

ARTESIAN RESOURCES CORP

Form 11-K

June 17, 2014

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2013

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-18516

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

ARTESIAN RESOURCES CORPORATION RETIREMENT PLAN

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

ARTESIAN RESOURCES CORPORATION

664 CHURCHMANS RD.

NEWARK, DE 19702

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Artesian Resources Corporation Retirement Plan  
Financial Statements  
December 31, 2013

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Signatures

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Consent of BDO USA, LLP

Report of Independent Registered Public Accounting Firm

To the Plan Administrator  
Artesian Resources Corporation Retirement Plan  
Newark, Delaware

We have audited the accompanying statements of net assets available for benefits of the Artesian Resources Corporation Retirement Plan (the "Plan") as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2013 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/BDO USA, LLP

Bethesda, Maryland  
June 17, 2014

Artesian Resources Corporation Retirement Plan  
 Statements of Net Assets Available for Benefits  
 As of December 31, 2013 and December 31, 2012

|  | December<br>31, 2013 | December<br>31, 2012 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Cash   | \$639                | \$4,026              |
| Investments, at fair value                               |                      |                      |
| Artesian Resources Corp. Class A non-voting common stock | 4,290,208            | 4,129,602            |
| Collective trusts  | 2,345,273            | 2,185,126            |
| Mutual funds   | 30,010,574           | 24,520,397           |
| Total investments, at fair value                         | 36,646,055           | 30,835,125           |
| Participants' notes receivable                           | 282,715              | 266,416              |
| Contributions receivable                                 |                      |                      |
| Employer   | 132,415              | 124,771              |
| Participants   | 0                    | 6,522                |
| Total contributions receivable                           | 132,415              | 131,293              |
| Total assets   | 37,061,824           | 31,236,860           |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>                 | <b>\$37,061,824</b>  | <b>\$31,236,860</b>  |

See accompanying notes to financial statements.

Artesian Resources Corporation Retirement Plan  
 Statement of Changes in Net Assets Available for Benefits  
 For the Year Ended December 31, 2013

|  | 2013          |
|--|---------------|
| ADDITIONS TO NET ASSETS ATTRIBUTED TO:                             |               |
| Net investment income  |               |
| Artesian Resources Corp. Class A non-voting common stock dividends | \$ 153,405    |
| Interest and dividend income from other investments                | 1,559,297     |
| Net appreciation in fair value of investments                      | 4,178,204     |
| Total net investment income  | 5,890,906     |
| Interest income from participants' notes receivable                | 15,232        |
| Contributions  |               |
| Employer contributions   | 1,008,897     |
| Participant contributions  | 1,428,010     |
| Rollovers  | 76,457        |
| Total contributions  | 2,513,364     |
| Total additions  | 8,419,502     |
| DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:                          |               |
| Participant distributions  | 2,594,538     |
| Administrative expenses  | 0             |
| Total deductions   | 2,594,538     |
| NET INCREASE   | 5,824,964     |
| NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR              | 31,236,860    |
| NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR                    | \$ 37,061,824 |

See accompanying notes to financial statements.

Artesian Resources Corporation Retirement Plan

Notes to the Financial Statements

Note A - Description of the Plan

1. General

Effective July 1, 1984, Artesian Resources Corporation (the "Company" or "Plan Sponsor" or "Employer") established the Artesian Resources Corporation Retirement Plan (the "Plan") as a defined contribution retirement plan for its employees, subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Pursuant to Internal Revenue Code (IRC) Section 401(k), the Plan permits employees to exclude contributions to the Plan from their current taxable income, subject to certain limits. The Plan is administered by an Administrative Committee, which consists of six members appointed by the Company's Board of Directors. Plan administration expenses may be paid out of the Plan unless paid by the Company (Note C). The Plan was amended and restated as of January 1, 2011 as described below. The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

