

ARTESIAN RESOURCES CORPORATION

ANNUAL REPORT

2024



QUALITY



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FINANCIAL HIGHLIGHTS

10 YEAR SUMMARY

For the year ended December 31, (in millions except per share amounts)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating Revenue	\$ 108.00	\$ 98.86	\$ 98.90	\$ 90.86	\$ 88.14	\$ 83.60	\$ 80.41	\$ 82.24	\$ 79.09	\$ 77.02
Operating Expenses	81.80	76.42	75.00	68.57	65.85	63.67	61.46	62.64	60.27	59.44
Operating Income	26.15	22.45	23.91	22.29	22.30	19.93	18.96	19.60	18.82	17.58
Net Income	20.40	16.70	18.00	16.83	16.82	14.93	14.28	13.98	12.95	11.31
Net Income Per Common Share - Diluted	1.98	1.67	1.90	1.79	1.79	1.60	1.54	1.51	1.41	1.26
Cash Dividend Per Common Share	1.18	1.14	1.09	1.05	1.01	0.98	0.95	0.93	0.90	0.87
Rate Base	\$398.29	\$399.60	\$357.00	\$331.60	\$315.71	\$267.55	\$258.56	\$249.00	\$240.39	\$233.46

C O M P A N Y

O V E R V I E W



***For more information or to
learn more about Artesian
Resources Corporation,
visit us on line:***

artesianresources.com

The genesis of Artesian Water Company dates to 1905, when Aaron K. Taylor began to supply a new housing development in New Castle County, Delaware, with water that ran directly into homes. From small beginnings as a local water company, Artesian has grown into a flourishing total water resource management company. It is now the largest regulated publicly traded water utility on the Delmarva Peninsula.

Having expanded our territory since 1905, we now provide water and wastewater solutions to the entire state of Delaware and water solutions to nearby Cecil County, Maryland and Pennsylvania.

We engage in a wide variety of endeavors from identifying new sources of supply and developing wells, treatment plants and delivery systems, to planning, building and managing responsible wastewater collection, treatment and disposal systems.

In addition, we serve our customers and communities through our employees' involvement with many charities and civic organizations throughout our service area.

We are dedicated to our mission of providing our customers with the very best service possible.

T O O U R S H A R E H O L D E R S



Nicholle R. Taylor
*Chair, President
and CEO*

In the 120 years since the founding of our company, we have consistently focused on growth, resilient utility services for our customers and a fair rate of return to our Shareholders.

As reported earlier this year, our Board of Directors appointed me to serve as Chair, CEO and President of the Company, and Dian Taylor retired as CEO and President. She remains active as a member of the Board of Directors. I am deeply honored, and am committed to continuing the Company's success in serving our customers and shareholders.

The Company has grown and flourished by increasing the number of both its water and its wastewater customers served; delivering a reliable supply of high-quality water to its customers, and by taking an environmentally sound approach to wastewater treatment and disposal.

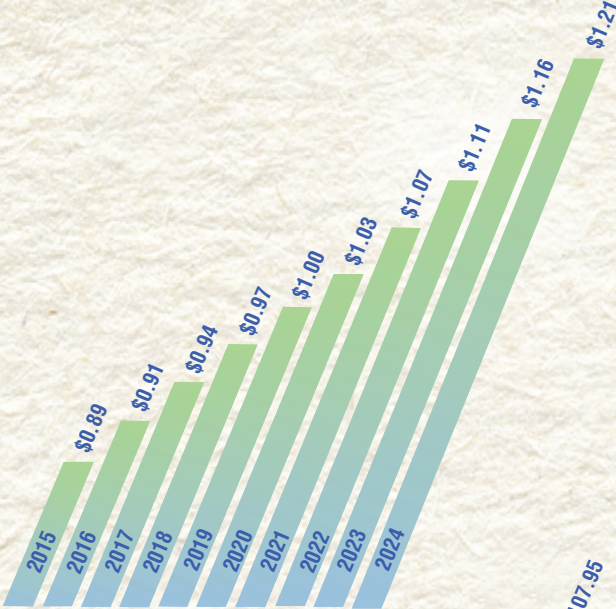
Water Service Facts

Population served	approximately 301,000
Metered customers	100,100
Annual water produced ...	9.5 billion gallons
Miles of main	1,491
Active wells	220
Treatment facilities	71
Storage capacity	178 million gallons
Average cost per day for residential water service	\$1.79

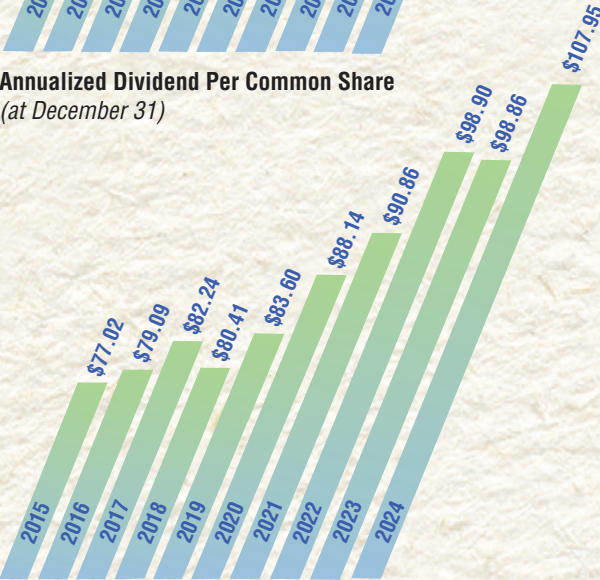
I am pleased to report strong financial results for 2024 and two dividend increases totaling 4.0% for the year. That increase maintains our record of consistent dividend growth for our shareholders.

Our net income in 2024 increased \$3.7 million, or 22.1%, from 2023. This improvement resulted from an increase in total operating revenues of \$9.1 million, or 9.2%, while controlling operating expenses. We recorded \$108.0 million in total operating revenues for 2024, with water sales revenues increasing \$8.0 million, or 10.1%, to \$88.1 million. Our wastewater utility operations also continued to show positive growth during 2024, with revenue increasing \$0.9 million, or 7.7%, by year-end.

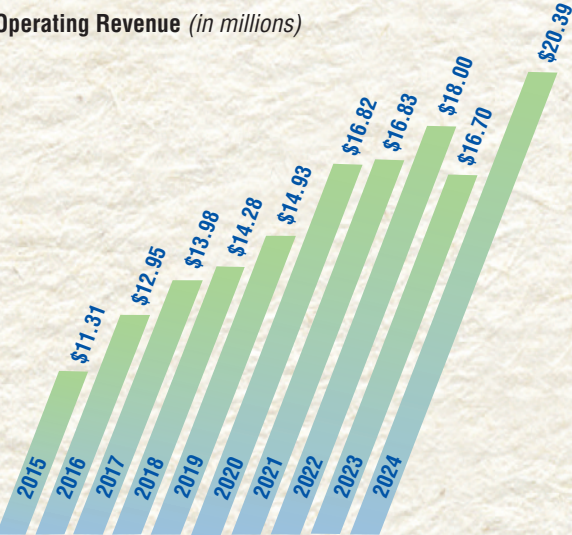
In April of 2023, Artesian filed for a water rate increase with the Delaware Public Service Commission. We were able to settle the rate case with the Commission, obtaining a \$11.2 million, or 15.2%, annual revenue increase. The approved rates allowed us to recover significant investments in utility plant, such as for treatment for per- and polyfluoroalkyl substances (PFAS) and to replace aging water mains. Additionally, these rates addressed increased costs of power and chemicals for water treatment and higher costs of fuel, taxes, labor and benefits.



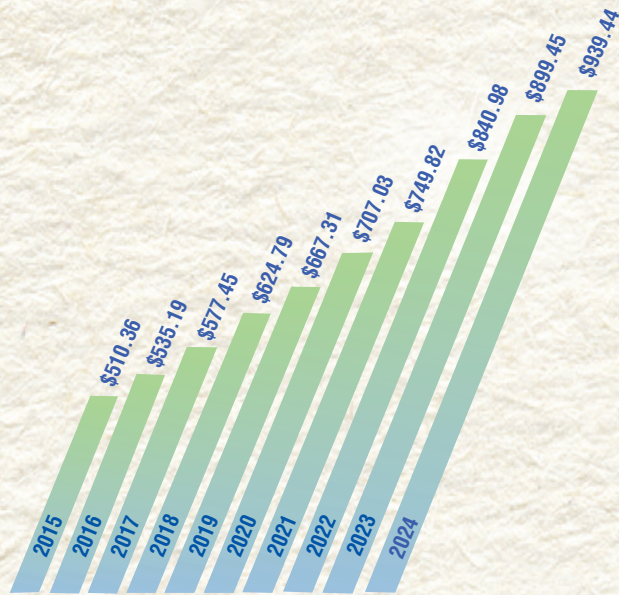
Annualized Dividend Per Common Share
(at December 31)



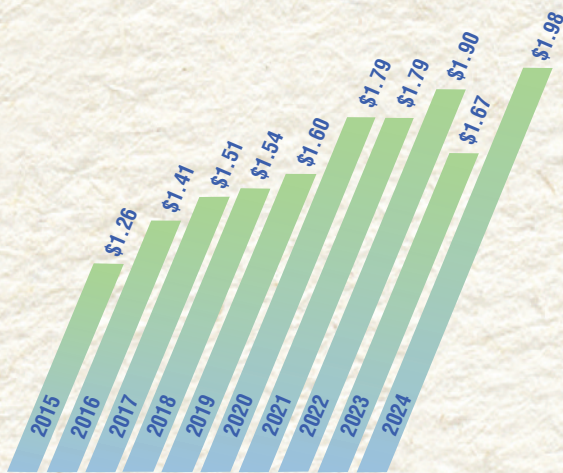
Operating Revenue (in millions)



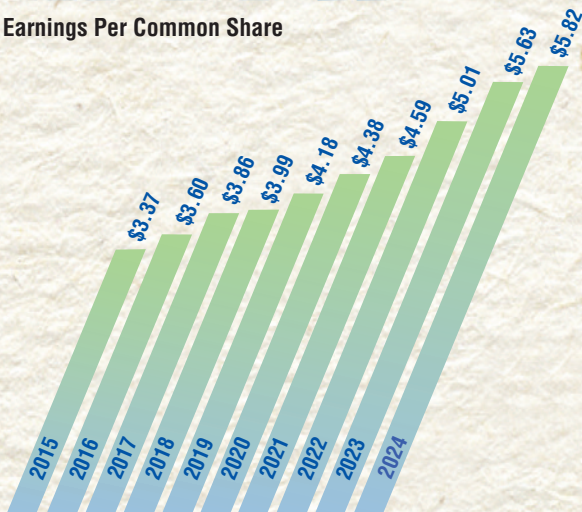
Net Income (in millions)



Utility Plant at Cost (in millions)
(at December 31)



Earnings Per Common Share



Service Line Protection Plan Revenue
(in millions)

Last December, we gave notice of our intent to file a new Delaware water rate case. Since our last filing, we have added three additional PFAS treatment facilities for continued and future compliance with the upcoming EPA regulations. This rate case will also address the continued increasing costs for electricity, water-quality-treatment filter media and general continued inflationary pressures.

In 2024, we completed six water main replacement projects to further improve distribution resiliency. In addition, we began a major project to relocate and improve a 2-mile-long pipeline. The impetus for this was a road upgrade by the Delaware Department of Transportation along heavily traveled U.S. 40 in New Castle County. Since this corridor contains a significant amount of older water pipe in a variety of sizes, the road improvement project offered an excellent opportunity to replace aging mains with new, more reliable pipelines and to make needed hydraulic improvements. By proactively relocating and upgrading the pipelines, we can enhance system performance, improve reliability and reduce or eliminate costly restoration efforts, all while supporting critical state infrastructure improvements in the region.

To detect leaks earlier and thus reduce lost water, Artesian has implemented a new leak detection program. We are utilizing sensors that incorporate acoustic technology and real-time data analytics to monitor the flow of water to help locate leaks before they inevitably become more severe and costly to repair. Leak detection is an ongoing challenge for water utilities, as undetected leaks can lead to significant water loss, higher operational costs and damage to infrastructure.

Looking ahead, I am confident that our highly experienced management team and dedicated employees will deliver positive results as we continue to grow. Our customers have come to expect superior service, which we strive to achieve every day, and our shareholders deserve a fair rate of return on their investment. These objectives will remain at the forefront of what we do every day.

On behalf of our Board of Directors, I would like to express our sincere appreciation for your investment and confidence in our company.



Nicki Taylor
Chair, President and CEO

Dian C. Taylor
*Former Chair,
President
and CEO*



Dian C. Taylor has retired after 33 years at the helm of Artesian Resources Corporation and subsidiaries.

The Company was founded in 1905 by her great-grandfather in northern New Castle County, Delaware. During Dian's tenure, Artesian became a statewide water and wastewater utility which then extended its territory into nearby Cecil County, Maryland.

Her many accomplishments over the years include more than doubling the number of people served and expanding service from only serving customers in northern New Castle County to across the entire State of Delaware and into Cecil County. Water sales revenue significantly increased over the same period from \$16.5 million in 1991 to \$88.1 million in 2024.

Seeing the rapid expansion of development in Sussex County, Dian saw an opportunity to branch out from the water business and offer wastewater services to customers in that area of the state. This became a reality in 2005, and since that time Artesian has become a leading provider of wastewater service in Sussex County.

Under Dian's leadership, Artesian has grown into a total water resource management company, providing water and wastewater solutions throughout the Delmarva Peninsula. It was through her vision and foresight that Artesian flourished and is now widely known as a company that provides superior service to its customers, respects the environment and is highly regarded in the water utility business.



Meadowview Tank Raising

Artesian raised the Meadowview water tank 30 feet, increasing its storage volume. The tank is located in Cecil County, Maryland. Its new storage volume capacity approximates Artesian's internal goal for resiliency, having storage equal to one day of water demand on the system it serves. Raising the tank strengthens our ability to meet fire-related flow and other emergency demands. It also enables us to maintain desired system pressures in anticipation of continued growth in the service area. We plan to finish repainting the tank in time for it to return to service by early summer.

Sussex Regional Recharge Facility Construction

Our Sussex Regional Recharge Facility, near Milton, Delaware, received its construction permit from the Delaware Department of Natural Resources and Environmental Control in April 2024. This permit allowed Artesian to begin building the main facility that will receive and treat up to 625,000 gallons per day of wastewater prior to disposal. Construction began this past summer, and the treatment plant, headworks and equalization lagoon should be completed by the third quarter of 2025. The treated effluent will be discharged to the existing 90-million-gallon lagoon from which it will be pumped for disposal on multiple fields through spray irrigation equipment that Artesian owns and operates.

Once the facility is completed, this will bring additional treatment capacity and economies of scale to meet the growing demand for wastewater treatment in Sussex County, Delaware.





Christina River Watershed Cleanup

Part of Artesian's mission has always been preserving the environment. As a founding member of the Annual Christina River Watershed Cleanup, we have taken great pride in having our employees join other volunteers for this yearly environmental initiative. Since the cleanup began in 1992, participants have removed over 400 tons of man-made debris from the Christina River, White Clay Creek, Red Clay Creek and various other tributaries.

