board of Directors, met the independence requirements prescribed by the listing standards of the Nasdaq Global Select Market.

Audit Committee

The Audit Committee reviews the procedures and policies relating to the internal accounting procedures and controls of the Company, and provides general oversight with respect to the accounting principles employed in the Company's financial reporting. As part of its activities, the Audit Committee meets with representatives of the Company's management and independent accountants. The Audit Committee has considered the extent and scope of non-audit services provided to the Company by its outside accountants and has determined that such services are compatible with maintaining the independence of the outside accountants. The Audit Committee appoints and retains the Company's independent accountants. The Audit Committee consists of Kenneth R. Biederman, John R. Eisenbrey, Jr. and William C. Wyer. The Board of Directors has also determined that each member of the Audit Committee meets the independence requirements prescribed by the listing standards of the Nasdaq Global Select Market and the rules and regulations of the Securities and Exchange Commission. The Board of Directors has further determined that Mr. Biederman, a member of the Audit Committee, is an "audit committee financial expert" as such term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated by the Securities and Exchange Commission. During 2020, the Audit Committee met six times.

Compensation Committee

The Compensation Committee reviews the compensation and benefits provided to key management employees, officers and directors and makes recommendations as appropriate to the Board. The Compensation Committee also determines whether and what amounts should be granted under the 2015 Equity Compensation Plan, or the 2015 Plan, and may make recommendations for amendments to the

2015 Plan. The Compensation Committee is comprised of Kenneth R. Biederman, John R. Eisenbrey, Jr. and William C. Wyer, three independent directors. The Board of Directors has also determined that each member of the Compensation Committee meets the independence requirements prescribed by the listing standards of the Nasdaq Global Select Market and the rules and regulations of the Securities and Exchange Commission. During 2020, the Compensation Committee met three times.

Consideration of Director Candidates

The Governance and Nominating Committee is comprised of four independent directors, Kenneth R. Biederman, John R. Eisenbrey, Jr., Michael Houghton and William C. Wyer. As part of the formalized nominating procedures, the committee makes recommendations for director nominations to the full Board. Director candidates nominated by stockholders are considered in the same manner, provided the nominations are submitted to the Secretary and copied to the Chairman of the committee on a timely basis and in accordance with the Company's By-laws. Nominations for the election of directors for the 2021 Annual Stockholders' Meeting were approved by the Governance and Nominating Committee on January 20, 2021.

The Governance and Nominating Committee has determined that no one single criterion should be given more weight than any other criteria when it considers the qualifications of a potential nominee to the Board. Instead, it believes that it should consider the total "skills set" of an individual. In evaluating an individual's skills set, the Governance and Nominating Committee considers a variety of factors, including, but not limited to, the potential nominee's background and education, his or her general business experience, and whether or not he or she has any experience in positions with a high degree of responsibility. In addition, although the Governance and Nominating Committee does not have a policy with regard to the consideration of diversity in identifying director nominees, its charter includes in the Governance and Nominating Committee's duties and responsibilities that it seek members from diverse backgrounds so that the Board consists of members with a broad spectrum of experience and expertise.

Code of Ethics

The Company has adopted a code of ethics applicable to its chief executive officer, chief financial officer, controller or principal accounting officer, and any person who performs a similar function, which is a "code of ethics" as defined by applicable rules of the Securities and Exchange Commission. This code is publicly available on the Company's website at www.artesianresources.com. If the Company makes any amendments to this code other than technical, administrative, or other non-substantive amendments, or grants any waivers, including implicit waivers, from a provision of this code to the Company's chief executive officer, chief financial officer, controller or principal accounting officer, and any person who performs a similar function, the Company will disclose the nature of the amendment or waiver, its effective date and to whom it applies on its website. The information on the website listed above is not and should not be considered part of this Annual Report on Form 10-K and is intended to be an inactive textual reference only.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This discussion describes the Company's compensation program for its named executive officers listed in the Summary Compensation Table that immediately follows this discussion. The named executive officers are: Dian C. Taylor, Chair, President & Chief Executive Officer; David B. Spacht, Chief Financial Officer & Treasurer; Joseph A. DiNunzio, Executive Vice President & Secretary; Nicholle R. Taylor, Senior Vice President and John M. Thaeder, Senior Vice President.

Objectives of the Company's Compensation Program

The Compensation Committee believes that the compensation for the Company's executives should serve to attract, motivate and retain seasoned and talented executives responsible for successfully guiding and implementing the Company's strategy. Our strategy is to increase our customer base, revenues, earnings and dividends by expanding our services across the Delmarva Peninsula, thereby providing our shareholders with a long-term, satisfactory return on their investment.

To implement our strategy, it is critical that our executives remain focused on:

- ensuring superior customer service;
- continuously improving our efficiency and performance;
- managing risk appropriately;
- expanding our franchised service territory and customer base at a consistent and sustainable rate - including by acquisitions - where growth is strong and demand is increasing;

- identifying and developing dependable sources of supply;
- constructing and maintaining reliable treatment facilities and water delivery and wastewater collection systems;
- developing and continuing positive relationships with regulators, municipalities, developers and customers in both existing and prospective service areas; and
- developing a skilled and motivated work force that is adaptive to change.