2. Participation and Vesting

All employees age 18 and over are eligible for Plan participation immediately after hire. Employees may elect to make tax-deductible contributions up to the IRC limitation, including "catch-up" contributions for participants age 50 and older. Participants are also able to designate part or all of their contributions as Roth 401(k) contributions, which are made on an after-tax basis. For every dollar an employee contributes up to 6% of compensation, the Company will provide a 50% matching contribution. From January 1, 2011 compensation included employee bonuses, until amended to exclude bonuses effective November 7, 2012. In each Plan year, the Company may make a discretionary contribution to the Plan based on up to 2% of compensation for all employees eligible to participate in the Plan. The full discretionary contribution was made for 2013. The total matching, discretionary, and service contributions in 2013 were \$411,549, \$335,275 and \$262,073, respectively.

The Company's Board of Directors, at its sole discretion, may make a Special Discretionary Stock Contribution to the Plan. A Special Discretionary Stock Contribution was not made for 2013.

The trust maintains separate accounts for each participant in the Plan. These accounts are credited with the participants' contributions and Plan earnings and may be charged with certain administrative expenses. Participant contributions, and the related earnings, are fully vested. Company contributions, and the related earnings, vest as follows:

| Years of Service | Vested Percentage |
|------------------|-------------------|
|------------------|-------------------|

|                   |     |   |
|-------------------|-----|---|
| Less than 2       | 0   | % |
| 2 but less than 3 | 20  | % |
| 3 but less than 4 | 40  | % |
| 4 but less than 5 | 60  | % |
| 5 but less than 6 | 80  | % |
| 6 years or more   | 100 | % |

Any forfeitures of non-vested contributions may be offset against Company contributions or Plan administration expenses.

Artesian Resources Corporation Retirement Plan

Notes to the Financial Statements (Continued)

Note A - Description of the Plan (Continued)

Participation and Vesting (Continued)

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

·Only employees as of April 26, 1994 are eligible for participation.

·A service contribution is made by the Company to the Plan for all eligible participants each quarter based upon each employee's years of service and current compensation in accordance with the following schedule:

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

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

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

Forfeitures may be offset against Company contributions or Plan administration expenses. Any participant who separates from the Company for any reason shall be entitled to receive the vested interest in their account.

3. Investment Elections

All future discretionary Company contributions, as well as all prior discretionary contributions and the corresponding earnings thereon, are participant directed.

Participants may allocate basic contributions among the various investments options, including the Company's Class A non-voting common stock.



Participants may elect an allocation among one or more of the investment options in multiples of 1% with a minimum investment of 1% in any selected investment.

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Artesian Resources Corporation Retirement Plan

Notes to the Financial Statements (Continued)

Note A - Description of the Plan (Continued)

4. Participants' Notes Receivable

Participants may borrow from the Plan under the following guidelines:

·A participant may borrow as much as 50% of his or her vested account balance, subject to certain minimum and maximum limitations as defined in the Plan.

·Loans are repaid over a period not to exceed five years, unless the loan is to buy, build, or substantially rehabilitate the borrower's principal residence.

·The participant's account balance is secured as collateral when the loan is executed. If a participant defaults on a loan, the loan is treated as a distribution from the Plan to the participant.

·Interest rates on loans are prime plus 1% at the date of the loan. Interest rates on outstanding balances ranged from 4.25% to 9.75% for the years ended December 31, 2013 and December 31, 2012.

·As loans are repaid to the Plan, the total payment, principal plus interest, is credited back to the participant's account.

5. Benefits

Participants are entitled to a benefit payment equal to the vested amount credited to their accounts upon retirement, upon permanent disability, at age 59<sup>1/2</sup>, or upon termination of employment or death. In the event of death of a participant, a death benefit payment is made to the participant's beneficiary. The only form of distribution under the Plan is a single lump sum distribution in cash or stock.