Our commitment to protecting the environment is fundamental and ongoing.

Nicki Taylor Honored by the National Association of Water Companies



The National Association of Water Companies celebrates Women's History Month each year by honoring those women in the water utility business who have made an impact on the industry. The Association bestowed this honor on Nicki Taylor in March 2024.

Lead and Copper Rule

The Lead and Copper Rule (LCR), a regulation issued by the U.S. Environmental Protection Agency (EPA) in 1991, requires water systems to control the levels of lead and copper in drinking water. The LCR is a cornerstone of public health protection. In October 2024, the EPA updated the regulation, issuing the new Lead and Copper Rule Revisions (LCRR). Thanks to the hard work of our employees, the Company has successfully completed the LCRR-required initial inventory that tracks the materials in our service lines for all of our customers. We have also successfully reduced the number of service lines requiring further investigation, proactively ruling out the potential presence of lead on the customer side of the service, to below 10%. Reaching this level is an extraordinary achievement.

OFFICERS

Nicholle R. Taylor

President & Chief Executive Officer
Artesian Resources Corporation

David B. Spacht

Chief Financial Officer
Artesian Resources Corporation & Subsidiaries
President, *Artesian Wastewater Management, Inc.*

Joseph A. DiNunzio, CPA, CGMA

Executive Vice President and
Corporate Secretary
Artesian Resources Corporation & Subsidiaries
President, *Artesian Water Maryland, Inc.*

Jennifer L. Finch, CPA

Corporate Treasurer and
Senior Vice President of Finance
Artesian Resources Corporation & Subsidiaries

Courtney A. Emerson, Esq.

General Counsel and Assistant Secretary
Artesian Resources Corporation & Subsidiaries

Pierre A. Anderson

Chief Information Officer and
Senior Vice President
Artesian Resources Corporation & Subsidiaries

John M. Thader

Senior Vice President
Artesian Resources Corporation & Subsidiaries

Raymond T. Kelly, CPA

Vice President of Information Technology
Artesian Resources Corporation & Subsidiaries

Daniel W. Konstanski, P.E., BCEE

Vice President of Engineering
Artesian Resources Corporation & Subsidiaries

DIRECTORS

Nicholle R. Taylor

Chair of the Board, President &
Chief Executive Officer
Artesian Resources Corporation

Dian C. Taylor

Former President & Chief Executive Officer
Artesian Resources Corporation

Kenneth R. Biederman, Ph.D.

Professor (Ret.), Department of Finance
*Lerner College of Business and Economics,
University of Delaware*

John R. Eisenbrey, Jr.

Owner & President
Bear Industries, Inc.

Michael Houghton, Esq.

Retired Partner
Morris, Nichols, Arsht & Tunnell LLP



Kenneth R. Biederman
Director

Dr. Kenneth R. Biederman will retire from the Board of Directors of Artesian Resources Corporation following the Annual Shareholders' meeting on May 6, 2025.

Dr. Biederman has been a Director of the Corporation since 1991. He served on the Board's Audit, Budget and Finance, Governance and Nominating, and Compensation Committees. His past experiences serving as Treasurer of the State of New Jersey and Dean of the Alfred Lerner College of Business and Economics at the University of Delaware made him a valuable asset in assisting the Corporation with its fiscal responsibilities. His business acumen served the Board well.

The Management Team would like to extend their gratitude to Dr. Biederman for his service to Artesian Resources Corporation and wish him well in his retirement.

I N V E S T O R I N F O R M A T I O N

Shareholder Inquiries

Shareholder inquiries regarding Class A Non-Voting Common Stock and Class B Common Stock accounts, including transfer requirements, lost certificates and dividend payments, should be directed to:

Computershare Investor Services
P.O. Box 43078
Providence, RI 02940-3078
800.368.5948

Private Couriers/Registered Mail:

Computershare Investor Services
150 Royall Street, Suite 101
Canton, MA 02021
computershare.com/investor

Shareholder inquiries and requests for investment materials, should be directed to:

Laura Slayman
Executive Assistant Investor Relations
Artesian Resources Corporation
P.O. Box 15004
Wilmington, DE 19850
302.453.6900 800.332.5114
lslayman@artesianwater.com

Dividend Reinvestment and Stock Purchase Plan

The holders of record of the Company's Class A Non-Voting Common Stock are eligible to participate in the Dividend Reinvestment Plan. The plan provides for the direct purchase of Class A Non-Voting Common Stock through reinvestment of dividends and/or optional cash payments. To obtain a copy of the plan prospectus, contact either Computershare or Artesian directly.

Projected 2025 Dividend Dates

(Subject to the approval of the Artesian Resources Corporation Board of Directors)

Quarter	Record Date	Payment Date
1st	February 7, 2025	February 21, 2025
2nd	May 16, 2025	May 27, 2025
3rd	August 15, 2025	August 25, 2025
4th	November 14, 2025	November 24, 2025

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than historical facts are forward-looking and actual results may differ materially from those projected, anticipated or implied. Please refer to "Item 1A-Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2024, for a description of the substantial risks and uncertainties related to the forward looking statements included in this Annual Report. Past performance of Artesian's Common Stock is not predictive of future returns.

ARTESIAN RESOURCES CORPORATION & SUBSIDIARIES

Artesian Resources Corporation operates as the holding company of our wholly-owned subsidiaries.

Artesian Water Company, Inc. is our principal subsidiary. It is the oldest and largest regulated public utility on the Delmarva Peninsula and has been providing water service since 1905. Artesian distributes and sells water to residential, commercial, industrial, governmental and utility customers throughout Delaware. It also provides private and municipal utilities with billing services and operational management services.

Artesian Wastewater Management, Inc. is a regulated public utility that owns and operates wastewater facilities and provides public wastewater services to customers in Sussex County, Delaware.

Tidewater Environmental Services, Inc. d/b/a/ Artesian Wastewater, a subsidiary of Artesian Wastewater Management, Inc., is a regulated utility that owns and operates wastewater facilities and provides public wastewater services to customers in Sussex County, Delaware.

Artesian Water Maryland, Inc. is a regulated public utility providing services to customers in Cecil County, Maryland. Artesian Water Maryland is an important part of our strategy to be the preeminent provider of public water utility services on the Delmarva Peninsula.

Artesian Water Pennsylvania, Inc. is a regulated public utility providing services to customers in southeastern Pennsylvania.

Artesian Utility Development, Inc. is a non-regulated operating company that designs and builds water and wastewater infrastructure and provides contract water and wastewater services on the Delmarva Peninsula. In addition, Artesian Utility offers three protection plans; the Water Service Line Protection Plan, the Sewer Service Line Protection Plan and the Internal Service Line Protection Plan.

Artesian Development Corporation is the non-regulated real estate holding company of 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, 2024

The FOR

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



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 No.)

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
Common Stock

Trading Symbol (s)
ARTNA

Name of each exchange on which registered
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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial report under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). 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, 2024 was \$318,891,604 and \$9,072,662, 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, 2024, which trade date was June 30, 2024. 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, 2024, which trade date was June 26, 2024.

As of March 21, 2025, 9,421,542 shares of Class A Non-Voting Common Stock and 881,452 shares of Class B Common Stock were outstanding.

ARTESIAN RESOURCES CORPORATION
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Signatures

FORWARD-LOOKING STATEMENTS

Statements in this Annual Report on Form 10-K that express our "belief," "anticipation" or "expectation," as well as other statements that are not historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act and the Private Securities Litigation Reform Act of 1995 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:

- general economic, employment and business conditions, including with respect to the potential impact of inflation, tariffs, trade wars and/or recession;
- material costs and availability;
- consumer and producer price inflation;
- the impact of recent acquisitions on our ability to expand and foster relationships;
- strategic plans for goals, priorities, growth and expansion;
- expectations for our water and wastewater subsidiaries and non-utility subsidiaries;
- customer base growth opportunities in Delaware and Cecil County, Maryland;
- our belief regarding the timing and results of our rate requests;
- 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, including per- and polyfluoroalkyl substances ("PFAS") regulations and the Lead and Copper Rule Improvements;
- our expectation of the timing of decisions by regulatory authorities;
- our belief regarding the success of any future rate increase request;
- the impact of weather and climate change on our operations;
- the execution of our strategic initiatives;
- regulatory delays or uncertainty;
- our expectation regarding the timing for construction on new projects;
- our expectation relating to 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;
- changes in interest rates;
- plans to increase our wastewater treatment operations, engineering services and other revenue streams less affected by weather;
- anticipated growth in our non-utility subsidiaries;
- anticipated investments in certain of our facilities and systems and the sources of funding for such investments;
- sufficiency of internally generated funds and credit facilities to provide working capital and our liquidity needs; and
- the specific and overall impacts of global pandemics on our financial condition and results of operations.

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 and climate;
- changes in our contractual obligations;
- ability to sufficiently control certain operating expenses which are necessary to provide public utility services;
- changes in government policies;
- costs and timely availability of materials and supplies for essential infrastructure projects and operations;
- the timing and results of our rate requests;
- delays in or failure to receive regulatory approvals;
- government or regulatory shutdowns or defunding;
- cyber-attacks;
- changes in economic and market conditions generally;
- effectiveness of internal control over financial reporting;
- unexpected events, restrictions and policies related to a public health crisis; and
- other matters discussed elsewhere in this Annual Report on Form 10-K.

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 is the holding company of seven 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 is the 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 Maryland, Inc., or Artesian Wastewater Maryland, and Artesian Wastewater Management, Inc., or Artesian Wastewater, along with its wholly-owned subsidiary Tidewater Environmental Services, Inc. dba Artesian Wastewater, or TESI; and two non-utility subsidiaries: Artesian Utility Development, Inc., or Artesian Utility, and Artesian Development Corporation, or Artesian Development. 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 310 square miles of exclusive water service territory, most of which is in Delaware with some territory being in Maryland and Pennsylvania. Our largest connected regional water system, consisting of approximately 145 square miles and 80,100 metered customers, is located in northern New Castle County and portions of southern New Castle County, Delaware. We hold CPCNs for approximately 61 square miles of wastewater service territory located in Sussex 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 anticipate 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 has contract operation agreements with private, municipal and state water providers. Artesian Water also provides water for public and private fire protection to customers in our service territories. Artesian Water produced approximately 81.6% of our 2024 consolidated operating revenues. In May 2022, Artesian Water completed its purchase of substantially all of the water operating assets from the Town of Clayton, or Clayton, a Delaware municipality located in Kent County, Delaware. This purchase agreement is discussed further in the "Strategic Direction and Recent Developments" section.

We derive about 92% of our self-supplied groundwater from wells that pump groundwater from aquifers and other formations located in the Atlantic Coastal Plain. The remaining 8% 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 our self-supplied groundwater and to supply from interconnections. We have 62 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 95% of the overall 9.4 billion gallons of water we distributed in all of our Delaware systems during 2024 came from our groundwater wells, while the remaining 5% came from interconnections with other utilities and municipalities. In Delaware in 2024, we pumped an average of 24.9 million gallons per day, or mgd, from our groundwater wells and obtained an average of approximately 0.9 mgd from interconnections. Our peak water supply capacity currently is approximately 57.7 mgd. 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.

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 24 interconnections with three neighboring water utilities and seven municipalities that provide us with the ability to purchase or sell water. An interconnection agreement with Chester Water Authority, which is effective from January 1, 2022 through December 31, 2026, includes automatic five-year renewal terms, unless terminated by either party, and has a “take or pay” clause which currently requires us to purchase a minimum of 0.5 million gallons of water per day. Artesian’s capital investments in self-sufficiency of water supply facilitated a reduction in the minimum amount of water required to be purchased under the current contract compared to previous contracted requirements.

As of December 31, 2024, we were serving customers through approximately 1,491 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 36 storage tanks in Delaware, most of which are elevated, providing total system storage of approximately 45.0 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 130.0 million gallons of storage capacity, which can be withdrawn at an average rate of approximately 1.0 mgd. At some locations, we rely on hydro-pneumatic 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 10 public water systems.

The majority of the 0.1 billion gallons of water we distributed in all of our Maryland systems during 2024 came from our groundwater wells, while a portion came from treated surface water. We have ten separate water treatment facilities in our Maryland systems. We have one surface water treatment facility located in Cecil County, Maryland, with the current ability to treat up to 1.0 mgd from an intake in the Susquehanna River that is permitted a withdrawal of a maximum of 5.0 mgd and a daily average of 3.5 mgd. Our total peak water supply capacity in Cecil County, Maryland currently is approximately 2.0 mgd. We have 9 storage tanks capable of storing approximately 2.5 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, combined, are permitted to treat and/or dispose of approximately 2.3 mgd. Artesian Wastewater and Sussex County, a political subdivision of Delaware, provide reciprocal services to address the need of each for additional wastewater treatment and disposal capacity in certain service areas within Sussex County. Artesian Wastewater also owns and operates a disposal facility that includes a 90-million-gallon storage lagoon and spray irrigation to agricultural land. This facility provides treated process wastewater disposal services for an industrial customer at a rate up to 1.5 mgd.

TESI

Artesian Wastewater operates as the parent holding company of TESI. TESI was incorporated in 2004 and is a regulated entity that owns wastewater collection and treatment infrastructure and provides wastewater services to customers in Sussex County, Delaware, including all residents within the Town of Milton, as a regulated public wastewater service company.

TESI owns and operates five wastewater treatment facilities, which, combined, are permitted to treat and/or dispose of approximately 35.2 mgd.

Artesian Wastewater Maryland

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

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 throughout the Delmarva Peninsula.

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. Artesian Utility currently operates three wastewater treatment systems with a combined capacity of up to approximately 3.8 mgd. 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 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 (collectively, SLP Plan or SLP Plans). 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 up to an annual limit.

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 office facility consists of approximately 10,000 square feet of office space along with nearly 7,000 square feet of warehouse space.

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 commission 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 the incurrence of indebtedness, 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 Notes to Consolidated Financial Statements – Note 13 – Regulatory Proceedings for a full description of recent regulatory proceedings.

Service Territory Expansion

In Delaware, a 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 Delaware Division of Public Health, or DPH, 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, or MDE, 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 DPH, regulate the water quality of our treatment and distribution systems in Delaware, as do the EPA and the 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, and Artesian Water Pennsylvania, which also supplies water to Artesian Water, are regulated by the Pennsylvania Department of Environmental Protection, or PADEP, 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 adopted 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. We have made significant enhancements 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 establishes maximum contaminant levels, or MCLs, for various substances found in drinking water to ensure that the water is safe for human consumption. On April 10, 2024, the EPA established MCLs for certain per- and polyfluoroalkyl substances, or PFAS, in drinking water. Under these regulations, water utilities will be required to complete initial monitoring for PFAS by 2027 and to conduct ongoing compliance monitoring. Water utilities also will be required to meet the new MCLs by April 2029 and to notify the public of any violations of the MCLs as of and after that date. The Company has installed treatment for PFAS at several wellfields to date and has included installation of treatment at additional locations in 2025 in its capital budget, with any remaining necessary treatment planned to be installed before 2029. The capital investment and operating costs for treatment of PFAS are anticipated to be recoverable in water rates charged to customers as approved by the applicable public service commission. The Company is participating in the multi-district litigation class action settlements with certain manufacturers of PFAS seeking reimbursement of costs incurred and that will continue to be incurred. See Note 16 – Legal Proceedings.