To accomplish our strategy, our compensation program's objectives are to:

- provide compensation levels that are competitive with those provided by other companies with which we may compete for executive talent;
- motivate and reward contributions and performance aligned with the Company's objectives;
- attract and retain qualified, seasoned executives; and
- ensure the Company maintains a pay-for-performance executive compensation program.

The compensation program rewards overall qualitative contributions and performance of each individual towards the Company's strategy. In reviewing the Company's overall compensation program in the context of the risks identified in the Company's risk management processes, the Compensation Committee does not believe that the risks the Company faces are correlated with the Company's compensation programs. Therefore, the Compensation Committee believes that there is an appropriate level of risk in the Company’s compensation program design and does not believe that its approach to the design and administration of its incentive programs needs to change in order to mitigate compensation risk.

Elements of the Company’s Compensation Program

The elements of the Company’s compensation program include:

- Base Salary
- Cash Bonus Award
- Equity Compensation as may be awarded under the 2015 Equity Compensation Plan
- Employee Benefits

The Company's executive compensation program does not provide for:

- Severance or post-termination agreements
- Post-retirement benefits
- Defined benefit pension benefits or any supplemental executive retirement plan benefits
- Non-qualified deferred compensation
- Change-in-Control agreements

Compensation Process

The Compensation Committee relies on various factors in determining executive compensation, including the overall financial performance of the Company, combined with an executive officer's individual performance, progress in meeting strategic corporate objectives, and changes in responsibilities, as well as the consideration of elements of compensation not provided for by the Company in comparison to its peers. The Compensation Committee generally exercises broad discretion in setting the compensation of the Chief Executive Officer and other executives and primarily considers the performance of the management team as a group, the Chief Executive Officer's assessment of other executives' performance and compensation recommendations with respect to the other executive officers as part of its process.

The Compensation Committee engaged Pearl Meyer & Partners as a compensation consultant in 2013 to provide it with independent advice on executive compensation matters. They did not develop a public company peer group as part of their compensation benchmarking exercise, as they found few similarly sized, publicly traded water utilities. They used data available from a peer group of water utility companies to review incentive plan market practices and to establish industry practices, but did not use the pay data from these organizations given that the size of many are substantially larger than the Company. This peer group includes American States Water Company; American Water Works Company, Inc.; Essential Utilities, Inc.; California Water Service Group; Middlesex Water Company; SJW Group and York Water Company. This peer group has been used since 2013, and the Company believes it is appropriate to continue the use of this peer group for comparing the percentage change in cumulative shareholder returns and for consideration of elements of compensation not provided for by the Company.

Base Salary

Base salaries for Company executives are set at levels considered appropriate to attract and retain seasoned and talented personnel. In

2020, the Compensation Committee increased the base salary of each of the named executive officers by 3%.

The Compensation Committee determines actual base salaries for each executive other than the Chief Executive Officer based upon:

- recommendations provided by the Chief Executive Officer;
- internal equity with other executives and Company personnel;
- individual executive performance; and
- individual contributions to the Company's strategic objectives.

The Compensation Committee considers the same factors in determining the base salary of the Chief Executive Officer, without any recommendation by the Chief Executive Officer. The Chief Executive Officer was not present during deliberations on her compensation.

Cash Bonus and Equity Compensation Awards

Annually, the Compensation Committee determines whether any Cash Bonus and/or Equity Compensation Awards should be granted to any of the executives. The Cash Bonus and Equity Compensation Awards are intended to reward executives for their contributions towards meeting the Company's strategic objectives. Cash Bonus and Equity Compensation Awards are entirely discretionary and are based upon a qualitative assessment conducted by the Compensation Committee in the case of the Chief Executive Officer and by the Compensation Committee and the Chief Executive Officer in the case of other executives. Recognizing both the executive team's and each individual named executive officer’s contributions toward meeting the Company's strategic objectives, cash bonuses were awarded to the Chief Executive Officer and named executive officers in 2020, 2019, and 2018.

Other Compensation

Both Dian C. Taylor and Nicholle R. Taylor received compensation for their services as Directors, which compensation was equivalent to that provided to all other directors for Board and Committee meeting fees and less for retainers. See "Director Compensation."

The Company’s named executive officers are eligible to participate in the same employee benefit plans and on the same basis as other Company employees, with the exception that executive officers are reimbursed for eligible medical expenses not otherwise covered by the Company's medical insurance plan under the Officer's Medical Reimbursement Plan. Amounts reimbursed are included in the "All Other Compensation" column in the Summary Compensation Table that follows this discussion.

The Role of Management in the Executive Compensation Process

Our Director of Human Resources typically assists the Compensation Committee by preparing and providing information showing:

- current executive compensation levels;
- executive compensation recommendations made by the Chief Executive Officer;
- salary grade minimum, midpoint and maximums for each executive, based on information provided by the Company's compensation consultant retained in 2013, adjusted annually; and
- actual base salary, cash bonus and equity compensation for each of the prior three years for each executive.