6. Plan Termination

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

7. Forfeitures

Forfeited balances are used to reduce the Plan sponsor's future matching contribution obligations. During the year ended December 31, 2013 and 2012, these forfeitures amounted to \$34,135 and \$26,174 respectively. Forfeitures totaling \$34,135 were used in 2013 to reduce the Plan sponsor's contribution obligations which is an increase of

23.47% when compared with 2012.

Artesian Resources Corporation Retirement Plan

Notes to the Financial Statements (Continued)

Note A - Description of the Plan (Continued)

8. Administrative Expenses

Certain administrative expenses of the Plan are paid by the Employer. The Plan may pay for certain member requested services and investment fees. Any fees for participant requested services are charged to the accounts of participants requesting the transaction, however, for the year ended December 31, 2013 there were no such fees. Investment fees are allocated to participants' accounts based on a specified basis point per investment through the investments' earnings.

Note B - Significant Accounting Policies

1. Basis of Accounting

The Plan's financial statements are presented using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and changes therein. Actual results could differ from those estimates.

3. Investment Valuation and Income Recognition

Plan assets held in mutual funds (shares of registered investment companies) and the Company's Class A non-voting common stock are unsecured and are traded on national securities exchanges. Mutual funds are valued at net asset value ("NAV") and common stock is valued at market value at December 31, 2013 and 2012.

Plan assets held in collective trusts are unsecured and are valued at trading unit prices, which approximates fair value. The collective trust fund represents investments in the PNC Investment Contract Fund. As described in Accounting Standards Codification (ASC) 962-325, Plan Accounting—Defined Contribution Pension Plans/Investments—Other, investment contracts are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. Units held are valued at the unit value which is based on contract value and approximates fair value in accordance with the audited financial statements of the investment contract fund as of December 31, 2013 and 2012.

In accordance with the policy of stating investments at fair value, net unrealized appreciation (depreciation) for the year is included in the statement of changes in net assets available for benefits and includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Artesian Resources Corporation Retirement Plan

Notes to the Financial Statements (Continued)

Note B - Significant Accounting Policies (Continued)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

4. Participants' Notes Receivable

Participant loans are classified as participants' notes receivable, and are measured at the unpaid principal balance plus unpaid accrued interest. The Plan classifies loans in default for various events, including failure to pay timely installments. Defaulted loans are deemed distributed and recorded as benefits paid to participants in the statement of changes in net assets available for benefits. There were no amounts recorded as deemed distributions in 2013 and 2012.

5. Benefit Payments and Participant Distributions

Participant distributions are recorded when paid.

6. Income Taxes

The Internal Revenue Service has determined and informed the Company by letters dated March 19, 2002 and January 4, 2012 that the original Plan plus amendments is qualified and the trust established under the Plan is tax exempt under the appropriate sections of the Internal Revenue Code. The Plan has been amended since receiving the January 4, 2012 determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan was designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the financial statements.

The Plan Sponsor has analyzed the tax positions taken by the Plan and has concluded that, as of December 31, 2013, no uncertain tax positions are taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, currently no audits are in progress for any tax periods. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2010.

7. Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term interest-bearing investments with initial maturities of three months or less.



Artesian Resources Corporation Retirement Plan

Notes to the Financial Statements (Continued)

Note C - Plan Administration Expenses

Administrative fees are paid by the Plan - The Company may pay the other accounting, investment management, legal and miscellaneous fees of the Plan.

Management fees and operating expenses charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

Note D – Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the statements of net assets available for benefits.