The Lead and Copper Rule, or LCR, is a federal regulation that limits the concentration of lead and copper allowed in public drinking water at the consumer's tap, in addition to limiting the permissible amount of pipe corrosion occurring due to the water itself. The LCR limits the levels of lead and copper in water by improving water treatment, testing for lead and copper at customer taps, and eliminating the water supply as a significant source of lead and copper. The EPA published a revised LCR in 2021, or LCR Revisions, to provide greater and more effective protection of public health by reducing exposure to lead and copper in drinking water. Implementation of the revised rule is intended to better identify high levels of lead, improve the reliability of lead tap sampling results, strengthen corrosion control treatment requirements, expand consumer awareness and improve risk communication. In addition, implementation of the revised rule is anticipated to accelerate lead service line replacements by closing existing regulatory loopholes, propelling early action, and strengthening replacement requirements. We filed all required Lead Service Line Inventories by the October 16, 2024 deadline and are fully compliant with the LCR Revisions.

On October 8, 2024, the EPA announced the new final regulations requiring the removal of lead water lines. The EPA's rule, known as the Lead and Copper Rule Improvements, or LCRI, requires all public water systems to remove lead service lines within 10 years, among other changes to regulations in the EPA's LCR. The service lines connect a home's plumbing system to a public water system's main water line. The LCRI specifies that the water provider will cover the cost for replacements of the customer's service line up to the first fitting inside the structure being served. Capital investment and operating costs incurred by water utilities for customer-side pipe replacements are typically recoverable in water rates charged to customers as approved by the applicable public service commission.

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 the costs of compliance with existing federal, state and local laws and regulations regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has had no material adverse effect upon the business and affairs of the Company, but there is no assurance that such compliance costs 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 144 operating and 62 observation and monitoring wells in our Delaware systems. At December 31, 2024, we had allocation permits for 116 wells and had 25 wells that did 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 the MDE. We have 14 operating wells and one surface water intake in our Maryland systems.

The PADEP administers and oversees departmental programs involving surface and groundwater quantity and quality planning and water conservation in Pennsylvania. The office also coordinates policies, procedures, and regulations which influence public water supply withdrawals and quality. The DRBC administers and oversees programs involving water quality protection, water supply allocation, water conservation initiatives and watershed planning, regulatory review and permitting, and drought management in Pennsylvania. We have one operating well in Pennsylvania within the DRBC's jurisdiction. This well is treated by a water treatment plant located in Delaware.

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 for 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.

In March 2024, the SEC passed rule changes that will require registrants to provide certain climate-related information in their registration statements and annual reports. The new rules enhance and standardize climate-related disclosures in an effort to provide investors with more consistent, comparable and reliable information about the impact of climate-related risks on registrants. The rules require disclosure of greenhouse gas (GHG) emissions in annual reports and registration statements. Additionally, all registrants would be required to provide numerous climate-related disclosures within their financial statements and elsewhere in their filings. The new rules apply to companies on a phased-in basis, with the first compliance deadline for large accelerated filers required for fiscal year 2025 annual reports filed in 2026. The next compliance deadline for accelerated filers is required for fiscal year 2026 annual reports filed in 2027. Also in March 2024, the U.S. Fifth Circuit Court of Appeals granted a temporary stay of the rules pending judicial review, in response to a petition arguing, among other things, that the rules would cause irreparable harm and exceed the SEC's authority. The Company is currently evaluating the impact of the rule changes.

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 subsidiaries 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.

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. 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

As of December 31, 2024, we operated with 245 full-time and 4 part-time employees. Of these employees, 55 were officers and managers; 122 were employed as operations personnel, including engineers, technicians, draftsman, maintenance and repair persons, meter readers and utility personnel; and 36 were employed in accounting, budgeting, information systems, human resources, customer relations and public relations. The remaining 36 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 his or her 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.

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.artesianwater.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.

Risks Related to Our Operations

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 and our results of operations and financial condition. We have been affected and could continue to be further affected, by supplier delays and increased costs, due to the impacts of inflation, tariffs, recession, and/or other macroeconomic factors, which are outside of our control and could affect our results of operations. We are also dependent on the availability of electricity and purchased water at affordable prices. While our electricity costs and purchased water costs are at fixed prices under contracts, after the expiration of these contracts, we may be required to pay higher electricity costs and purchased water costs.

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 wildlife 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 business, results of operations and financial condition. We also require pre-treatment by various industrial customers prior to receiving their wastewater for further treatment and disposal. If those pre-treatment systems operated by others fail, or do not operate properly, they can impact our downstream facilities' ability to meet their permit limitations. If we fail to meet our permit limitations, we could be fined or otherwise sanctioned by regulators and our operations could be curtailed or shut down.

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, sabotage, or accidental damage by outside parties may disrupt our operations and adversely affect our business, operating results and financial condition.

We are subject to disruption of our water and wastewater systems, including as a result of vandalism, terrorism, sabotage and/or accidental damage by outside parties, any of which could cause an interruption in or contamination of water supply, and a reduction in water quality. We have security measures in place at our facilities to reduce the possibility of occurrences of sabotage, vandalism, or terrorism and to secure our water and wastewater systems. These security measures address water collection, pre-treatment, treatment, distribution, storage, wastewater disposal, electronic or automated systems, and the use, handling, delivery, and storage of all chemicals. We also have 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, sabotage or other attacks on our water systems, should they occur.

Our water and wastewater systems are also subject to accidental damage from work being completed by outside parties not under the supervision or control of the Company. Construction activities in the vicinities of our pipelines and other infrastructure can lead to damage which results in inadvertent discharge onto nearby properties, or into nearby streams and rivers, causing damage to persons or property, injury to wildlife and economic damages. We could also incur repair and remediation costs, which may not be reimbursed or

recoverable in water and wastewater rates.

We depend on the availability of capital for expansion, construction and maintenance. Weaknesses in capital and credit markets or increased interest rates 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, as general macroeconomic conditions impacting the capital markets, including interest rates, are beyond our control. 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.

We may be adversely affected by the implementation of new regulations, the reinterpretation or rescission of existing regulations, or regulatory uncertainty. Changes in local, state or federal policy or administrative priorities could adversely affect our business.

As a regulated utility, we are subject to regulation at the federal, state and local level. We have made significant capital expenditures to adhere to regulations imposed by such authorities and expect to continue to make capital expenditures in the future to adhere to such regulations. Changes in local, state or federal administrative policy or priorities could affect the possible interpretation of existing regulations or such authorities may impose new rules and regulatory requirements. New administrations could also eliminate proposed rules and reverse final policies of prior administrations, which could lead to conflict between federal and state regulations and regulatory uncertainty, which could cause us to reevaluate our strategic priorities and capital expenditures or otherwise impact our business operations. The impact of any regulatory requirement changes are unpredictable, and could materially and adversely affect our business, financial position and results of operations.

We may be adversely affected by global climate change or by regulatory, legal or market responses to such change.

The issue of climate variability is receiving increasing attention nationally and worldwide. Climate change is an intrinsically complex global phenomenon with inherent residual risks across its physical and regulatory dimensions that cannot be mitigated given their wide-ranging, interdependent and largely unpredictable potential scope, nature, timing or duration. Some climate researchers believe that there will be worsening of weather volatility in the future associated with climate variability, which presents several potential challenges to water and wastewater utilities. Severe weather, climate variability patterns and natural or other events may cause weather volatility in the future and may impact water usage and related revenue, or may require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

We may experience substantial negative impacts to our business if an unexpectedly severe weather event or natural disaster damages our facilities and/or operations or those of our suppliers or independent contractors in our service areas, or from the unintended consequences of regulatory changes that directly or indirectly impose substantial restrictions on our activities or adaptation requirements. Potential climate variability challenges include the following: increased frequency and duration of droughts, increased precipitation and flooding, increased frequency and severity of storms and other weather events, potential degradation of water quality, unexpected changes in temperature, increases in ocean levels, disruptions in water or wastewater services to our customers, decreases in available water supply, extreme changes in water usage patterns, increases in expenditures to repair any damages, increases in costs to reduce risks associated with significant weather events or natural disasters, and increases in costs to improve the reliability of our water and wastewater systems and facilities. Due to the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our financial condition, results of operations, cash flows and liquidity. Although some or all potential expenditures and costs with respect to our regulated businesses could be recovered through rates we charge to our customers, there can be no assurance that the applicable regulatory authority would authorize recovery of such costs, in whole or in part, for any of these impacts.

Furthermore, federal, state and local authorities and legislative bodies have issued, implemented or proposed regulations, penalties, standards and/or guidance intended to restrict, moderate or promote activities consistent with resource conservation, Greenhouse Gas, or GHG, emission reduction, environmental protection or other climate-related objectives. Compliance with those directed at or otherwise affecting our business or our suppliers' (or their suppliers') operations, or services, could lead to increased environmental compliance expenditures, increased energy and raw materials costs and new and/or additional investment in designs and technologies. We continually assess our compliance status and management of environmental matters to ensure our operations are in compliance with all applicable environmental laws and regulations. It is reasonably possible that costs incurred related to the various physical and regulatory risks from climate change may affect our future results of operations, financial condition, cash flows or liquidity. While we have health and safety protocols in place, we can provide no assurance that we or our suppliers or independent contractors can successfully operate in areas experiencing a significant weather event or natural disaster, and we or they may be more significantly impacted and take longer, and incur higher costs, to resume operations in an affected location, depending on the nature of the event or other circumstances. Although some or all potential expenditures and costs with respect to our regulated businesses could be recovered through rates we charge to our customers, there can be no assurance that the applicable regulatory authority would authorize recovery

of such costs, in whole or in part, for any of these impacts.

Though we have not as of the date of this report identified or experienced any particular material impact, whether singular or in combination, to our consolidated financial statements from climate change or the associated regulatory, physical, and other risks discussed above, we cannot provide any assurance that we have or can successfully prepare for, or are or will be able to reduce or manage any of them to the extent they may arise. In addition, the SEC has previously issued extensive climate-related disclosure rules. Although these rules are currently stayed, if adopted in the future, such rules would likely result in increased compliance costs and capital expenditures.

Risks Related to Governmental Laws and Regulations

We rely on governmental approvals in the States of Delaware and Maryland and the Commonwealth of Pennsylvania, as well as approvals 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 for the operation of our wastewater facilities.

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 and current 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 Delaware, Maryland and Pennsylvania or our wastewater business in Delaware. We can provide no assurances that we will receive all necessary permits to add systems or continue to operate facilities 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, see Notes to Consolidated Financial Statements - Note 13 – Regulatory Proceedings. 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 water and wastewater operations are subject to extensive federal and state laws and regulations. In addition, our operating costs and capital expenditures could be significantly increased if new or stricter regulatory standards are imposed by federal or state environmental agencies.

We are subject to various federal, state, and local laws and regulations relating to environmental protection, including the discharge, treatment, storage, disposal and remediation of hazardous substances and wastes. Our water and wastewater services are governed by various federal and state environmental protection and health and safety laws and regulations, including, among others, the federal Safe Drinking Water Act, the Clean Water Act, the LCR and other federal and state laws. These federal and state regulations are issued by the EPA and state environmental regulatory agencies. Pursuant to these laws and regulations, 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 and capital expenditures. 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.

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 to pay their bills, 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 due to a decline in new housing starts or a decline in the number of active customers due to housing vacancies or abandonments.

We could be adversely impacted by macroeconomic factors outside of our control, including but not limited to inflation, interest rates, tariffs, trade wars and/or recession.

We have been affected and could continue to be affected by increased costs for items such as, among others, materials for capital expenditures, fuel, and treatment chemicals, due to the impacts of inflation. If inflation increases significantly, as a result of increased interest rates, tariffs, trade wars, or otherwise, we may seek to increase our rates charged to customers. We can provide no assurances that any future rate increase request will be approved by the applicable regulatory authority, and if approved, we cannot guarantee that any rate increase will be granted in a timely manner and/or will be sufficient in amount to cover costs for which we initially sought the rate increase. The impact of such inflationary pressure could adversely affect our results of operations, financial position or cash flows.

We may be required to record impairments of goodwill, or otherwise change the fair value of certain assets, in the future that could have a material adverse effect on our financial condition and results of operations.

The Company records goodwill when the purchase price of a business combination exceeds the estimated fair value of net identified tangible and intangible assets acquired as of the date of an acquisition. The Company's goodwill is associated with the January 2022 acquisition of Tidewater Environmental Services, Inc. Goodwill is not amortized, but is evaluated for impairment at least annually, or more frequently, if impairment indicators are present that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We may be required to recognize in the future an impairment of goodwill due to market conditions, or other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of assets acquired. Recognition of impairments of goodwill and changes in fair value of certain of our assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization.

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 new territories in Delaware and Maryland. We address this competition 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 new 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 organizations we acquire with our existing operations. The negotiation of potential acquisitions as well as the integration of acquired organizations 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 organizations that meet our acquisition criteria. The failure to identify such organizations 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 organization;
- Diversion of our management’s attention from ongoing business concerns;
- Failure to have effective internal control over financial reporting;
- Overload of human capital 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 organizations 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. The timeliness and outcome of those state public utilities commissions could hinder future acquisitions and any 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

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

Our water supplies are subject to contamination from naturally-occurring compounds as well as pollution resulting from man-made sources. Even though we monitor the quality of our water on an ongoing basis, any possible contamination 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. If wastewater 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 wildlife and economic damages for which we could be held liable. Any such occurrence could adversely affect our business, results of operations and financial condition.

We are subject to various laws and regulations that could expose us to governmental investigations or actions by other third parties.

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

Our Company from time to time could be parties to or our operations 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

We are dependent on the continuous and reliable operation of our information technology systems that require potentially costly maintenance, and could become subject to cyberattacks disrupting our operations.

We rely on our information technology systems to manage operation of our business. Specifically, our business relies on various technology systems, including but not limited to those associated with customer information, financial reporting, asset and inventory management, facility operations and monitoring, human resources and accounts receivable. 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, power loss, telecommunications failures, human error or acts of war or terrorism, sabotage, theft 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 business and results of operations.

Cyberattacks on utility companies have been increasing in recent years, with recent reports that at least one U.S. water utility has experienced widespread outages as a result of such an attack. To date, there have been no risks identified from cybersecurity threats or previous cybersecurity incidents that have materially affected or are reasonably likely to materially affect the company. Despite our efforts, a cyberattack, if it occurred, could cause water or wastewater system operational complications, disrupt service to our customers, compromise important data or systems or result in an unintended release of customer or other confidential information. Possible impacts associated with a cyberattack could also include remediation costs related to lost, stolen, or compromised data, repairs to information technology and data processing systems, increased cyber security protection costs, adverse effects on our compliance with regulatory and environmental laws and regulations, including standards for water and wastewater utility providers, and litigation. We feel we have adequate cybersecurity insurance coverage to mitigate the cost of any such cyberattack; however, a possible cyberattack could affect our operations and have a material adverse effect on our business and results of operations. We have implemented, and will continue to internally monitor and manage, business processes to support our cybersecurity program. For additional information concerning the Company's cybersecurity program, see Item 1C - Cybersecurity.