Our Chief Executive Officer meets with the Compensation Committee and provides input regarding the contributions of each executive towards the Company's strategic objectives and each executive's overall performance that formed the basis for her recommendations to the Compensation Committee. The final decisions regarding compensation for each executive are made by the Compensation Committee. Please refer to Compensation Committee Interlocks and Insider Participation section for more information.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K.

The Compensation Committee,

William C. Wyer, Chairman
Kenneth R. Biederman
John R. Eisenbrey, Jr

CEO Pay Ratio

The 2020 compensation disclosure ratio of the median annual total compensation of all Company employees to the annual total compensation of the Company's Chief Executive Officer is as follows:

	2020 Total Compensation
Median employee total annual compensation	$87,700
Annual total compensation of Dian C. Taylor, CEO	$1,076,148
Ratio of CEO to median employee compensation	12:1

For simplicity, we identified the median employee by examining the base annual salary for all individuals, excluding our CEO, who were employed by us on October 31, 2020. We included all employees, whether employed on a full-time, part-time, or seasonal basis. We believe that the use of base annual salary compensation, excluding overtime, is a consistently applied compensation measure because we do not widely distribute annual equity awards to employees and believe that it provides a reasonable estimate of the pay ratio calculated in a manner consistent with Item 402(u) of Regulation S-K. After identifying the median employee by examining base annual salary excluding overtime, we calculated annual total compensation, including overtime, for such employee using the same methodology we use for our named executive officers set forth in the 2020 Summary Compensation Table.

Summary Compensation Table:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	All Other Compensation ($)(2),(3),(4)	Total ($)
Dian C. Taylor, Chair, Chief Executive Officer & President	2020	575,574	250,000	35,010	214,924	1,075,508
	2019	558,800	250,000	36,110	138,308	983,218
	2018	542,525	250,000	38,510	169,566	1,000,601
David B. Spacht, Chief Financial Officer & Treasurer	2020	383,064	104,000	N/A	34,955	522,019
	2019	358,137	100,000	N/A	39,284	497,421
	2018	342,637	125,000	N/A	36,842	504,479
Joseph A. DiNunzio, Executive Vice President & Secretary	2020	418,585	100,000	N/A	32,483	551,068
	2019	406,384	103,000	N/A	32,054	541,438
	2018	394,552	100,000	N/A	33,086	527,638
Nicholle R. Taylor, Senior Vice President	2020	322,595	100,000	35,010	99,355	556,960
	2019	293,144	100,000	36,110	89,337	518,591
	2018	277,218	100,000	38,510	83,791	499,519
John M. Thaeder, Senior Vice President of Operations	2020	321,690	100,000	N/A	17,707	439,397
	2019	312,319	100,000	N/A	19,664	431,983
	2018	303,234	102,000	N/A	22,176	427,410

(1) On May 6, 2020, Dian Taylor and Nicholle Taylor each received a restricted stock award of 1,000 shares of Class A Stock in their capacities as directors of the Company. The award was valued at the fair market value on the date of the award (last reported sale price on the date of award) or $35.01 per share. The restricted shares vest one year from the date of grant. On May 8, 2019, Dian Taylor and Nicholle Taylor each received a restricted stock award of 1,000 shares of Class A Stock. The award was valued at the fair market value on the date of the award or $36.11 per share. The restricted shares vested one year from the date of grant. On May 2, 2018, Dian Taylor and Nicholle Taylor each received a restricted stock award of 1,000 shares of Class A Stock. The award was valued at the fair market value on the date of the award or $38.51 per share. The restricted shares vested one year from the date of grant.

(2) Under the Company’s defined contribution 401(k) Plan, the Company contributes two percent of an eligible employee's gross earnings. The Company also matches 50 percent of the first six percent of the employee's gross earnings that the employee contributes to the 401(k) Plan. In addition, all employees hired before April 26, 1994 and under the age of 60 at that date are eligible for additional contributions to the 401(k) Plan. Employees over the age of 60 at that date receive Company paid medical, dental and life insurance benefits upon retirement. The Company will not provide the additional 401(k) or medical, dental and life insurance benefits to any other current or future employees. In 2020, Company contributions to the 401(k) Plan under terms available to all other employees based upon their years of service and plan eligibility were made in the amounts of:

Dian C. Taylor	$	31,350
David B. Spacht	$	31,350
Joseph A. DiNunzio	$	31,350
Nicholle R. Taylor	$	31,350
John M. Thaeder	$	14,250

(3) Executive officers are reimbursed for eligible medical expenses not otherwise covered by the Company's medical insurance plan under the Officer's Medical Reimbursement Plan. Amounts reimbursed are included in the "All Other Compensation" column in the table above. Dian C. Taylor received reimbursements of $79,400 in 2020.

(4) Also included in the "All Other Compensation" column in the table above are amounts received by Dian C. Taylor as compensation for attendance at meetings of the Board and its committees in 2020 totaling $68,100, $18,143 for security provided at her personal residence, $14,552 for country club dues and personal use of a company-owned vehicle. Also included in the "All Other Compensation" column in the table above are amounts received by Nicholle R. Taylor as compensation for attendance at meetings of the Board and its committees in 2020 totaling $67,100.