## Artesian Resources Corporation Retirement Plan

## Notes to the Financial Statements (Continued)

## Note E - Investments

During the year ended December 31, 2013, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

|  | 2013        |
|--|-------------|
| Artesian Resources Corp. Class A non-voting common stock | \$92,359    |
| Collective trusts  | 25,733      |
| Mutual funds   | 4,060,112   |
|  | \$4,178,204 |

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

|                                    | 2013        | 2012        |
|------------------------------------|-------------|-------------|
| <b>Common Stock</b>                |             |             |
| Artesian Resources Corp.           |             |             |
| Class A non-voting common stock    | \$4,290,208 | \$4,129,602 |
| <b>Collective Trusts</b>           |             |             |
| PNC Investment Contract Fund Y     | \$2,345,273 | \$2,185,126 |
| <b>Mutual Funds</b>                |             |             |
| American Growth Funds              |             |             |
| AM GRW FUND R5                     | \$6,261,249 | \$4,768,850 |
| American Century Investment Equity |             |             |
| AM CENT INV EQI                    | \$4,518,124 | \$3,706,334 |
| PIMCO Funds                        |             |             |
| Total Return Admin                 | \$3,112,049 | \$3,924,718 |
| American Funds Investors           |             |             |
| AM FUND INV R5                     | \$4,568,591 | \$3,434,323 |
| American EuroPacific Growth        |             |             |
| AM EURO GRW R5                     | \$1,954,779 | \$1,529,031 |

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The

hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

## Artesian Resources Corporation Retirement Plan

## Notes to the Financial Statements (Continued)

## Note E – Investments (Continued)

·Level 1: unadjusted quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access;

·Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in non-active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

·Level 3: inputs that are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31:

|  | Investments at Fair Value as of December 31, 2013 |             |         |              |
|--|---|-------------|---------|--------------|
|  | Level 1   | Level 2     | Level 3 | Total        |
| Mutual funds   |   |             |         |              |
| Large-Cap  | \$16,872,775                                      | \$---       | \$---   | \$16,872,775 |
| Mid-Cap  | 3,059,130   | ---         | ---     | 3,059,130    |
| Small-Cap  | 1,163,063   | ---         | ---     | 1,163,063    |
| Balanced   | 3,775,455   | ---         | ---     | 3,775,455    |
| Fixed Income   | 3,185,372   | ---         | ---     | 3,185,372    |
| International  | 1,954,779   | ---         | ---     | 1,954,779    |
| Total mutual funds   | 30,010,574  | ---         | ---     | 30,010,574   |
| Artesian Resources Corporation Class A non-voting common stock | 4,290,208   | ---         | ---     | 4,290,208    |
| Common collective fund   | ---   | 2,345,273   | ---     | 2,345,273    |
| Total investments, at fair value                               | \$34,300,782                                      | \$2,345,273 | \$---   | \$36,646,055 |

## Artesian Resources Corporation Retirement Plan

## Notes to the Financial Statements (Continued)

## Note E – Investments (Continued)

|  | Investments at Fair Value as of December 31,<br>2012 |             |            | Total         |
|--|--|-------------|------------|---------------|
|  | Level 1  | Level 2     | Level<br>3 |               |
| Mutual funds   |  |             |            |               |
| Large-Cap  | \$ 12,902,305  | \$---       | \$ ---     | \$ 12,902,305 |
| Mid-Cap  | 2,446,890  | ---         | ---        | 2,446,890     |
| Small-Cap  | 979,940  | ---         | ---        | 979,940       |
| Balanced   | 2,710,237  | ---         | ---        | 2,710,237     |
| Fixed Income   | 3,951,994  | ---         | ---        | 3,951,994     |
| International  | 1,529,031  | ---         | ---        | 1,529,031     |
| Total mutual funds   | 24,520,397   | ---         | ---        | 24,520,397    |
| Artesian Resources Corporation Class A non-voting common stock | 4,129,602  | ---         | ---        | 4,129,602     |
| Common collective fund   | ---  | 2,185,126   | ---        | 2,185,126     |
| Total investments at fair value                                | \$28,649,999   | \$2,185,126 | \$ ---     | \$30,835,125  |

The following is a description of the valuation methodologies for the Plan assets measured at fair value.

Mutual Funds – Large-Cap – This class consists of publicly traded mutual funds invested primarily in marketable equity securities with companies that have large market capitalization. The fair value of these investments is determined by reference to the fair value of the underlying securities of the mutual funds. The NAV of the mutual fund's shares is quoted on the exchange where the fund is traded and therefore classified as a Level 1 investment.