Risk Associated with Managing our Business, Including Employees and Our Reputation

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

Our success depends significantly on the continued contribution of our management team both individually and collectively. The loss of the services of any member of our management team or the inability to hire and retain experienced management personnel could harm our operating results. In addition, turnover in our management team could adversely affect the financial market's perception of our ability to continue to grow.

We depend on our ability to attract and retain qualified, skilled employees and independent contractors.

We depend on our ability to attract and retain qualified talent, including full-time and part-time employees, managers, management team, and independent contractors. If we are unable to attract and retain such individuals, we may be unable to maintain our ability to meet performance targets, customer demands and expectations or successfully expand and grow our business. Changes in the job market may increase labor costs and could adversely affect our business, results of operations, cash flows and financial condition.

Employee and independent contractor misconduct could harm us by subjecting us to legal liability and reputational harm.

There is a risk that our employees or independent contractors engage in misconduct that adversely affects our business. Misconduct could subject us to regulatory investigations, legal liabilities or penalties and we could suffer harm to our reputation, financial position, and the trading price of our common stock. We also face the risk that our employees engage in work place misconduct, despite our implementation of policies and training to prevent and detect misconduct. Such misconduct could negatively harm our reputation or impair our ability to attract and retain qualified, skilled employees. If our employees engage in misconduct, our business could be materially adversely affected.

Risks Related to Our Common Stock

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.

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.

Holder of Class A Non-Voting Common Stock have no voting rights. As a result, holders of Class A Non-Voting Common Stock will not have any ability to influence stockholder decisions and the principal holders of Class B Common Stock have significant control over the outcome of most fundamental corporate matters.

We have two classes of common stock, Class A Non-Voting Common Stock and Class B Common Stock. Under our Restated Certificate of Incorporation, the right to vote for the election of directors and other stockholder matters is exercised exclusively by the holders of Class B Common Stock. The holders of our Class A Non-Voting Common Stock do not have voting rights on any matters that are submitted to a vote of stockholders, including with respect to the election of directors and other matters voted upon by stockholders, except as required by the Delaware General Corporation Law. As a result, the principal stockholders of Class B Common Stock have significant control over the outcome of most fundamental corporate matters. There are no agreements among the holders of Class B

Common Stock or with the Company that restrict the transfer of shares of Class B Common Stock which could result in significant ownership of shares of Class B Common Stock being held by others who are not currently principal holders.

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

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 oversupply 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.

Risk Related to Pandemics

Our business, results of operations, financial condition, cash flows and stock price may be adversely affected by pandemics, epidemics or other public health emergencies.

Our business, results of operations, financial condition, cash flows and stock price may be adversely affected by pandemics, epidemics or other public health emergencies. We are considered an essential utility service company, as defined by the U.S. Department of Homeland Security. We believe we will continue to operate our business consistent with any federal guidelines or state and local orders, however, the outbreak of pandemics, epidemics or other public health emergencies and any preventive or protective actions taken by governmental authorities may have an adverse effect on our operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

There have been an increasing number of cyberattacks on companies around the world, which have caused operational failures, compromised sensitive corporate or customer data, and/or resulted in significant financial damages. These attacks have occurred over the internet, through malware, viruses or attachments to e-mails, or through inside actors with access to systems within the organization. In addition, there have been reports of other water utility companies being subjected to such attacks, resulting in widespread operational outages.

Risk Management and Strategy

We have implemented security measures and will continue to devote resources to address security vulnerabilities in an effort to prevent cyberattacks. All employees receive cybersecurity training and other education regarding their use of computers, information technology, and sensitive data. We utilize third parties to support our information technology, or IT, resources, including disaster recovery intended to safeguard our ability to access and use our IT resources during a disaster or cyber incident. Our business continuity plans are evaluated against evolving security and service level standards, which includes evaluating those cybersecurity threats associated with our use of key third party service providers.

Our cybersecurity management process consists of utilizing a combination of employee education, preventative controls, detective controls, and periodic third-party cybersecurity testing. We have installed and utilize enterprise scale technology to support an appropriate cybersecurity posture including: endpoint detection and response, firewalls, security information and event management, email security, multifactor authentication, and vulnerability management. We receive cybersecurity related alerts from our membership in a number of industry groups. These alerts are evaluated and in the event an alert requires action within our environment, such actions are taken promptly. Our process and cybersecurity posture are refined based on the results of periodic third party cybersecurity assessments. We engage with the Cybersecurity and Infrastructure Security Agency through their cyber hygiene service offerings. Cybersecurity is addressed in IT's reports to the Corporate Automation Steering Committee, which consists of all Officers and the Director of Customer Service, as well as in IT's reports to the Board of Directors. Should a cyber event occur, depending on the severity of an event, our cyber incident reporting process includes informing, as early as practicable, our senior corporate management.

Governance

The Audit Committee of the Board of Directors, as overseen by the full Board of Directors, is responsible for oversight of cybersecurity risk. Our IT executives report on our cybersecurity practices and risks at each meeting of the Audit Committee of our Board of Directors. In addition, our IT executives provide periodic updates on cybersecurity risks to our management at regularly held executive committee meetings. Should any cybersecurity threat or incident be detected, our IT executives would timely report such threat or incident to the management executive committee and provide regular communications and updates to the executive committee throughout the incident and any subsequent investigation, in order that the impact, materiality, and reporting requirements of such incident are appropriately identified and assessed for further necessary or appropriate action to be taken. Any incident identified by the management executive committee as having a material impact would be promptly escalated to all members of the Board of Directors. Should there be an incident which does not rise to the level of being material, such incident would, at minimum, be included in the subsequent IT reports to both the management executive committee and the Board of Directors.

We believe we are appropriately staffed to support a healthy cybersecurity posture. All IT personnel have a combination of professional experience, education, and/or certifications for their area of responsibility. For IT leadership, our Chief Information Officer earned a Masters of Business Administration and also a Master of Science degree in Information Systems & Technology Management. Our Vice President of Information Technology earned a Bachelor of Science in Computer Science and Business and a Bachelor of Science in Business and Economics. The Vice President of Information Technology is also a Certified Public Accountant, a Certified Information Systems Auditor, and a Chartered Global Management Accountant. Our Director of Cybersecurity earned an Associates Degree in Computer Network Engineering and is a Certified Information Systems Security Professional.

To date, there have been no risks identified from cybersecurity threats or previous cybersecurity incidents that have materially affected or are reasonably likely to materially affect the company. However, despite all of the above aforementioned efforts, a cyberattack, if it occurred, could cause water or wastewater system operational problems, disrupt service to our customers, compromise important data or systems or result in an unintended release of customer or other confidential information. See “Item 1A. Risk Factors—Risks Related to Cybersecurity and Technology” for additional discussion of cybersecurity risks impacting our Company.

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 an 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, 2024.

Utility plant comprises:

In thousands

	Estimated Useful Life (In Years)	Effective June 12, 2024	December 31, 2024
Utility plant at original cost			
Utility plant in service-Water			
Intangible plant	---	\$	140
Source of supply plant	45-85		30,320
Pumping and water treatment plant	15-64		130,226
Transmission and distribution plant			
Mains	73-81		390,741
Services	39-58		63,613
Storage tanks	70-76		39,760
Meters	16-26		30,223
Hydrants	60-68		20,158
General plant	5-81		59,634

Utility plant in service-Wastewater

Intangible plant	---	116
Treatment and disposal plant	20-81	71,332
Collection mains and lift stations	70-81	57,084
General plant	5-31	2,632
Property held for future use	---	3,742
Construction work in progress	---	39,718
		<hr/>
		939,439
Less – accumulated depreciation		192,253
		<hr/>
		\$ 747,186

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, 2024, no other water utility plant has been pledged as security for loans. Two parcels of land held by 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 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 Notes to Consolidated Financial Statements – Note 16 – Legal Proceedings.

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 Non-Voting Stock, is listed on the Nasdaq Global Select Market and trades under the symbol "ARTNA." On March 20, 2025, the last closing sale price as reported by the Nasdaq Global Select Market was \$31.36 per share. As of March 20, 2025 there were 480 holders of record of the Class A Non-Voting Stock. The stockholders of Class A Non-Voting Stock are entitled to receive dividends when they are declared by the Board of Directors. The Company has a long history of paying regular quarterly dividends as approved by our Board of Directors using net cash from operating activities. See the Consolidated Financial Statements for additional information regarding the Company's dividend history.

The intraday high and low Nasdaq Global Select Market prices on the Class A Non-Voting Stock for each quarter during the past two years were:

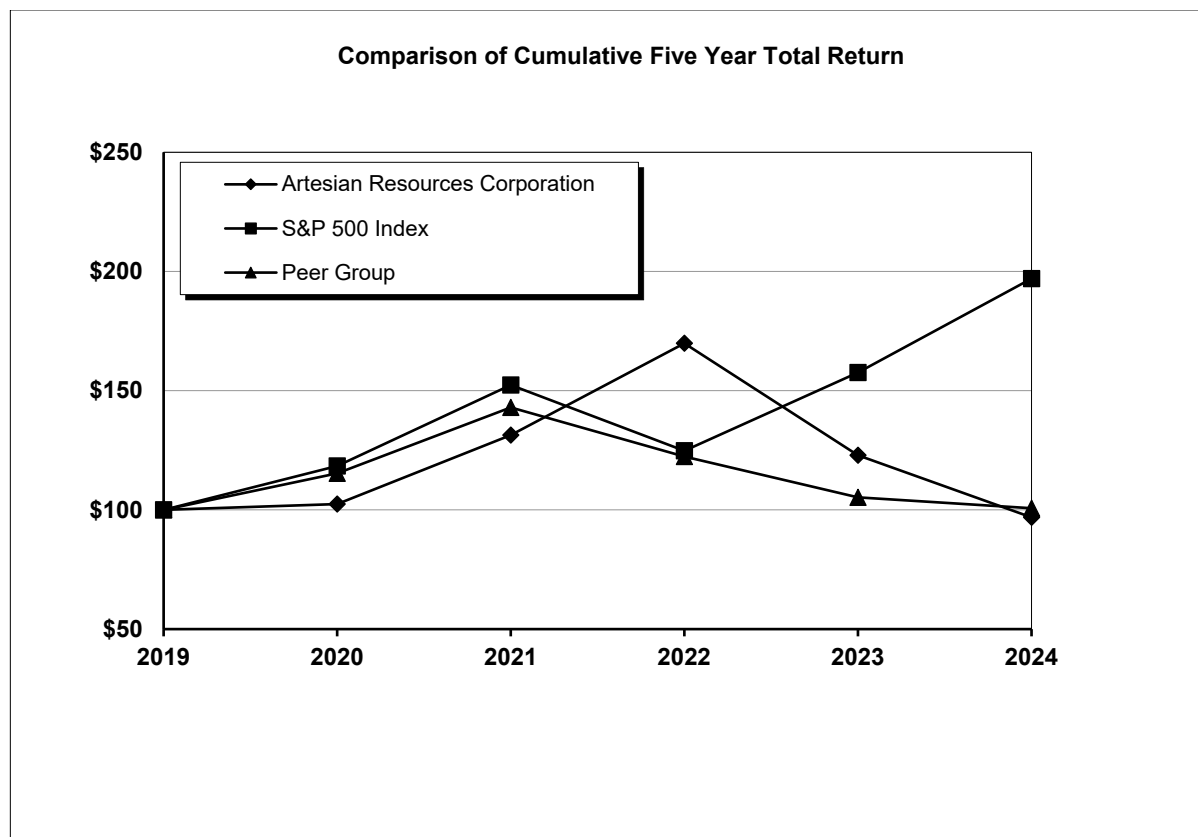
	Stock Price	
	High	Low
<u>2024</u>		
First Quarter	\$ 41.73	\$ 33.84
Second Quarter	\$ 41.29	\$ 33.34
Third Quarter	\$ 41.29	\$ 34.96
Fourth Quarter	\$ 37.35	\$ 30.99
<u>2023</u>		
First Quarter	\$ 63.00	\$ 51.30
Second Quarter	\$ 58.41	\$ 46.37
Third Quarter	\$ 49.73	\$ 41.26
Fourth Quarter	\$ 44.78	\$ 38.76

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 20, 2025, the last reported trade of the Class B Stock on the OTC Bulletin Board was at a price of \$31.61 per share on March 19, 2025. As of March 20, 2025, there were 134 holders of record of the Class B Stock. Shares of Class B Stock are paid the same dividend as the shares of the Class A Non-Voting Stock.

Recent Sales of Unregistered Securities

During the year ended December 31, 2024, we did not issue any unregistered shares of our Class A Non-Voting Stock or Class B Stock.

The following graph compares the percentage change in cumulative shareholder return on the Company’s Class A Non-Voting Stock with the Standard & Poor’s 500 Stock Index and a Peer Group of water utility companies. The graph covers the period from December 2019 (assuming a \$100 investment on December 31, 2019, and the reinvestment of any dividends) through December 2024:



Company Name / Index	INDEXED RETURNS					
	Base Period 2019	2020	2021	2022	2023	2024
Artesian Resources Corporation	100	102.47	131.39	169.87	122.94	96.87
S&P 500 Index	100	118.40	152.39	124.79	157.69	197.02
Peer Group	100	115.32	142.97	122.40	105.25	100.73

The 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.

ITEM 6. RESERVED

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 and wastewater services in our regulated utility business. Our regulated utility segment comprised 93.5% of total operating revenues for the year ended December 31, 2024 and 93.1% for the year ended December 31, 2023. 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 these effects of weather are short term and do not materially affect the execution of our strategic initiatives. Our wastewater services provide a revenue stream that is not affected by these changes in weather patterns. We continue to seek growth opportunities to provide wastewater services in Delaware and the surrounding areas.

Our profitability is also attributed to other non-utility business, such as various contract operations, water, sewer and internal SLP Plans and other services we provide. Our contract operations, SLP Plans and other services also provide a revenue stream that is not affected by changes in weather patterns. 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-utility subsidiaries due to our water, sewer, and internal SLP Plans.

Inflation

We are affected by inflation, most notably by the continually increasing costs required to maintain, improve and expand our service capability. The cumulative effect of inflation results in significantly higher facility replacement costs as well as increased operating costs, which must be recovered from future cash flows. Our ability to recover increases in investments in facilities and operating costs is dependent upon future rate increases, which are subject to approval by the applicable regulatory authority. We can provide no assurances that any future rate increase request will be approved, and if approved, we cannot guarantee that any rate increase will be granted in a timely manner and/or will be sufficient in amount to cover costs for which we initially sought the rate increase. The impact of inflation could adversely affect our results of operations, financial position or cash flows.