Grants of Plan-Based Awards Table

Name	Grant Date	Vest Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/share)	Grant Date Fair Value of Stock & Option Awards ($)
Dian C. Taylor	5/06/2020	5/06/2021	1,000	-	-	35,010
Nicholle R. Taylor	5/06/2020	5/06/2021	1,000	-	-	35,010

On May 6, 2020, Dian C. Taylor and Nicholle R. Taylor each received a restricted stock award of 1,000 shares of Class A Stock, as noted in the table above. The awards were valued at the fair market value on the date of the award (last reported sale price on the date of award) or $35.01 per share. The restricted stock awards vest one year from the date of grant.

Outstanding Equity Awards at Fiscal Year-End Table

	Option Awards			
Name	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price($)	Option Expiration Date
Dian C. Taylor	6,750	0	19.06	5/17/2021
	6,750	0	19.01	5/09/2022
	6,750	0	22.66	5/08/2023
	6,750	0	21.86	5/07/2024
Nicholle R. Taylor	1,597	0	19.06	5/17/2021
	6,750	0	19.01	5/09/2022
	6,750	0	22.66	5/08/2023
	6,750	0	21.86	5/07/2024

Option Exercises and Stock Vested Table

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Dian C. Taylor	6,750	103,545	1,000	35,650
Nicholle R. Taylor	11,903	199,774	1,000	35,650

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the beneficial ownership of the equity securities of the Company, as of March 9, 2021 for each director, each named executive officer, each beneficial owner of more than five percent (5%) of the outstanding shares of any class of the Company's voting securities and all directors and executive officers as a group, based in each case on information furnished to the Company. Addresses are provided for each beneficial owner of more than five percent (5%) of the Company’s voting securities.

	Class A Non-Voting Common Stock(1)		Class B Common Stock(1)	
	Shares	Percent(2)	Shares	Percent(2)
Dian C. Taylor (3) 664 Churchmans Road Newark, Delaware 19702	171,103	2.0	159,509	18.1
Kenneth R. Biederman (3)	35,375	*	---	---
John R. Eisenbrey, Jr. (3)(4)(5) 15 Albe Drive Newark, Delaware 19702	78,751	*	45,707	5.2
Nicholle R. Taylor (3)(6) 20 Brendle Lane Wilmington, Delaware 19807	41,983	*	279,963	31.8
Michael Houghton	---	---	---	---
William C. Wyer (3)	46,500	*	---	---
Joseph A. DiNunzio	18,941	*	203	*
David B. Spacht	3,900	*	189	*
John M. Thaeder	31,420	*	1,350	*
Louisa Taylor Welcher 219 Laurel Avenue Newark, DE 19711	83,446	*	135,862	15.4
Directors and Executive Officers as a Group (12 Individuals)(3)	435,723	5.1	486,921	55.2

* less than 1%

(1) The nature of ownership consists of sole voting and investment power unless otherwise indicated. The amount also includes all shares issuable to such person or group upon the exercise of options or vesting of restricted shares held by such person or group to the extent such options are exercisable or restricted shares vest within 60 days after March 9, 2021.

(2) The percentage of the total number of shares of the class outstanding is shown where that percentage is one percent or greater. Percentages for each person are based on the aggregate number of shares of the applicable class outstanding as of March 9, 2021, and all shares issuable to such person upon the exercise of options or vesting of restricted shares held by such person to the extent such options are exercisable or restricted shares vest within 60 days of that date.

(3) Includes vesting of restricted shares and options to purchase shares of the Company's Class A Stock, as follows: Ms. D. Taylor (28,000 shares); Mr. Biederman (14,000 shares); Mr. Eisenbrey, Jr. (28,000 shares); Ms. N. Taylor (22,847 shares); Mr. Wyer (28,000 shares).

(4) 89,123 shares were pledged by Mr. Eisenbrey, Jr. as collateral for a loan.

(5) Includes 780 shares of the Class B Stock owned by a trust, of which Mr. Eisenbrey, Jr. is a trustee and has a beneficial ownership interest, and 1,555 shares of the Class B Stock held in custodial accounts for Mr. Eisenbrey, Jr.'s daughters.

(6) Includes 692 shares of the Class A Stock and 45 shares of the Class B stock held in custodial accounts for Ms. N. Taylor's daughter and 269 shares of Class A stock held by her spouse.

Securities Authorized for Issuance under Equity Compensation Plans

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 and vesting of awards as of December 31, 2020 under the Company's stockholder approved stock plans.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon award vesting of 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	121,347	$ 20.80	294,932
Total	121,347	$20.80	294,932

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We have four directors who are considered independent under the Nasdaq listing standards: Kenneth R. Biederman, John R. Eisenbrey, Jr., Michael Houghton and William C. Wyer.