Mutual Funds – Mid-Cap – This class consists of publicly traded mutual funds invested primarily in marketable equity securities with companies that have moderate market capitalization. The fair value of these investments is determined by reference to the fair value of the underlying securities of the mutual funds. The NAV of the mutual fund's shares is quoted on the exchange where the fund is traded and therefore classified as a Level 1 investment.

Mutual Funds – Small-Cap – This class consists of publicly traded mutual funds invested primarily in marketable equity securities with companies that have small market capitalization. The fair value of these investments is determined by reference to the fair value of the underlying securities of the mutual funds. The NAV of the mutual fund's shares is quoted on the exchange where the fund is traded and therefore classified as a Level 1 investment.

Mutual Funds – Balanced – This class consists of publicly traded mutual funds invested primarily in marketable equity and fixed income securities. The fair value of these investments is determined by reference to the fair value of the underlying securities of the mutual funds. The NAV of the mutual fund's shares is quoted on the exchange where the fund is traded and therefore classified as a Level 1 investment.

Mutual Funds – Fixed Income – This class consists of publicly traded mutual funds invested primarily in fixed income securities within the domestic market. The fair value of these investments is determined by reference to the fair value of the underlying securities of the mutual funds. The NAV of the mutual fund's shares is quoted on the exchange where the fund is traded and therefore classified as a Level 1 investment.

Artesian Resources Corporation Retirement Plan

Notes to the Financial Statements (Continued)

Note E – Investments (Continued)

Mutual Funds – International – This class consists of publicly traded mutual funds invested primarily in international marketable equity securities. The fair value of these investments is determined by reference to the fair value of the underlying securities of the mutual funds. The NAV of the mutual fund's shares is quoted on the exchange where the fund is traded and therefore classified as a Level 1 investment.

Artesian Common Stock – This class consists of Artesian Common Stock Class A non-voting shares and is valued at the quoted market price from a national securities exchange. Artesian Common Stock is classified as a Level 1 investment.

Common Collective Fund – This class consists of a commingled fund that primarily invests in domestic fixed income securities, money market funds and investment contracts issued by insurance companies and other financial institutions. The NAV of the common collective fund is provided by the custodian and is determined by reference to the fair value of the underlying securities of the trust, which are valued primarily through the use of directly or indirectly observable inputs. The common collective fund is classified as a Level 2 investment.

Note F – Distributions Payable

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

At December 31, 2013 and 2012, there were no net assets available for plan benefits for

distributions  
to  
participants  
who have  
requested a  
distribution  
from the  
Plan prior to  
the end of  
the Plan  
year.

#### Note G – Related Party Transactions

Artesian Resources Corporation and its employees are parties-in-interest to the Plan. On December 31, 2013, the Plan's assets included \$4,290,208 of Artesian Resources Corporation Class A non-voting stock and \$282,715 of participant notes receivable. Additionally, certain plan investments totaling \$2,345,273 represent investments managed by PNC Advisors. PNC Advisors is the custodian as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Transactions in these assets are exempt from the prohibited transaction rules.

#### Note H – Subsequent Events

On May 7, 2014, two amendments to the Plan were approved by the Company's Board of Directors. Effective July 1, 2014, the Company will implement new automatic enrollment procedures for newly hired and/or rehired employees to help employees save for retirement by reducing their compensation automatically by 3%. This amount shall be deemed as the Participant's Employee Savings Contribution election if the Participant does not elect to defer a greater or lesser percentage of compensation, or elects to receive cash in lieu of making any Employee Savings Contribution, within 90 days after employment. Any automatic deferral contributions made and any corresponding matching contributions shall be placed in a default investment fund as selected by the Administrative Committee, and Participants may modify the investment allocation of these contributions in the same manner as any other Plan contributions.