Regulated Water Subsidiaries

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, 2024, the number of metered water customers in Delaware increased approximately 1.6% compared to December 31, 2023. The number of metered water customers in Maryland increased approximately 2.3% compared to December 31, 2023. The number of metered water customers in Pennsylvania remained consistent compared to December 31, 2023. For the year ended December 31, 2024, approximately 9.4 billion gallons of water were distributed in our Delaware systems and approximately 106.7 million gallons of water were distributed in our Maryland systems.

Regulated Wastewater Subsidiaries

Artesian Wastewater and TESI own wastewater collection and treatment infrastructure and provide regulated wastewater services to customers in Sussex County, Delaware. Artesian Wastewater Maryland is able to provide regulated wastewater services to customers in Maryland. It is not currently providing these services in Maryland. The majority of our residential and commercial wastewater customers are billed a flat monthly fee, and our large industrial wastewater customer is billed monthly based on wastewater flow, which contributes to providing a revenue stream unaffected by weather. As of December 31, 2024, the number of Delaware wastewater customers increased approximately 6.5% compared to December 31, 2023.

Non-Utility Subsidiaries

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, 2024, the eligible customers enrolled in the WSLP Plan, the SSLP Plan and the ISLP Plan increased 3.1%, 4.0% and 2.2%, respectively, compared to December 31, 2023.

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 subsidiaries, 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 recent years, we have completed several acquisitions including asset purchase agreements with municipal and developer/homeowner association operated systems.

We believe that Delaware's generally lower cost of living in the region and availability of development sites in relatively close proximity to the Atlantic Ocean in Sussex County 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 subsidiaries, 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. There are numerous locations in Sussex County where Artesian Wastewater's and Sussex County's facilities are 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. In addition, 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. In addition, Artesian's Delaware wastewater subsidiaries are the sole regional regulated wastewater utilities in Delaware, which we believe will enable us to increase efficiencies in the treatment and disposal of wastewater and provide additional opportunities to expand our wastewater operations.

In April 2024, Artesian Wastewater received a permit from the Delaware Department of Natural Resources and Environmental Control for construction of a 625,000 gallon per day regional wastewater treatment facility, including a primary receiving headworks at its Sussex Regional Recharge Facility, or SRRF. Under its previous permit, SRRF provided solely land disposal services for a single commercial processing and treatment plant. Under its new permit, SRRF will continue providing those disposal services alongside the new treatment plant. The new treatment facility will provide service for Artesian Wastewater's regional system comprised primarily of residential and small commercial customers. The construction will also include the primary receiving facility for untreated effluent, sized to allow for the expansion of the regional treatment system planned for the site. The new treatment facility will utilize the existing disposal infrastructure and is expected to be completed by the third quarter of 2025.

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, aging infrastructure and acquisitions. Our planned and budgeted capital improvements over the next three years include 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-utility subsidiaries, 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 allows for construction of a water treatment facility and wastewater treatment facility.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting 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. Note 1 (Summary of Significant Accounting Policies) to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. 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 estimates with the Audit Committee of the Board of Directors.

Revenues

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 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.

Deferred income taxes

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 subsidiaries 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.

Results of Operations

2024 Compared to 2023

Operating Revenues

Revenues totaled \$108.0 million for the year ended December 31, 2024, an increase of \$9.1 million, or 9.2%, over the revenues for the year ended December 31, 2023.

Water sales revenue increased \$8.0 million, or 10.1%, for the year ended December 31, 2024 from the corresponding period in 2023, primarily as a result of a temporary rate increase of 14.6% of gross water sales placed into effect on November 28, 2023, as permitted under Delaware law. These temporary rates were replaced with the final approved rates pursuant to a DEPSC order that authorized a total increase of approximately 15.2%, which went into effect on June 12, 2024. The increase in both temporary rates and final approved customer base rates was partially offset by the Company's DSIC rate of 7.50% resetting to zero upon implementation of the temporary rate increase. In addition, there was an increase in overall water consumption due to drier weather experienced during the year ended December 31, 2024 compared to the same period in 2023 and an increase in the number of customers served. We realized 81.6% and 81.0% of our total operating revenue for the years ended December 31, 2024 and December 31, 2023, respectively, from the sale of water.

Other utility operating revenue increased approximately \$0.9 million, or 7.7%, for the year ended December 31, 2024 compared to the year ended December 31, 2023. This increase is primarily due to an increase in wastewater revenue associated with an increase in the number of customers served.

Non-utility operating revenue increased approximately \$0.1 million, or 1.7%, for the year ended December 31, 2024 compared to the same period in 2023, primarily due to an increase in SLP Plan revenue, partially offset by a decrease in contract service revenue related to a contract for the design and construction of wastewater infrastructure that was mostly completed in prior years.

Percentage of Operating Revenues

	2024	2023	2022
Water Sales			
Residential	50.1%	50.1%	48.7%
Commercial	18.0	17.9	17.6
Government and Other	13.5	13.0	12.9
Other utility operating revenues	12.1	12.3	11.6
Non-utility operating revenues	6.3	6.7	9.2
Total	100.0%	100.0%	100.0%

Residential

Residential water service revenues in 2024 amounted to \$53.9 million, an increase of \$4.4 million, or 8.8%, above the \$49.6 million recorded in 2023, primarily due to a rate increase placed into effect on November 28, 2023 and an increase in overall water consumption. The volume of water sold to residential customers increased to 4,522 million gallons in 2024 compared to 4,340 million gallons in 2023, a 4.2% increase. The number of residential customers served increased by approximately 1,500, or 1.7%, in 2024.

Commercial

Water service revenues from commercial customers in 2024 amounted to \$19.4 million, an increase of \$1.8 million, or 10.1%, above the \$17.6 million in 2023, primarily due to a rate increase placed into effect on November 28, 2023. The volume of water sold to commercial customers increased to 2,277 million gallons in 2024 compared to 2,231 million gallons sold in 2023, an increase of 2.1%.

Government and Other

Government and other water service revenues in 2024 amounted to \$14.7 million, an increase of \$1.9 million, or 14.8%, above the \$12.8 million in 2023, primarily due to a rate increase placed into effect on November 28, 2023 and an increase in overall water consumption. The volume of water sold to government and other customers increased to 1,320 million gallons in 2024 compared to 1,260 million gallons in 2023, an increase of 4.8%.

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 7.7%, to \$13.1 million in 2024, from \$12.2 million in 2023. This increase is primarily due to an increase in wastewater revenue associated with an increase in the number of customers served.

Non-Utility Operating Revenue

Non-utility operating revenue, derived from non-regulated water and wastewater operations, increased by 1.7%, to \$6.7 million in 2024 from \$6.6 million in 2023. This increase is primarily due to an increase in SLP Plan revenue, partially offset by a decrease in contract service revenue related to a contract for the design and construction of wastewater infrastructure that was mostly completed in prior years.

Operating Expenses

Operating expenses, excluding depreciation and income taxes, increased \$4.1 million, or 7.3%, for the year ended December 31, 2024 compared to the year ended December 31, 2023.

Utility operating expenses increased \$3.6 million, or 7.8%. The increase in utility operating expenses consists of a \$1.1 million increase in supply and treatment costs, a \$0.9 million increase in payroll and employee benefits costs, a \$0.5 million increase in each of transmission, distribution and collection system costs and administrative costs, a \$0.3 million increase in purchased power costs and a \$0.2 million increase in purchased water costs.

Non-utility operating expenses increased \$0.3 million, or 7.1%, primarily due to an increase in plumbing repair costs associated with the SLP Plans and an increase in payroll and employee benefits costs.

Property and other taxes increased \$0.2 million, or 3.6%, primarily due to an increase in New Castle County, Delaware tax rates on utility plant, an increase in utility plant subject to taxation and an increase in payroll taxes. 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

	2024	2023	2022
Payroll and Associated Expenses	47.7%	49.5%	47.5%
Administrative	16.7	16.9	15.3
Supply and Treatment	13.3	11.9	10.8
Purchased Power	5.8	5.7	5.2
Transmission, Distribution and Collection	5.1	4.6	4.1
Purchased Water	2.8	2.7	3.6
Non-utility Operating	8.6	8.7	13.5
Total	100.0%	100.0%	100.0%

The ratio of operating expense, excluding depreciation and income taxes, to total revenue was 56.4% for the year ended December 31, 2024, compared to 57.4% for the year ended December 31, 2023.

Depreciation and amortization expense increased \$0.3 million, or 2.2%, 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 \$1.0 million, or 15.2%, primarily due to higher pre-tax income, lower state net operating loss valuation allowance, and higher regulatory deferred income tax amortization in 2024 compared to 2023.

Other Income

Other income decreased \$0.4 million, primarily due to a decrease in allowance for funds used during construction, or AFUDC, as a result of lower long-term construction activity subject to AFUDC for the twelve months ended December 31, 2024 compared to the same period in 2023.

Interest Charges

Interest charges decreased \$0.4 million, primarily due to a decrease in short-term debt interest related to lower borrowing levels on the Company's lines of credit.

Net Income

Our net income applicable to common stock increased \$3.7 million, or 22.1%. Total revenue increased \$9.1 million and interest charges decreased \$0.4 million, offset by a \$5.4 million increase in total operating expenses and \$0.4 million decrease in other income.

Part I, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 Annual Report on Form 10-K includes a comparative discussion of the years ended December 31, 2023 and 2022 and is incorporated herein by reference.

Liquidity and Capital Resources

Overview

The Company's primary sources of liquidity for the year ended December 31, 2024 were \$36.8 million of cash provided by operating activities and \$20.4 million in net contributions and advances from developers. Funds from these liquidity sources were used to invest \$45.9 million in capital expenditures and to pay dividends of approximately \$12.2 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 2025 will be approximately \$46.4 million. Our total obligations related to interest and principal payments on indebtedness, rental payments, elevated storage tank agreements and water service interconnection agreements for 2025 are anticipated to be approximately \$11.6 million.

Operating Activities

One of our primary sources of liquidity for the year ended December 31, 2024 was \$36.8 million provided by cash flow from operating activities, compared to \$31.9 million for the year ended December 31, 2023. The increase in cash flows from operating activities is primarily due to changes in net income, materials and supplies, and income tax receivable. Cash flows 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. See Note 13 – Regulatory Proceedings. 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 2024 was to continue to provide high quality, reliable service to our growing service territory. Capital expenditures during 2024 were \$45.9 million compared to \$62.2 million invested during the same period in 2023. During 2024, these investments include relocation of facilities as a result of government mandates, renewals associated with the rehabilitation of aging infrastructure, installation of new mains, upgrading elevated storage tanks, purchase of new transportation equipment, upgrading and replacing our meter reading equipment, construction of a new wastewater treatment plant and upgrading existing pumping stations to better serve our customers.

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

<i>In thousands</i>	2024	2023	2022
Source of supply, treatment and pumping	\$ 4,796	\$ 18,339	\$ 9,100
Transmission and distribution	31,683	37,175	30,808
General plant	2,251	4,553	3,856
Wastewater facilities	8,346	3,353	5,613
Allowance for Funds Used During Construction, AFUDC, equity portion	(1,134)	(1,243)	(894)
Total	\$ 45,942	\$ 62,177	\$ 48,483

Of the \$62.6 million gross investment expected in 2025 approximately \$16.2 million will be for extending transmission and distribution facilities to address service needs in growth areas of our service territory. Approximately \$14.1 million will be invested in upgraded PFAS treatment equipment, new and rebuild water treatment facilities, equipment and wells throughout Delaware and Maryland. Approximately \$9.1 million will be invested in renewals associated with the rehabilitation of aging infrastructure. Approximately \$7.5 million will be invested in general plant, which includes vehicles and other heavy duty operations related equipment, replacement computer hardware and software, equipment upgrades, new corporate automation, station security upgrades, radio communication upgrades and building renovations. Approximately \$5.8 million will be invested in the ongoing construction of a regional wastewater treatment plant along with improvements to existing wastewater treatment plants and wastewater pumping stations. Approximately \$4.0 million will be invested in the relocation of facilities because of government mandates. Approximately \$2.7 million will be invested to upgrade elevated storage tanks. Approximately \$2.7 million will be invested in the construction of force mains used for the transmission of wastewater to plants. Additionally, we will refund \$0.5 million to customers, real estate developers and builders related to previous advances for construction they provided to Artesian for distribution facilities on their properties.

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 2025 is expected to be offset by contributions in aid of construction of \$16.2 million for a net investment of \$46.4 million in 2025. The Company believes the net investment in utility plant will continue to be recovered through rates charged to customers.

Financing Activities

For the year ended December 31, 2024, cash flows provided by financing activities were \$7.1 million, compared to \$31.4 million for the year ended December 31, 2023. Our primary source of liquidity from financing activities was \$20.4 million in net contributions and advances from developers and \$0.8 million from the issuance of long-term debt. Cash flows provided by financing activities decreased

due to the net proceeds from the issuance of Class A Non-Voting Stock in May 2023 and June 2023 as well as decreased contributions in aid of construction and borrowings on lines of credit. 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. We expect to fund our activities for the next twelve months using our projected cash generated from operations, bank credit lines, and capital market financing as needed to provide sufficient working capital to maintain normal operations, to meet our financing requirements and to expand through strategic acquisitions. We believe that our cash on hand and future cash generated from the foregoing activities will provide adequate resources to fund our short-term and long-term capital, operating and financing needs. However, there is no assurance that we will be able to secure funding on terms acceptable to us, or at all. 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.

Material Cash Requirements

Lines of Credit and Long-Term Debt

At December 31, 2024, 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, 2024, there was \$40.0 million of available funds under this line of credit. The interest rate is a one-month Daily Secured Overnight Financing Rate, or SOFR, plus 10 basis points, or Term SOFR, plus an applicable margin of 0.85%, which was increased to 1.10% effective August 3, 2023. Term SOFR cannot be less than 0.00%. This is a demand line of credit and therefore the financial institution may demand payment for any outstanding amounts at any time. The term of this line of credit expires on the earlier of May 19, 2025 or any date on which Citizens demands payment. The Company expects to renew this line of credit.

At December 31, 2024, 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, 2024, there was \$20.0 million of available funds under this line of credit. The interest rate for borrowings under this line is either a daily SOFR rate plus 1.45% option or a term SOFR rate plus 1.45% option that is locked in for either one or three months. The term of this line of credit expires on October 31, 2025. Artesian Water expects to renew this line of credit.

The Company's material cash requirements include the following lines of credit commitments and contractual obligations:

Material Cash Requirements

<i>In thousands</i>	Payments Due by Period				
	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
First mortgage bonds (principal and interest)	\$ 7,870	\$ 15,659	\$ 39,045	\$ 198,313	\$ 260,887
State revolving fund loans (principal and interest)	1,144	2,130	2,130	9,662	15,066
Promissory note (principal and interest)	962	1,924	1,925	8,689	13,500
Asset purchase contractual obligation (principal and interest)	333	647	---	---	980
Lines of credit	---	---	---	---	---
Operating leases	28	56	42	1,321	1,447
Operating agreements	38	31	4	---	73
Unconditional purchase obligations	928	1,000	114	260	2,302
Tank painting contractual obligation	313	---	---	---	313
Total contractual cash obligations	\$ 11,616	\$ 21,447	\$ 43,260	\$ 218,245	\$ 294,568

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. As of December 31, 2024, 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 and promissory note obligation have an amortizing mortgage 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.