Review and Approval of Transactions with Related Persons

As set forth in the Company's Audit Committee Charter, the Audit Committee is responsible for reviewing and, if appropriate, approving all related-party transactions between us and any officer, director, any person known to be the beneficial owner of more than 5% of any class of the Company's voting securities or any other related person that would potentially require disclosure. We expect that any transactions in which related persons have a direct or indirect interest will be presented to the Audit Committee for review and approval. While neither the Audit Committee nor the Board have adopted a written policy regarding related-party transactions, the Audit Committee considers such information as it deems important to determine whether the transaction is on reasonable and competitive terms and is fair to the Company. In addition, the Audit Committee makes inquiries to our management and our auditors when reviewing such transactions.

Related person transactions include any transaction in which (1) the Company is a participant, (2) any related person has a direct or indirect material interest and (3) the amount involved exceeds the lesser of $120,000 or one percent of the average of the Company's total assets at year end for the last two completed fiscal years, but excludes certain type of transactions where the related person is deemed not to have a material interest. A related person means: (a) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director, an executive officer or a director nominee; (b) any person known to be the beneficial owner of more than 5% of any class of the Company's voting securities; (c) any immediate family member of a person identified in items (a) or (b) above, meaning such person's spouse, parent, stepparent, child, stepchild, sibling, mother- or father-in-law, son- or daughter-in-law, brother- or sister-in-law or any other individual (other than a tenant or employee) who shares the person's household; or (d) any entity that employs any person identified in (a), (b) or (c) or in which any person identified in (a), (b) or (c) directly or indirectly owns or otherwise has a material interest.

In its review and approval or ratification of related person transactions (including its determination as to whether the related person has a material interest in a transaction), the Audit Committee will consider, among other factors:

- the nature of the related person's interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction;
- the importance of the transaction to the related person;
- the importance of the transaction to the Company;
- whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company; and
- any other matters the Audit Committee deems important or appropriate.

The Audit Committee intends to approve only those related person transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders.

Related Party Transactions

Mr. Michael Houghton currently serves as a director through the remainder of the three year term class that expires at the Annual Meeting of the Class B Stock shareholders to be held in 2021 and until his respective successor shall be elected and qualified. Mr. Houghton is a Partner in the law firm of Morris Nichols Arsht & Tunnell, or MNAT, in Wilmington, Delaware. In the normal course of business, the Company utilizes the services of MNAT for various regulatory, real estate and public policy matters. Approximately $386,000, $253,000 and $524,000 was paid to MNAT during the years ended December 31, 2020, December 31, 2019 and December 31, 2018, respectively, for legal and director related services. As of December 31, 2020, the Company had a $2,000 accounts payable balance due to MNAT.

As set forth in the Charter of the Audit Committee of the Board, the Audit Committee is responsible for reviewing and, if appropriate, approving all related party transactions between us and any officer, any director, any person known to be the beneficial owner of more than 5% of any class of the Company's voting securities or any other related person that would potentially require disclosure. In its review and approval of the related party transactions with MNAT, the Audit Committee considered the nature of the related person's interest in the transactions; the satisfactory performance of work contracted with the related party prior to the election of Mr. Houghton as a director; and the material terms of the transactions, including, without limitation, the amount and type of transactions, the importance of the transactions to the related person, the importance of the transactions to the Company and whether the transactions would impair the judgment of a director or officer to act in the best interest of the Company. The Audit Committee approves only those related person transactions that are in, or are consistent with, the best interests of the Company and its stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Billed by Independent Registered Public Accounting Firm

The following table sets forth the aggregate contract fees billed to the Company for the fiscal year 2020 and 2019 by the independent registered public accounting firm, BDO USA, LLP.

(In thousands)	**2020**	2019
Audit Fees	**$ 386**	$ 429
Audit-Related Fees	**17**	16
Tax Fees	**---**	---
All Other Fees	**--**	--
Total Fees	**$ 403**	$ 445

Audit Fees: consist primarily of fees for the audits of our financial statements included in our Annual Report on Form 10-K; the reviews of the financial statements included in our Quarterly Reports on Form 10-Q; and the audits of internal control over financial reporting, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and fees billed for assurance, services related to registration statements and other documents issued in connection with securities and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements. In 2020, the Securities and Exchange Commission adopted amendments to the accelerated filer and large accelerated filer definitions. Under the amendments, the Company is currently classified as a non-accelerated filer and is no longer subject to the SOX 404(b) requirement to have an auditor attestation report on internal control over financial reporting, therefore resulting in lower audit fees in 2020 compared to 2019.

Audit-Related Fees: consist of fees for services related to the audit of the Company's 401(k) Plan.

Tax Fees: consist of fees for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance, return preparation and tax audits. The independent registered public accounting firm did not provide any tax services to the Company in 2020 and 2019.

All Other Fees: consist of fees for services other than described above. The independent registered public accounting firm did not provide any other services to the Company in 2020 and 2019.

Pursuant to our policy, the Audit Committee pre-approves audit and tax services for the year as well as non-audit services to be provided by the independent registered public accounting firm. Any changes in the amounts quoted are also subject to pre-approval by the committee. Any audit related fees and tax fees paid are pre-approved by the committee.

