ARTESIAN RESOURCES CORP
Form 11-K
June 05, 2015

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

FORM 11-K

(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
Or
o 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

Artesian Resources Corporation Retirement Plan
Financial Statements
December 31, 2014

Table of Contents

2

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, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. 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, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental Schedule H, Line 4i – Schedule of Assets (held at End of Year) December 31, 2014 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/BDO USA, LLP

Bethesda, Maryland
June 5, 2015

Artesian Resources Corporation Retirement Plan
Statements of Net Assets Available for Benefits
As of December 31, 2014 and December 31, 2013

	December 31, 2014	December 31, 2013
ASSETS		
Cash	$11,471	$639
Investments, at fair value		
Artesian Resources Corp. Class A non-voting common stock	4,077,691	4,290,208
Collective trusts	1,979,475	2,345,273
Mutual funds	32,583,625	30,010,574
Total investments, at fair value	38,640,791	36,646,055
Participants' notes receivable	298,300	282,715
Contributions receivable		
Employer	131,854	132,415
Participants	-	-
Total contributions receivable	131,854	132,415
Total assets	39,082,416	37,061,824
NET ASSETS AVAILABLE FOR BENEFITS	$39,082,416	$37,061,824

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, 2014

	2014
ADDITIONS TO NET ASSETS ATTRIBUTED TO:	
Net investment income	
Artesian Resources Corp. Class A non-voting common stock dividends	$159,806
Interest and dividend income from other investments	2,836,985
Net depreciation in fair value of investments	(359,370)
Total net investment income	2,637,421
Interest income from participants' notes receivable	16,419
Contributions	
Employer contributions	1,051,305
Participant contributions	1,505,576
Rollovers	151,828
Total contributions	2,708,709
Total additions	5,362,549
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:	
Participant distributions	3,334,657
Administrative expenses	7,300
Total deductions	3,341,957
NET INCREASE	2,020,592
NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR	37,061,824
NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	$39,082,416

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 five members appointed by the Company's Board of Directors. Plan administration expenses may be paid out of the Plan unless paid by the Company (Note C). 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. 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 2014. The total matching, discretionary and service contributions in 2014 were $468,148, $338,803 and $244,354, 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 2014.

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.

6

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.

The Plan was amended and, effective as of July 2014, has an automatic enrollment feature that begins with an initial pre-tax contribution rate of 3% of a participant's eligible compensation, as defined in the Plan document. Prior to automatic enrollment, employees may elect to opt out from participating in the Plan, or they may elect to defer more or less than the 3% default contribution as well as choose their own investment elections offered in multiples of 1% with a minimum investment of 1% in any selected investment.

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 9.25% for the years ended December 31, 2014 and December 31, 2013.
- 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$^{1}/2$, or upon termination of employment or death. In the event of death of a participant, a death benefit payment is made to the participant's beneficiary. The only form of distribution under the Plan is a single lump sum distribution in cash or stock.

6. Plan Termination

Although it has not expressed the intent to do so, 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, 2014, there were approximately $8,000 of both current year forfeitures and forfeiture amounts applied to reduce the Plan sponsor's contribution obligations.

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, 2014 there were no such fees. Investment fees are allocated to participants' accounts based on a specified basis point per investment through the investments' earnings, a portion of which is used to reduce administrative expenses of the Plan. The balance of administrative expenses are paid directly by the Employer.

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 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, 2014 and 2013.

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, 2014 and 2013.

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.

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