The asset purchase contractual obligation is related to the purchase of substantially all of the water operating assets from the Town of Clayton in May 2022, by Artesian Water. The total purchase price was \$5.0 million. At closing, Artesian Water paid approximately

\$3.4 million. The balance is payable in five equal annual installments on the anniversary date of the closing date. Each annual installment is payable with interest at an annual rate of 2.0%.

As previously disclosed, on December 9, 2022, Artesian Water Company entered into a Financing Agreement, or the Financing Agreement, with the Delaware Drinking Water State Revolving Fund, or the 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 Agreement, the Department agreed to advance to or to reimburse Artesian Water up to \$901,170 from the Fund to finance all or a portion of the costs to replace a specific water transmission main in a service area located in New Castle County, Delaware. In October 2024, Artesian Water provided notice to the Department confirming that no funds will be requested for reimbursement under this Financing Agreement.

In order to control purchased power cost, 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 was lowered 5.6% starting in May 2021. In February 2022, Artesian Water Maryland entered into an electric supply agreement with Constellation NewEnergy, Inc., effective from May 2022 through November 2025. In January 2022, following the acquisition of Tidewater Environmental Services, Inc. dba Artesian Wastewater, or TESI, assumed an electric supply contract with WGL Energy that was effective through December 2024. In November 2024, TESI entered into a short-term electric supply contract with WGL Energy effective December 2024 through May 2025. The fixed rate was increased 44.4% starting in December 2024. These fixed rate electric supply contracts are for normal purchases and are not derivative instruments.

Payments for unconditional purchase obligations reflect minimum water purchase obligations based on rates that are subject to change under an interconnection agreement with the Chester Water Authority. The agreement is effective from January 1, 2022 through December 31, 2026, includes automatic five-year renewal terms, unless terminated by either party, and has a “take or pay” clause which currently requires us to purchase a minimum of 0.5 million gallons of water per day. In addition, payments for unconditional purchase obligations reflect minimum water purchase obligations based on a contract rate under our interconnection agreement with the Town of North East, which expires June 26, 2029. The agreement includes a remaining automatic five-year renewal term, unless terminated by either party.

In April 2021, Artesian Water entered into a 3-year agreement with Worldwide Industries Corporation effective July 1, 2021 to paint elevated water storage tanks. Pursuant to the agreement, the total expenditure for the three years was \$1.2 million. In September 2022, this agreement was amended to paint an additional elevated water storage tank and to extend the term of the agreement for an additional year. Pursuant to the amended agreement, the total expenditure for the four years is \$2.2 million.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 18 (Impact of Recent Accounting Pronouncements) 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’s business operations give rise to market risk exposure due to changes in interest rates and commodity prices. To manage such risks effectively, the Chief Financial Officer, with support from the Executive Officers, Audit Committee and Board of Directors, evaluates strategies to mitigate these risks by limiting variable rate exposure and by monitoring the effects of market changes in interest rates. The Company’s financial risk management evaluations are designed to protect against risk arising from extreme adverse market movements on our key exposures.

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. As of December 31, 2024, there were no outstanding balances on the lines of credit. Increases in variable interest rates result in an increase in the cost of borrowing on these variable rate lines of credit. 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, 2024	December 31, 2023
<u>ASSETS</u>		
Utility plant, at original cost less accumulated depreciation	\$ 747,186	\$ 714,284
Current assets		
Cash and cash equivalents	1,147	2,505
Accounts and other receivables (less provision for expected credit loss 2024 - \$343; 2023 - \$328)	11,339	12,830
Income tax receivable	624	1,799
Unbilled operating revenues	1,861	1,934
Materials and supplies	4,278	5,983
Prepaid property taxes	2,188	2,269
Prepaid expenses and other	3,091	3,297
Total current assets	<u>24,528</u>	<u>30,617</u>
Other assets		
Non-utility property (less accumulated depreciation 2024 - \$1,116; 2023 - \$1,052)	3,603	3,693
Other deferred assets	6,525	8,504
Goodwill	1,939	1,939
Operating lease right of use assets	414	506
Total other assets	<u>12,481</u>	<u>14,642</u>
Regulatory assets, net	<u>14,428</u>	<u>7,289</u>
Total Assets	<u>\$ 798,623</u>	<u>\$ 766,832</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Stockholders' equity		
Common stock	\$ 10,300	\$ 10,285
Preferred stock	—	—
Additional paid-in capital	143,920	143,369
Retained earnings	84,969	76,743
Total stockholders' equity	<u>239,189</u>	<u>230,397</u>
Long-term debt, net of current portion	<u>176,509</u>	<u>178,307</u>
	<u>415,698</u>	<u>408,704</u>
Current liabilities		
Lines of credit	---	---
Current portion of long-term debt	2,167	2,235
Accounts payable	11,228	9,697
Accrued expenses	5,336	3,519
Overdraft payable	31	9
Accrued interest	930	2,275
Income taxes payable	500	2
Customer and other deposits	3,347	2,983
Other	2,054	1,694
Total current liabilities	<u>\$ 25,593</u>	<u>\$ 22,414</u>
Commitments and contingencies (Note 11)		
Deferred credits and other liabilities		
Net advances for construction	\$ 1,582	\$ 2,797
Operating lease liabilities	404	503
Regulatory liabilities	30,267	25,676
Deferred investment tax credits	409	423
Deferred income taxes	52,265	58,381
Total deferred credits and other liabilities	<u>\$ 84,927</u>	<u>\$ 87,780</u>
Net contributions in aid of construction	272,405	247,934
Total Liabilities and Stockholders' Equity	<u>\$ 798,623</u>	<u>\$ 766,832</u>

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,		
	2024	2023	2022
Operating revenues			
Water sales	\$ 88,079	\$ 80,033	\$ 78,318
Other utility operating revenue	13,129	12,195	11,506
Non-utility operating revenue	6,744	6,633	9,073
Total Operating Revenues	107,952	98,861	98,897
Operating expenses			
Utility operating expenses	49,796	46,205	43,772
Non-utility operating expenses	4,743	4,428	6,850
Depreciation and amortization	13,629	13,335	12,620
Taxes			
State and federal income tax expense			
Current	6,737	2,962	4,285
Deferred	578	3,386	1,593
Property and other taxes	6,318	6,099	5,871
Total Operating Expenses	81,801	76,415	74,991
Operating income	26,151	22,446	23,906
Other income, net			
Allowance for funds used during construction (AFUDC)	1,643	2,002	1,329
Miscellaneous	1,379	1,407	1,265
	3,022	3,409	2,594
Income before interest charges	29,173	25,855	26,500
Interest charges	8,779	9,156	8,502
Net income applicable to common stock	\$ 20,394	\$ 16,699	\$ 17,998
Net income per common share:			
Basic	\$ 1.98	\$ 1.67	\$ 1.90
Diluted	\$ 1.98	\$ 1.67	\$ 1.90
Weighted average common shares outstanding:			
Basic	10,294	10,018	9,462
Diluted	10,296	10,022	9,481
Cash dividends per share of common stock	\$ 1.18	\$ 1.14	\$ 1.09

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

	For the Year Ended December 31,		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 20,394	\$ 16,699	\$ 17,998
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	13,629	13,335	12,620
Amortization of debt expense	353	355	354
Amortization of deferred income tax regulatory liability	(916)	(444)	(444)
Provision for bad debt expense	233	92	68
Deferred income taxes, net	1,480	3,813	2,282
Stock compensation expense	219	254	152
AFUDC, equity portion	(1,135)	(1,243)	(894)
Changes in assets and liabilities, net of acquisitions:			
Accounts and other receivables	(257)	807	(3,847)
Income tax receivable	1,175	(167)	602
Unbilled operating revenues	73	(348)	(141)
Materials and supplies	1,705	(1,281)	(2,769)
Income taxes payable	498	(4)	6
Prepaid property taxes	81	(83)	697
Prepaid expenses and other	206	(419)	(216)
Other deferred assets	1,945	1,998	(5,473)
Regulatory assets	(206)	(497)	(37)
Regulatory liabilities	(2,800)	(2,724)	7,243
Accounts payable	305	284	(3,989)
Accrued expenses	552	614	(564)
Accrued interest	(1,345)	1,286	72
Customer deposits and other, net	634	(476)	545
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>36,823</u>	<u>31,851</u>	<u>24,265</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures (net of AFUDC, equity portion)	(45,942)	(62,177)	(48,483)
Investment in acquisitions, net of cash acquired	—	—	(6,341)
Proceeds from sale of assets	623	99	65
NET CASH USED IN INVESTING ACTIVITIES	<u>(45,319)</u>	<u>(62,078)</u>	<u>(54,759)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments under lines of credit agreements	—	(23,477)	(41,038)
Borrowings under lines of credit agreements	—	3,303	34,509
Increase(decrease) in overdraft payable	22	(34)	13
Proceeds from contributions in aid of construction and advances	23,983	24,747	17,494
Payouts for contributions in aid of construction and advances	(3,547)	(2,228)	(1,063)
Net proceeds from issuance of common stock	347	37,073	2,090
Equity issuance cost	—	(317)	—
Issuance of long-term debt	758	5,608	31,803
Dividends paid	(12,168)	(11,242)	(10,319)
Debt issuance costs	—	—	(135)
Principal repayments of long-term debt	(2,257)	(2,010)	(1,643)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>7,138</u>	<u>31,423</u>	<u>31,711</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,358)	1,196	1,217
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,505</u>	<u>1,309</u>	<u>92</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,147</u>	<u>\$ 2,505</u>	<u>\$ 1,309</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED*In thousands*

	For the Year Ended December 31,		
	2024	2023	2022
Non-cash Investing and Financing Activity:			
Utility plant received as construction advances and contributions in aid of construction	<u>\$ 8,718</u>	<u>\$ 3,492</u>	<u>\$ 8,416</u>
Contractual amounts of contributions in aid of construction due from developers included in accounts receivable	<u>\$ 641</u>	<u>\$ 1,695</u>	<u>\$ 726</u>
Contractual amounts of contributions in aid of construction received from developers previously included in accounts receivable	<u>\$ 1,790</u>	<u>\$ 799</u>	<u>\$ 356</u>
Change in amounts included in accounts payable and accrued payables related to capital expenditures	<u>\$ 2,577</u>	<u>\$ (3,384)</u>	<u>\$ 3,182</u>
Supplemental Cash Flow Information:			
Interest paid	<u>\$ 9,771</u>	<u>\$ 7,515</u>	<u>\$ 8,430</u>
Income taxes paid	<u>\$ 5,732</u>	<u>\$ 3,590</u>	<u>\$ 3,482</u>
Income taxes refunded	<u>\$ 701</u>	<u>---</u>	<u>---</u>

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, 2021	8,532	881	\$8,532	\$881	\$104,989	\$63,607	\$178,009
Net income	—	—	—	—	—	17,998	17,998
Cash dividends declared							
Common stock	—	—	—	—	—	(10,319)	(10,319)
Issuance of common stock							
Dividend reinvestment plan	7	—	7	—	366	—	373
Employee stock options and awards(4)	82	—	82	—	1,787	—	1,869
Employee Retirement Plan(3)	—	—	—	—	—	—	—
Balance as of December 31, 2022	8,621	881	\$8,621	\$881	\$107,142	\$71,286	\$187,930
Net income	—	—	—	—	—	16,699	16,699
Cash dividends declared							
Common stock	—	—	—	—	—	(11,242)	(11,242)
Issuance of common stock							
Public offering, net of costs	763	—	763	—	35,464	—	36,227
Dividend reinvestment plan	8	—	8	—	373	—	381
Employee stock options and awards(4)	12	—	12	—	390	—	402
Employee Retirement Plan(3)	—	—	—	—	—	—	—
Balance as of December 31, 2023	9,404	881	\$9,404	\$881	\$143,369	\$76,743	\$230,397
Net income	—	—	—	—	—	20,394	20,394
Cash dividends declared							
Common stock	—	—	—	—	—	(12,168)	(12,168)
Issuance of common stock							
Dividend reinvestment plan	10	—	10	—	337	—	347
Employee stock options and awards(4)	5	—	5	—	214	—	219
Employee Retirement Plan(3)	—	—	—	—	—	—	—
Balance as of December 31, 2024	9,419	881	\$9,419	\$881	\$143,920	\$84,969	\$239,189

(1) *At December 31, 2024, 2023, and 2022, Class A Stock had 15,000,000 shares authorized. For the same periods, shares issued, inclusive of treasury shares, were 9,447,848, 9,433,288 and 8,650,392, respectively.*

(2) *At December 31, 2024, 2023, and 2022, Class B Stock had 1,040,000 shares authorized and 881,452 shares issued.*

(3) *Artesian Resources Corporation registered 200,000 shares of Class A Stock, subsequently adjusted for stock splits, available for purchase through the Company's 401(k) retirement plan.*

(4) *Under the Equity Compensation Plan, effective December 9, 2015, Artesian Resources Corporation authorized up to 331,500 shares of Class A 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, 2024, 2023, and 2022. See Notes to Consolidated Financial Statements - Note 9 - 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.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on net income or stockholders' equity.

Regulated Utility Accounting

The accounting records of Artesian Water Company, Inc., or Artesian Water, Artesian Wastewater Management, Inc., or Artesian Wastewater, and, effective January 14, 2022, Tidewater Environmental Services, Inc. dba Artesian Wastewater, or TESI, 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 these 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. See Note 17 (Business Segment Information) to our Consolidated Financial Statements for a full description of our segment information.

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 certain estimates and assumptions that could impact the Company's financial condition, results of operations and cash flows. Actual results could differ from management's estimates. Management makes certain estimates and assumptions regarding unbilled revenues, accounting for income taxes, credit losses and reserves for bad debt, lease agreements, goodwill and contingent assets and liabilities.

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. Artesian Wastewater acquired TESI in January 2022 and Artesian Water purchased substantially all of the water operating assets from the Town of Clayton in May 2022. On December 31, 2022, the fair value determinations for TESI and the water operating assets acquired from the Town of Clayton were finalized.

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.