The Audit Committee of the Company's Board of Directors has considered whether BDO's provision of the services described above for the fiscal year ended December 31, 2020 is compatible with maintaining its independence.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

* Page number shown refers to page number in this Report on Form 10-K

EXHIBIT LIST

Exhibit Number	Description
3.1	Amended and Restated By-laws of Artesian Resources Corporation incorporated by reference to Exhibit 3.1 filed with the Company's Form 8-K filed on November 23, 2020.
3.2	Restated Certificate of Incorporation of the Company effective April 28, 2004 incorporated by reference to Exhibit 3.1 filed with the Company's Form 10-Q for the quarterly period ended March 31, 2004.
3.3	By-laws of the Company effective March 26, 2004 incorporated by reference to Exhibit 3.3 filed with the Company's Form 10-Q for the quarterly period ended March 31, 2004.
4.1	Twenty-Fourth Supplemental Indenture dated as of December 17, 2019, between Artesian Water Company, Inc., subsidiary of the Company, and Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.1 filed with the Company's Form 8-K filed on December 19, 2019.
4.2	Bond Purchase Agreement, dated December 17, 2019 by and between Artesian Water Company, Inc., subsidiary of the Company, and the Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.2 filed with the Company's Form 8-K filed on December 17, 2019.
4.3	Twenty-Third Supplemental Indenture dated as of January 31, 2018, between Artesian Water Company, Inc., subsidiary of the Company, and Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.1 filed with the Company's Form 8-K filed on February 2, 2018.
4.4	Bond Purchase Agreement, dated January 31, 2018 by and between Artesian Water Company, Inc., subsidiary of the Company, and CoBank, ACB. Incorporated by reference to Exhibit 4.2 filed with the Company's Form 8-K filed on February 2, 2018.
4.5	Twenty-Second Supplemental Indenture dated as of January 18, 2017, between Artesian Water Company, Inc., subsidiary of the Company, and Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.1 filed with the Company's Form 8-K filed on January 20, 2017.
4.6	Bond Purchase Agreement, dated January 18, 2017 by and between Artesian Water Company, Inc., subsidiary of the Company, and CoBank, ACB. Incorporated by reference to Exhibit 4.2 filed with the Company's Form 8-K filed on January 20, 2017.
4.7	First Amendment to Indenture of Mortgage and to the Sixteenth, Eighteenth and Twentieth Supplemental Indentures dated as of January 18, 2017, between Artesian Water Company, Inc., subsidiary of the Company, and Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.3 filed with the Company's Form 10-K for the year ended December 31, 2017.
4.8	Letter Agreement, dated as of September 15, 2015, by and between Artesian Water Company, Inc. and CoBank ACB. Incorporated by reference to Exhibit 4.1 filed with the Company's Form 8-K filed on September 18, 2015.
4.9	Twenty-First Supplemental Indenture dated as of November 20, 2009, between Artesian Water Company, Inc., subsidiary of the Company, and Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.4 filed with the Company's Form 10-K for the year ended December 31, 2017.
4.10	Twentieth Supplemental Indenture dated as of December 1, 2008, between Artesian Water Company, Inc., subsidiary of the Company, and Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.1 filed with the Company's Form 8-K filed on December 4, 2008.
4.11	First Amendment to Bond Purchase Agreement, dated as of January 18, 2017 by and between Artesian Water Company, Inc., subsidiary of the Company, and CoBank, ACB. Incorporated by reference to Exhibit 4.13 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

4.12 Bond Purchase Agreement, dated December 1, 2008 by and between Artesian Water Company, Inc., subsidiary of the Company, and CoBank, ACB. Incorporated by reference to Exhibit 4.2 filed with the Company's Form 8-K filed on December 4, 2008.

4.13 Eighteenth Supplemental Indenture dated as of August 1, 2005, between Artesian Water Company, Inc., subsidiary of the Company, and Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.

4.14 Sixteenth Supplemental Indenture dated as of January 31, 2003 between Artesian Water Company, Inc., subsidiary of the Company, and the Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.2 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

4.15 Indenture of Mortgage dated July 1, 1961, between Artesian Water Company, Inc., subsidiary of the Company, and the Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.10 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

4.16 Second Amendment to Master Loan Agreement, dated as of November 13, 2019, by and between Artesian Wastewater Management, Inc. and CoBank, ACB. Incorporated by reference to Exhibit 4.16 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

4.17 First Amendment to Master Loan Agreement, dated as of January 10, 2019, by and between Artesian Wastewater Management, Inc. and CoBank, ACB. Incorporated by reference to Exhibit 4.17 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

4.18 Guarantee of Payment, dated as of August 8, 2018, by and between Artesian Resources Corporation and CoBank, ACB. Incorporated by reference to Exhibit 4.3 filed with the Company's Form 10-Q filed on August 9, 2018.

4.19 Master Loan Agreement, dated as of August 8, 2018, by and between Artesian Wastewater Management, Inc. and CoBank, ACB. Incorporated by reference to Exhibit 4.2 filed with the Company's Form 10-Q filed on August 9, 2018.