The second amendment permits an automatic escalation provision on an annual basis, such as each July 1 or January 1, within the discretion of the Administrative Committee, in order to increase employee savings and other employee contributions. This provision of the plan would only become effective should the Administrative Committee decide to implement the automatic escalation feature and after notification of the automatic escalation feature is given to Participants. However, if implemented to the extent the participant has opted out of the automatic escalation feature, or has otherwise elected a 0% Employee Savings Contributions, Employee After-Tax Roth 401(k) Contribution and other Employee Contributions, such Participant would not be subject to automatic increases in the future. Such Participants would only be subject to automatic escalation in the event that they affirmatively elect to increase their contributions during any Plan Year, and do not reconfirm their decision to "opt out" of the automatic escalation feature.





Supplementary Information

Artesian Resources Corporation Retirement Plan  
 EIN 51-0002090, Plan No. 003

Schedule H, Line 4i: Schedule of Assets (Held at End of Year)

December 31, 2013

| (a)   | (b)  | (c)   | (d)           | (e)                  |
|---|--|---|---------------|----------------------|
| <u>Identity of issuer, borrower, lessor, or similar party</u> |  | <u>Description of investment, including maturity date, rate of interest, collateral, par, or maturity value</u> | <u>Cost**</u> | <u>Current Value</u> |
| *   | Common Stock -<br>Artesian Resources Corporation | Class A non-voting common stock   |               | \$4,290,208          |
|   | PNC Investment Contract Fund                     |   |               |                      |
| *   | Y  | Common/Collective Trusts  |               | 2,345,273            |
|   | Mutual Funds -                                   |   |               |                      |
|   | American Growth Funds R5                         | Mutual Funds  |               | 6,261,249            |
|   | PIMCO Total Return Admin                         | Mutual Funds  |               | 3,112,049            |
|   | American Century Investment Equity               | Mutual Funds  |               | 4,518,124            |
|   | American Funds Investors R5                      | Mutual Funds  |               | 4,568,591            |
|   | American EuroPacific Growth R5                   | Mutual Funds  |               | 1,954,779            |
|   | Janus Balanced                                   | Mutual Funds  |               | 1,418,222            |
|   | T Rowe Growth Stock Ad                           | Mutual Funds  |               | 1,524,811            |
|   | Goldman Sachs Growth Opor Ir                     | Mutual Funds  |               | 1,139,981            |
|   | American Cent Investment Mid Cap                 | Mutual Funds  |               | 1,148,383            |
|   | Royce Low Price Stock                            | Mutual Funds  |               | 894,619              |
|   | My Ret 2025 Inv                                  | Mutual Funds  |               | 931,993              |
|   | Jan Mid Cap Val                                  | Mutual Funds  |               | 770,766              |
|   | My Ret 2035 Inv                                  | Mutual Funds  |               | 326,146              |
|   | My Ret 2045 Inv                                  | Mutual Funds  |               | 444,326              |
|   | MFS New Discovery                                | Mutual Funds  |               | 268,444              |
|   | My Ret 2015 Inv                                  | Mutual Funds  |               | 646,989              |
|   | Federated Total Return Govt Bond                 | Mutual Funds  |               | 73,324               |
|   | My Ret 2055 Inv                                  | Mutual Funds  |               | 7,778                |
|   | Participants' Notes Receivable -                 |   |               |                      |
| *   | Various Participants                             | Interest rates range from 4.25% to 9.75%  |               | 282,715              |
|   |  |   |               | \$36,928,770         |

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

\*\* Cost information is not required for participant directed investments and is therefore not included.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee has duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN

Date: June 17, 2014 By: /s/ Joseph A. DiNunzio  
Joseph A. DiNunzio  
Executive Vice President and Corporate Secretary

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INDEX TO EXHIBITS

Exhibit No. Description

23.1 Consent of BDO USA, LLP \*

\* Filed herewith.