Allowance for Funds Used during Construction, or AFUDC, is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. Presented in the table below is AFUDC for the years ended December 31:

In thousands

	<u>2024</u>	<u>2023</u>	<u>2022</u>
AFUDC - Debt	\$ 509	\$ 759	\$ 435
AFUDC - Equity	\$ 1,135	\$ 1,243	\$ 894

Utility plant comprises:

In thousands

	Estimated Useful Life (In Years) Effective June 12, 2024	December 31, 2024	Estimated Useful Life (In Years)	December 31, 2023
Utility plant at original cost				
Utility plant in service-Water				
Intangible plant	—	\$ 140	—	\$ 140
Source of supply plant	45-85	30,320	45-85	29,960
Pumping and water treatment plant	15-64	130,226	8-62	130,337
Transmission and distribution plant				
Mains	73-81	390,741	81	370,977
Services	39-58	63,613	39	60,818
Storage tanks	70-76	39,760	76	40,933
Meters	16-26	30,223	26	30,318
Hydrants	60-68	20,158	60	18,980
General plant	5-81	59,634	5-31	67,317
Utility plant in service-Wastewater				
Intangible plant	—	116	—	116
Treatment and disposal plant	20-81	71,332	20-81	67,789
Collection mains and lift stations	70-81	57,084	70-81	51,539
General plant	5-31	2,632	5-31	2,478
Property held for future use	—	3,742	—	4,028
Construction work in progress	—	39,718	—	23,724
		<u>939,439</u>		<u>899,454</u>
Less – accumulated depreciation		192,253		185,170
		<u>\$ 747,186</u>		<u>\$ 714,284</u>

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 1.93%, 2.13% and 2.16% for 2024, 2023 and 2022, respectively. In a rate order issued by the DEPSC, the Company was directed, effective June 12, 2024, to begin using revised depreciation rates for utility plant in Artesian Water, which are based on the estimated useful life years noted in the table above. Artesian Water offsets 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. This reduction in depreciation expense is also netted against outstanding CIAC and Advances on the Consolidated Balance Sheet. Certain 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 First Mortgage bonds. Debt issuance costs and other debt related expenses are reviewed during Artesian Water's rate applications as part of its cost of capital calculations.

Affiliated interest agreement deferred costs relate to the regulatory and administrative costs resulting from efforts necessary to secure water allocations in Artesian Water Pennsylvania's territory for the provision of service to the surrounding area and interconnection to Artesian Water Pennsylvania's affiliate regulated water utility Artesian Water. These costs were specifically included for cost recovery pursuant to an Affiliated Interest Agreement between Artesian Water and Artesian Water Pennsylvania and were approved for recovery by the PAPUC and were reclassified from deferred costs to a regulatory asset in 2022. Amortization of these deferred costs began in the fourth quarter of 2023.

Deferred acquisition adjustments represent the excess payment for purchases of utility plant from Delaware municipalities over the determined original cost net of depreciation. Deferred acquisition costs represent the closing cost associated with the acquisitions. Costs of \$3.7 million were reclassified from net utility plant and \$0.1 million were reclassified from contributions in aid of construction, which are being amortized over the periods noted in the table below and recovered in customer rates effective June 12, 2024 as part of the DEPSC approved settlement agreement for the Artesian Water rate application filed on April 28, 2023.

Unrecovered reserve for depreciation of \$4.3 million is the result of the implementation of a change in depreciation methods for certain general plant assets that are being amortized over five years and recovered in customer rates effective June 12, 2024 as part of the DEPSC approved settlement agreement for the Artesian Water rate application filed on April 28, 2023. Amortization of these deferred costs began in the third quarter of 2024.

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

Expense	Years Amortized
Deferred contract costs and other	5
Rate case studies	5
Delaware rate proceedings	3
Debt related costs	15 to 30 (based on term of related debt)
Deferred costs affiliated interest agreement	20
Goodwill (Mountain Hill Water Company acquisition in 2008)	50
Deferred acquisition and franchise costs - Maryland	20 – 80
Deferred acquisition costs – Delaware	20
Deferred acquisition adjustments - Delaware	36 – 62
Unrecovered reserve for depreciation (general plant assets)	5

Regulatory assets, net of amortization, comprise:

	(in thousands)	
	December 31, 2024	December 31, 2023
Deferred contract costs and other	\$ 161	\$ 209
Rate case studies	141	166
Delaware rate proceedings	474	355
Deferred income taxes	423	444
Debt related costs	3,969	4,322
Deferred costs affiliated interest agreement	1,054	1,110
Goodwill	251	258
Deferred acquisition and franchise costs – Maryland	499	425
Deferred acquisition costs – Delaware	231	---
Deferred acquisition adjustments – Delaware	3,359	---
Unrecovered reserve for depreciation	3,866	---
	<u>\$ 14,428</u>	<u>\$ 7,289</u>

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, 2024, 2023 and 2022, there was no impairment or regulatory disallowance identified in our review.

Goodwill

The Company records goodwill when the purchase price of a business combination exceeds the estimated fair value of net identified tangible and intangible assets acquired. At December 31, 2024 and December 31, 2023, the Company had approximately \$1.9 million of goodwill, respectively. The \$1.9 million of goodwill arose from the January 2022 acquisition of Tidewater Environmental Services, Inc. Artesian Wastewater operates as the parent holding company of Tidewater Environmental Services, Inc. dba Artesian Wastewater, or TESI, and is a subsidiary of our Regulated Utility segment. In accordance with the accounting guidance for testing goodwill for impairment, the Company performs an annual assessment. In 2023 and 2024, the Company used the optional qualitative assessment, "step zero", to identify and evaluate relevant events and circumstances to conclude whether it is more likely than not that the fair value of its reporting unit is less than its carrying amount, including goodwill. Relevant events and circumstances assessed included macroeconomic conditions, industry and market conditions, cost factors, financial performance, management and overall strategy. After evaluating and weighing these relevant events and circumstances, it was concluded that there was no impairment of goodwill and it was not necessary to perform quantitative testing.

Other Deferred Assets

The investment in CoBank, ACB, or 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. The settlement agreement receivable is related to the long-term portion of reimbursements as further discussed in Note 1 – Accounts Receivable.

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

In thousands

	<u>2024</u>	<u>2023</u>
Investment in CoBank	\$ 6,425	\$ 5,882
Settlement agreement receivable-long term	---	2,496
Other deferred assets	100	126
	<u>\$ 6,525</u>	<u>\$ 8,504</u>

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 subsidiaries for costs to construct water mains, services and hydrants, and wastewater treatment and disposal plants. Effective with the Tax Cuts and Jobs Act, or TCJA, in 2017 CIAC was taxable and the DEPSC, MDPSC and PAPUC allowed the Company to collect additional CIAC to pay the associated tax. In 2021, legislation was enacted to amend the TCJA, which now exempts CIAC from income taxes for regulated water and wastewater utilities, effective for all of 2021 and forward.

For the year ended December 31, 2023, Artesian Water received approximately \$3.8 million in grant funding from the State of Delaware, Delaware Department of Health and Social Services, Division of Public Health, or DPH, pursuant to grant agreements. For the year ended December 31, 2024, Artesian Water did not receive grant funding. The grants received in 2023 were used by Artesian Water to

cover the costs associated with certain construction projects. The grant funds received under the grant agreements were recorded in accordance with the requirements under FASB ASC Topic 980, in Net contributions in aid of construction in the Consolidated Balance Sheets. Pursuant to the grant agreements, Artesian Water is no longer eligible to receive grant funds under these grants.

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. 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. The annual amortization currently authorized by the DEPSC could be adjusted in future rate applications.

Deferred settlement refunds consist of reimbursements from the Delaware Sand and Gravel Remedial Trust, or Trust, for Artesian Water's past capital and operating costs, totaling approximately \$10.0 million, related to the treatment costs associated with the release of contaminants from the Delaware Sand & Gravel Landfill Superfund Site, or Site, in groundwater that Artesian Water uses for public potable water supply, pursuant to the Settlement Agreement. Three installments for approximately \$2.5 million each were paid in August 2022, July 2023 and July 2024. The final \$2.5 million installment payment is due no later than July 2025. Artesian Water received approval from the DEPSC in October 2022 to refund to its customers these reimbursements for past capital and operating costs. The refund for the reimbursements is applied to current and future customer bills in annual installments. The first three refunds occurred in October 2022, August 2023 and August 2024. The final customer refund will occur no later than August 2025. The amount of the credit will be calculated by dividing the amount of the reimbursement by the number of eligible customers. Beginning in 2022, Artesian Water began recording recovery of capital expenditures as Contributions in Aid of Construction and began recording expense recovery as an offset to operations and maintenance expense, with the intention that those recoveries will be available for inclusion and consideration in any future rate applications.

Pursuant to the enactment of the Tax Cuts and Jobs Act, or 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 7 – Income Taxes) 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 related to Artesian Water and Artesian Water Maryland. 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 Artesian Water to amortize 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. In May 2022, Artesian Water received a rate order from the DEPSC instructing Artesian Water to continue amortizing the liability over a period of 49.5 years, subject to review in Artesian Water's next base rate filing. On June 12, 2024, the DEPSC approved a settlement agreement for the Artesian Water rate application, filed on April 28, 2023, that required two changes to the deferred income tax regulatory liability effective June 12, 2024. A \$7.6 million gross-up adjustment was recorded to reflect the benefit customers would receive from the implementation of new base rates and \$4.0 million of the regulatory liability, which represents costs not subject to IRS normalization rules, is now required to be amortized over a six-year period rather than 49.5 years. 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.

Income Taxes

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 subsidiaries 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 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. For the full year 2023, the Company accrued approximately \$12,000 in penalties and interest related to positions taken on the 2022 corporate income tax return. For the full year 2024, the Company has accrued approximately \$17,000 in penalties and interest related to positions taken on the 2022 corporate income tax return. The Company remains subject to examination by federal and state authorities for the tax years 2021 through 2024.

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

See Note 9 (Stock Compensation Plans) to our Consolidated Financial Statements for a full description of our stock compensation plans.

Revenue Recognition and Unbilled Revenues

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

Leases

The Company has agreements for land easements and office equipment under operating leases. 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 (Leases) to our Consolidated Financial Statements for a full description of our leases.

Accounts Receivable

Accounts receivable are recorded at the invoiced amounts. As set forth in a settlement agreement, Artesian Water will receive reimbursements from the Trust for Artesian Water's past capital and operating costs, totaling approximately \$10.0 million, related to the treatment costs associated with the release of contaminants from the Site in groundwater that Artesian Water uses for public potable water supply. Three installments for approximately \$2.5 million each were paid in August 2022, July 2023 and July 2024. The final \$2.5 million installment payment is due no later than July 2025. In addition, the Trust shall reimburse Artesian Water for documented reasonable and necessary capital and operating costs after July 1, 2021 that Artesian Water incurs to treat contaminants of concern and of emerging concern.

A provision for expected credit loss is calculated as a percentage of total associated revenues based upon historical trends and adjusted for current and reasonable projections based upon expected economic conditions. We mitigate our exposure to credit losses by discontinuing services in the event of non-payment; accordingly, the related provision for expected credit loss and associated bad debt expense has not been significant. The provision for expected credit loss was \$0.3 million and \$0.3 million at December 31, 2024 and December 31, 2023, respectively. The corresponding expense for the years ended December 31, 2024 and 2023 was \$0.2 million and \$0.1 million, respectively, reported in Operating expenses – Utility and Non-utility operating expenses on the Company's Consolidated Statements of Operations. The following table summarizes the changes in the Company's accounts receivable balance:

<i>In thousands</i>	December 31,		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Customer accounts receivable – water	\$ 6,824	\$ 6,573	\$ 5,981
Customer accounts receivable – wastewater	928	869	767
Customer accounts receivable – SLP Plan	470	409	384
Settlement agreement receivable – short term	2,523	2,747	2,532
Developer receivable	837	2,089	1,151
Miscellaneous accounts receivable	100	471	3,112
	<u>11,682</u>	<u>13,158</u>	<u>13,927</u>
Less provision for expected credit loss	343	328	416
Net accounts receivable	<u>\$ 11,339</u>	<u>\$ 12,830</u>	<u>\$ 13,511</u>

The activities in the provision for expected credit loss are as follows:

<i>In thousands</i>	December 31,	
	2024	2023
Beginning balance	\$ 328	\$ 416
Provision adjustments	204	92
Recoveries	29	48
Write off of uncollectible accounts	(218)	(228)
Ending balance	<u>\$ 343</u>	<u>\$ 328</u>

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. The Company utilizes its 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.

Inventories

Inventories consist of materials and supplies related to water and wastewater utility plant. These materials and supplies are used for new construction and repairs and are recorded at the purchase cost. Usage costs are determined by the first-in, first-out method. The Company adjusts inventory value based on historical usage and forecasted demand.

NOTE 2 – REVENUE RECOGNITION

Background

Artesian's operating revenues are primarily derived from contract services based upon regulated tariff rates approved by the DEPSC, the MDPSC, and the PAPUC. Regulated 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, which are primarily non-utility revenues, are derived from SLP Plan fees, water and wastewater contract operations, design and installation contract services, and wastewater inspection fees. Other regulated operating revenue are derived from developer guarantee contributions for wastewater and rental income for antenna agreements, which are not considered in the scope of Accounting Standards Codification 606, Revenue from Contracts with Customers.

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. Any estimated revenue amounts are recorded as unbilled operating revenue (contract asset) through the end of the accounting period and will be billed at each year end for any shortfall of the actual volume from the required minimal volume.

Artesian generates revenue from metered wastewater services provided to customers in Sussex County, Delaware. We recognize metered wastewater services at tariff rates on a cycle basis for the volume of wastewater transferred to Artesian's wastewater facilities based upon meter readings for actual gallons of water transferred, as well as unbilled amounts for estimated volume from the date of the last meter reading to the end of the accounting period. As actual volume 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 volume in the same period, the previous billing period's volume, or averaging. While actual usage for individual customers may differ from the estimate based on management judgments described above, we believe the overall total estimate of volume and revenue for the fiscal period will not differ materially from actual billed consumption. The majority of these wastewater customers are billed for the volume of water transferred on a quarterly basis. As a result, we record unbilled operating revenue (contract asset) for any estimated volume through the end of the accounting period that will be billed in the next quarterly cycle.

Artesian generates fixed-fee revenue for water and wastewater services provided to customers once a customer requests service in our territory. 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 either in advance or arrears at tariff rates on a monthly, quarterly or semi-annual basis. For contract services billed in arrears, we record unbilled operating revenue (contract asset) for any services through the end of the accounting period that will be billed in the next monthly or quarterly cycle. For contract services billed in advance, 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 against 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.

Artesian generates revenue from interim temporary rates. In Delaware, utilities are permitted by law to place rates into effect, under bond, on a temporary basis, pending resolution of an application for a base rate increase by the DEPSC. Temporary rate revenue is calculated as a percentage increase on tariff rates. We recognize this revenue based on the same guidelines as noted above depending on whether the additional rate was applied to consumption revenue or fixed-fee revenue. Until final rates are determined by the DEPSC, if it is probable that a refund of revenue associated with temporary rates will occur, a reserve would be recorded reducing revenue from temporary rates. Temporary rates that were previously effective as of November 28, 2023 were replaced with final rates effective June 12, 2024, with no reserve or reduction to previously recorded revenue, as approved by the DEPSC.

Accounts receivable related to tariff contract revenues are typically due within 25 days of invoicing. A provision for expected credit loss 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 provision for expected credit loss and associated bad debt expense has not been significant.