4.20 Artesian Resources Corporation 2015 Equity Compensation Plan. Incorporated by reference to Exhibit 4.1 filed with the Company's Registration Statement on Form S-8 filed December 16, 2015.

4.21 Interest Rate Lock Agreement, dated as of October 8, 2019, by and between Artesian Water Company, Inc. and CoBank, ACB, Incorporated by reference to Exhibit 4.1 filed with the Company's Form 8-K filed on October 11, 2019.

4.22 Description of the Company's Securities. Incorporated by reference to Exhibit 4.22 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

10.1 Asset Purchase Agreement, dated February 27, 2020 by and among Artesian Water Company, Inc., a Delaware corporation, and the Town of Frankford, a Delaware municipality. Incorporated by reference to Exhibit 10.1 filed with Company's Form 8-K filed on March 4, 2020.

10.2 Financing Agreement, dated as of April 28, 2020, between Artesian Water Company, Inc. and Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health & Social Services, Division of Public Health. Incorporated by reference to Exhibit 10.1 filed with the Company's Form 8-K filed on April 30, 2020.

10.3 General Obligation Note (New Castle County Water Main Transmission Replacements Projects), Series 2020A-SRF, dated as of April 28, 2020, issued by Artesian Water Company, Inc. in favor of Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health & Social Services, Division of Public Health. Incorporated by reference to Exhibit 10.2 filed with the Company's Form 8-K filed on April 30, 2020.

10.4 Financing Agreement, dated as of April 28, 2020, between Artesian Water Company, Inc. and Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health & Social Services, Division of Public Health. Incorporated by reference to Exhibit 10.3 filed with the Company's Form 8-K filed on April 30, 2020.

10.5 General Obligation Note (New Castle County Water Main Transmission Replacements Projects), Series 2020B-SRF, dated as of April 28, 2020, issued by Artesian Water Company, Inc. in favor of Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health & Social Services, Division of Public Health. Incorporated by reference to Exhibit 10.4 filed with the Company's Form 8-K filed on April 30, 2020.

10.6 Financing Agreement, dated as of April 28, 2020, between Artesian Water Company, Inc. and Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health & Social Services, Division of Public Health. Incorporated by reference to Exhibit 10.5 filed with the Company's Form 8-K filed on April 30, 2020.

10.7 General Obligation Note (New Castle County Water Main Transmission Replacements Projects), Series 2020C-SRF, dated as of April 28, 2020, issued by Artesian Water Company, Inc. in favor of Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health & Social Services, Division of Public Health. Incorporated by reference to Exhibit 10.6 filed with the Company's Form 8-K filed on April 30, 2020.

10.8 General Obligation Note (New Castle County Water Main Transmission Replacements Projects), Series 2011-SRF, dated as of July 15, 2011, issued by Artesian Water Company, Inc. in favor of Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health & Social Services, Division of Public Health. Incorporated by reference to Exhibit 10.2 filed with the Company's Form 8-K filed on July 19, 2011.

10.9 Financing Agreement, dated as of July 15, 2011, between Artesian Water Company, Inc. and Delaware Drinking Water State Revolving Fund, acting by and through the Delaware Department of Health & Social Services, Division of Public Health. Incorporated by reference to Exhibit 10.1 filed with the Company's Form 8-K filed on July 19, 2011.

10.10 Financing Agreement and General Obligation Note dated February 12, 2010 between Artesian Water Company, Inc. and Delaware Drinking Water State Revolving Fund Delaware Department of Health and Social Services, Division of Public Health. Incorporated by reference to Exhibit 10.1 filed with the Company's Form 8-K filed on February 17, 2010.

10.11 Second Amended and Restated Revolving Credit Agreement between Artesian Water Company, Inc. and CoBank, ACB dated September 20, 2019. Incorporated by reference to Exhibit 4.2 filed with the Company's Form 10-Q filed on November 8, 2019.

10.12 Demand Line of Credit Agreement dated January 19, 2010 between Artesian Resources Corporation and each of its subsidiaries and Citizens Bank of Pennsylvania, as amended or modified from time to time. Incorporated by reference to Exhibit 10.2 filed with the Company's Form 8-K filed on January 25, 2010.

10.13 Amendment to Agreement for Purchase of Water Assets of the Town of Port Deposit and for the provision of Potable Water Services, dated November 1, 2010 by and among Artesian Water Maryland, Inc., a Delaware Corporation, Artesian Resources Corporation, a Delaware Corporation and the Mayor and Town Council of Port Deposit, Maryland, a body corporate and politic organized under the laws of the State of Maryland. Incorporated by reference to Exhibit 10.2 filed with the Company's Form 8-K filed on November 4, 2010.

10.14 Water Asset Purchase Agreement, dated December 1, 2009 by and among Artesian Water Maryland, Inc., a Delaware Corporation, Artesian Resources Corporation, a Delaware Corporation and the Mayor and Town Council of Port Deposit, Maryland, a body corporate and politic organized under the laws of the State of Maryland. Incorporated by reference to Exhibit 10.1 filed with the Company's Form 8-K filed on December 2, 2009.

10.15 Limited Liability Interest Purchase Agreement between Artesian Water Maryland, Inc., subsidiary of the Company, and Mountain Hill Water Company, LLC, dated May 5, 2008. Incorporated by reference to Exhibit 10.1 filed with the Company's Form 8-K filed on May 9, 2008.

10.16 Artesian Resources Corporation 2005 Equity Compensation Plan. Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005. ***

10.17 Amended and Restated Artesian Resources Corporation 1992 Non-Qualified Stock Option Plan, as amended. Incorporated by reference to Exhibit 10.4 filed with the Company's Form 10-Q for the quarterly period ended June 30, 2003.***

10.18 Artesian Resources Corporation Incentive Stock Option Plan. Incorporated by reference to Exhibit 10(e) filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1995.***

10.19 Officer's Medical Reimbursement Plan dated May 27, 1992. Incorporated by reference to Exhibit 10.6 filed with the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001.***

21 Subsidiaries of the Company as of December 31, 2020. *

23.1	Consent of BDO USA, LLP *
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document). *
101.SCH	Inline XBRL Taxonomy Extension Schema Document. *
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document. *
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document. *
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document. *
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). *

*	Filed herewith.
**	Furnished herewith.
***	Compensation plan or arrangement required to be filed or incorporated as an exhibit.

SIGNATURES
ARTESIAN RESOURCES CORPORATION

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date March 12, 2021 By: /s/ DAVID B. SPACHT
David B. Spacht
Chief Financial Officer (Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DIAN C. TAYLOR Dian C. Taylor	Chair of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	March 12 2021
/s/ DAVID B. SPACHT David B. Spacht	Chief Financial Officer (Principal Financial Officer)	March 12, 2021
/s/ JENNIFER L. FINCH Jennifer L. Finch	Corporate Treasurer and Senior Vice President of Finance (Principal Accounting Officer)	March 12, 2021
/s/ KENNETH R. BIEDERMAN Kenneth R. Biederman	Director	March 12, 2021
/s/ WILLIAM C. WYER William C. Wyer	Director	March 12, 2021
/s/ JOHN R. EISENBREY, JR. John R. Eisenbrey, Jr.	Director	March 12, 2021
/s/ MICHAEL HOUGHTON Michael Houghton	Director	March 12, 2021
/s/ NICHOLLE R. TAYLOR Nicholle R. Taylor	Director	March 12, 2021

EXHIBIT 21

ARTESIAN RESOURCES CORPORATION AND SUBSIDIARY COMPANIES

Subsidiaries of Registrant

The following list includes the Registrant and all of its subsidiaries as of December 31, 2020. The voting equity interests of each company shown is owned, to the extent indicated by the percentage, by the company immediately above, which is not indented to the same degree. All subsidiaries of the Registrant appearing in the following table are included in the consolidated financial statements of the Registrant and its subsidiaries.

Name of Company	State of Incorporation	Percentage of Voting Equity Interests Owned
Artesian Resources Corporation	Delaware	
Artesian Water Company, Inc.	Delaware	100
Artesian Water Pennsylvania, Inc.	Pennsylvania	100
Artesian Water Maryland, Inc.	Delaware	100
Artesian Development Corporation	Delaware	100
Artesian Wastewater Management, Inc.	Delaware	100
Artesian Wastewater Maryland, Inc.	Delaware	100
Artesian Utility Development, Inc.	Delaware	100
Artesian Storm Water Services, Inc.	Delaware	100

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

Artesian Resources Corporation
Newark, Delaware

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-88531) and Form S-8 (No. 33-05255, 333-31209, 333-78043, 333-126910 and 333-208582) of Artesian Resources Corporation of our report dated March 12, 2021, relating to the consolidated financial statements which appear in the Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/BDO USA, LLP

BDO USA, LLP
Wilmington, Delaware
March 12, 2021

EXHIBIT 31.1

Certification of Chief Executive Officer of Artesian Resources Corporation, required by Rule 13a – 14(a) as adopted under the Securities and Exchange Act of 1934

I, Dian C. Taylor, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2020 of Artesian Resources Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2021

/s/ Dian C. Taylor
Dian C. Taylor
Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

Certification of Chief Financial Officer of Artesian Resources Corporation, required by Rule 13a – 14(a) as adopted under the Securities and Exchange Act of 1934

I, David B. Spacht, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2020 of Artesian Resources Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2021

/s/ David B. Spacht

David B. Spacht
Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 32

Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350

I, Dian C. Taylor, Chief Executive Officer, and David B. Spacht, Chief Financial Officer, of Artesian Resources Corporation, a Delaware corporation (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on our knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2020 (the " Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 USC Section 78m(a) or Section 78o(d)), as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Report and results of operations of the Company for the period covered by the Report.

Date: March 12, 2021

Chief Executive Officer:	Chief Financial Officer:
/s/ Dian C. Taylor	/s/ David B. Spacht
Dian C. Taylor	David B. Spacht

These certifications accompany the Report to which they relate, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.