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. A provision for expected credit loss 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 provision for expected credit loss 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. The majority of 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 most of these revenues. We have one operation contract that was paid in advance resulting in a contract liability for services that have not yet been provided. A provision for expected credit loss 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 provision for expected credit loss 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, 2024, there is no associated contract asset or liability. There is no provision for expected credit loss 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, provision for expected credit loss 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:

<i>(in thousands)</i>	For the Year Ended December 31,		
	2024	2023	2022
Tariff Revenue			
Consumption charges	\$ 58,477	\$ 49,051	\$ 47,809
Fixed fees	36,825	33,074	31,431
Service charges	735	682	597
DSIC	136	4,727	5,085
Metered wastewater services	809	602	649
Industrial wastewater services	1,859	1,851	1,853
Total Tariff Revenue	\$ 98,841	\$ 89,987	\$ 87,424
Non-Tariff Revenue			
Service line protection plans	\$ 5,825	\$ 5,632	\$ 5,020
Contract operations	1,047	1,046	931
Design and installation	62	181	3,315
Inspection fees	410	424	326
Total Non-Tariff Revenue	\$ 7,344	\$ 7,283	\$ 9,592
Other Operating Revenue	\$ 1,767	\$ 1,591	\$ 1,881
Total Operating Revenue	\$ 107,952	\$ 98,861	\$ 98,897

Contract Assets and Contract Liabilities

Our contract assets and liabilities consist of the following:

<i>(in thousands)</i>	December 31, 2024	December 31, 2023	December 31, 2022
Contract Assets - Tariff	\$ 3,030	\$ 3,043	\$ 2,618
Deferred Revenue			
Deferred Revenue – Tariff	\$ 1,385	\$ 1,300	\$ 1,231
Deferred Revenue – Non-Tariff	<u>714</u>	<u>539</u>	<u>438</u>
Total Deferred Revenue	\$ 2,099	\$ 1,839	\$ 1,669

For the year ended December 31, 2024, the Company recognized revenue of \$1.3 million from amounts that were included in Deferred Revenue – Tariff at the beginning of the year and revenue of \$0.4 million from amounts that were included in Deferred Revenue – Non-Tariff at the beginning of the year. For the year ended December 31, 2023, the Company recognized revenue of \$1.2 million from amounts that were included in Deferred Revenue – Tariff at the beginning of the year and revenue of \$0.3 million from amounts that were included in Deferred Revenue – Non-Tariff at the beginning of the year.

The changes in Contract Assets and Deferred Revenue are primarily due to normal timing differences between our performance and customer payments.

Remaining Performance Obligations

As of December 31, 2024 and December 31, 2023, 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, 2024 and December 31, 2023, Deferred Revenue – Non-Tariff is recorded within Other current liabilities and represents our remaining performance obligations for our SLP Plan services, contract water operation services and wastewater inspections, which are expected to be satisfied and associated revenue recognized within the next three months, approximately five years and one year, 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 3 years to 72 years, some of which include options to automatically extend the leases for up to 66 years and are included as part of the lease liability and right of use assets as we expect to exercise the options. One of the leases for land was terminated in its entirety effective October 10, 2024. The remaining lease liability and right-of-use asset for the terminated lease was removed in the fourth quarter of 2024. Any difference between the carrying amounts of the right-of-use asset and the lease liability will be recorded in the income statement as a gain or loss. 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 2024, 2023 and 2022 were \$20,000, \$19,000, and \$19,000, respectively. The future minimum rental payment as disclosed in the following table is calculated using CPI-U from August 2024 as well as the adjustment for an appraisal conducted in 2019 to determine the fair market value of the parcel of land.

In March 2023, Artesian Water entered into a 5-year operating lease for office equipment. The quarterly lease payments under the lease agreement remain fixed throughout the term of the lease. The previous lease for office equipment expired in March 2022. Payments pursuant to the lease agreements for 2024, 2023 and 2022 were \$8,000, \$6,000 and \$5,000, 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,	
	2024	2023
Minimum rentals	\$ 35	\$ 34
Contingent rentals	---	---
	<u>\$ 35</u>	<u>\$ 34</u>

Supplemental cash flow information related to leases is as follows:

(in thousands)	Twelve Months Ended December 31, 2024	Twelve Months Ended December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 35	\$ 34
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 414	\$ 506

Supplemental balance sheet information related to leases is as follows:

(in thousands, except lease term and discount rate)	December 31, 2024	December 31, 2023
Operating Leases:		
Operating lease right-of-use assets	\$ 414	\$ 506
Other current liabilities	\$ 8	9
Operating lease liabilities	404	503
Total operating lease liabilities	<u>\$ 412</u>	<u>\$ 512</u>

Weighted Average Remaining Lease Term

Operating leases	68 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, 2024 are as follows:

Year	(in thousands)	
	Operating Leases	
2025	\$	28
2026		28
2027		28
2028		22
2029		20
Thereafter		1,321
Total undiscounted lease payments	\$	1,447
Less effects of discounting		(1,035)
Total lease liabilities recognized		412

As of December 31, 2024, we have not entered into 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. Under the fair value hierarchy, the fair value of such financial instruments is classified as a Level 1.

Long-term Financial Liabilities

As of December 31, 2024 and December 31, 2023, all of the Company's outstanding long-term debt interest rates were a 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:

<i>In thousands</i>	December 31,	
	2024	2023
Carrying amount	\$ 178,676	\$ 180,542
Estimated fair value	154,795	162,720

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 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 subsidiaries 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.

As of December 31, 2024, the Company has separate company state net operating loss carry-forwards aggregating approximately \$16.5 million. Most of these net operating loss carry-forwards will not expire, with a negligible amount expiring in 2025. The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized in the future. The valuation allowance increased to approximately \$1,084,000 in 2024 from approximately \$906,000 in 2023. 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

<i>In thousands</i>	For the Year Ended December 31,		
	2024	2023	2022
Federal income taxes			
Current	\$ 4,733	\$ 1,946	\$ 2,912
Deferred	(104)	1,968	930
Total federal income tax expense	<u>\$ 4,629</u>	<u>\$ 3,914</u>	<u>\$ 3,842</u>

	For the Year Ended December 31,		
	2024	2023	2022
State income taxes			
Current	\$ 2,004	\$ 1,016	\$ 1,373
Deferred	682	1,418	663
Total state income tax expense	<u>\$ 2,686</u>	<u>\$ 2,434</u>	<u>\$ 2,036</u>

Reconciliation of effective tax rate:

<i>In thousands</i>	For the Year Ended December 31,					
	2024 Amount	2024 Percent	2023 Amount	2023 Percent	2022 Amount	2022 Percent
Reconciliation of effective tax rate						
Income before federal and state income taxes	\$ 27,709	100.0%	\$ 23,047	100.0%	\$ 23,876	100.0%
Amount computed at statutory rate	5,819	21.0%	4,840	21.0%	5,014	21.0%
Reconciling items						
State income tax-net of federal tax benefit	2,094	7.6%	1,918	8.3%	1,696	7.1%
Regulatory liability adjustment	(719)	(2.6)%	(449)	(1.9)%	(450)	(1.9)%
Other	121	.4%	39	.2%	(382)	(1.6)%
Total income tax expense and effective rate	<u>\$ 7,315</u>	<u>26.4%</u>	<u>\$ 6,348</u>	<u>27.6%</u>	<u>\$ 5,878</u>	<u>24.6%</u>

Deferred income taxes at December 31, 2024 and 2023 were comprised of the following:

<i>In thousands</i>	For the Year Ended December 31,	
	2024	2023
Deferred tax assets related to:		
State operating loss carry-forwards	\$ 1,086	\$ 1,037
Bad debt allowance	96	92
Stock options	31	47
Tax effect of regulatory liabilities	7,408	—
Other	183	48
Total deferred tax assets	<u>\$ 8,804</u>	<u>\$ 1,224</u>
Less: valuation allowance	<u>(1,084)</u>	<u>(906)</u>
Total deferred tax assets net of valuation allowance	<u>\$ 7,720</u>	<u>\$ 318</u>

Deferred tax liabilities related to:

Property plant and equipment basis differences	\$ (57,296)	\$ (56,012)
Bond retirement costs	(907)	(982)
Property taxes	(610)	(624)
Other	(1,172)	(1,081)
Total deferred tax liabilities	<u>\$ (59,985)</u>	<u>\$ (58,699)</u>

Net deferred tax liability	<u>\$ (52,265)</u>	<u>\$ (58,381)</u>
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Schedule of Valuation Allowance

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
<i>In thousands</i>				
Classification				
For the Year Ended December 31, 2024 Valuation allowance for deferred tax assets	\$ 906	\$ 190	\$ 12	\$ 1,084
For the Year Ended December 31, 2023 Valuation allowance for deferred tax assets	\$ 600	\$ 312	\$ 6	\$ 906
For the Year Ended December 31, 2022 Valuation allowance for deferred tax assets	\$ 546	\$ 54	\$ ---	\$ 600

Under FASB ASC Topic 740, the Company establishes reserves for uncertain tax positions based upon management's judgment as to the sustainability of these positions. 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 2022 and 2024.

The following table provides the changes in the Company's uncertain tax position:

<i>In thousands</i>	For the years ended December 31,	
	2024	2023
Balance at beginning of year	\$ 158	\$ 146
Additions based on tax positions related to the current year	46	—
Additions based on tax positions related to prior years	17	12
Reductions for tax positions of prior years	—	—
Lapses in statutes of limitations	—	—
Balance at end of year	<u>\$ 221</u>	<u>\$ 158</u>

NOTE 6 – PREFERRED STOCK

As of December 31, 2024 and 2023, 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 Non-Voting 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 Non-Voting 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 10,000, 8,000 and 7,000 shares at fair market value for the investment of \$347,000, \$381,000, and \$373,000 of their monies in the years 2024, 2023, and 2022, respectively.

NOTE 8 – DEBT

At December 31, 2024, 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, 2024, there was \$40.0 million of available funds under this line of credit. The interest rate is a one-month Daily Secured Overnight Financing Rate, or SOFR, plus 10 basis points, or Term SOFR, plus an applicable margin of 0.85%, which was increased to 1.10% effective August 3, 2023. Term SOFR cannot be less than 0.00%. This is a demand line of credit and therefore the financial institution may demand payment for any outstanding amounts at any time. The term of this line of credit expires on the earlier of May 19, 2025 or any date on which Citizens demands payment. The Company expects to renew this line of credit.

At December 31, 2024, 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, 2024, there was \$20.0 million of available funds under this line of credit. The interest rate for borrowings under this line is either a daily SOFR rate plus 1.45% option or a term SOFR rate plus 1.45% option that is locked in for either one or three months. The term of this line of credit expires on October 31, 2025. Artesian Water expects to renew this line of credit.

CoBank may make an annual patronage refund based on the average line of credit and loan volume outstanding in the prior year. The \$20 million line of credit, the First Mortgage Bonds and the promissory note are with CoBank. Patronage refunds earned by Artesian in 2024 and 2023 were \$1.6 million and \$1.6 million, respectively.

The weighted average interest rate on the lines of credit discussed above paid by the Company was 6.47% for the year ended December 31, 2024. 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, 2024, we were in compliance with these financial covenants.

Long-term debt consists of:

<i>In thousands</i>	December 31,	
	2024	2023
First mortgage bonds		
Series R, 5.96%, due December 31, 2028	\$ 25,000	\$ 25,000
Series S, 4.45%, due December 31, 2033	5,400	6,000
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
Series W, 4.43%, due April 30, 2047	30,000	30,000
	<u>155,400</u>	<u>156,000</u>
State revolving fund loans		
3.64%, due May 1, 2025	77	228
3.41%, due February 1, 2031	1,246	1,415
3.40%, due July 1, 2032	1,296	1,445
1.187%, due November 1, 2041	559	588
1.187%, due November 1, 2041	655	690
1.187%, due November 1, 2041	1,021	1,075
2.00%, due February 1, 2043	793	828
2.00%, due February 1, 2043	1,095	1,143
2.00%, due June 1, 2043	960	1,002
2.00%, due June 1, 2043	978	1,022
2.00%, due February 1, 2044	3,086	2,696
2.00%, due January 1, 2043	978	1,000
	<u>12,744</u>	<u>13,132</u>
Notes Payable		

Promissory Note, 5.12%, due December 30, 2028	\$	9,590	\$	10,155
Asset Purchase, 2.00%, due May 26, 2027		<u>942</u>		<u>1,255</u>
		10,532		11,410
Sub-total		178,676		180,542
Less: current maturities (principal amount)		<u>2,167</u>		<u>2,235</u>
Total long-term debt	\$	<u>176,509</u>	\$	<u>178,307</u>

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

<i>In thousands</i>	2025	2026	2027	2028	2029	Thereafter
First Mortgage bonds	\$ 600	\$ 600	\$ 600	\$ 25,600	\$ 600	\$ 127,400
State revolving fund loans	773	816	836	857	878	8,584
Asset Purchase-Contractual Obligation	314	314	314	---	---	---
Promissory note	480	505	532	559	590	6,924
Total payments	<u>\$ 2,167</u>	<u>\$ 2,235</u>	<u>\$ 2,282</u>	<u>\$ 27,016</u>	<u>\$ 2,068</u>	<u>\$ 142,908</u>

Substantially all of Artesian Water's utility plant is pledged as security for our First Mortgage Bonds. As of December 31, 2024, 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 Company accounts for stock options issued after January 1, 2006 under FASB ASC Topic 718.

Compensation expenses for restricted stock awards were \$219,000, \$254,000 and \$152,000 in 2024, 2023 and 2022, respectively. Costs were determined based on the fair value on the dates of the awards and those costs were charged to income over the service periods associated with the awards. As of December 31, 2024, there was \$63,000 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.

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

	2024 Shares	2024 Weighted Average Exercise Price	2023 Shares	2023 Weighted Average Exercise Price	2022 Shares	2022 Weighted Average Exercise Price
Plan options						
Outstanding at beginning of year	0	\$ 00.00	6,750	\$ 21.86	83,000	\$ 21.65
Granted	—	—	—	—	—	—
Exercised	0	00.00	(6,750)	21.86	(76,250)	21.63
Expired	—	—	—	—	—	—
Outstanding at end of year	---	\$ ---	---	\$ ---	6,750	\$ 21.86
Options exercisable at year end	---	\$ ---	---	\$ ---	6,750	\$ 21.86

The total intrinsic value of options exercised during 2024, 2023 and 2022 were \$0, \$137,000 and \$2,226,000, respectively. During 2024, we received \$0 in cash from the exercise of options, with a \$0 tax benefit realized for those options.

The following table summarizes information about employee and director stock options outstanding and exercisable at December 31, 2024:

Options Outstanding and Exercisable

Range of Exercise Price	Shares Outstanding at December 31, 2024	Weighted Average Remaining Life	Weighted Average Exercise Price	Aggregate Intrinsic Value
\$ 00.00	0	0 Years	\$ 00.00	\$ 0

As of December 31, 2024, there were no outstanding option shares.

The following summary reflects changes in the shares of Class A Stock underlying options and restricted stock awards (RSA):

	Restricted Awards	
	Outstanding Restricted Stock Awards	Weighted Average Grant Date Fair Value
Restricted stock awards		
Outstanding at January 1, 2024	5,000	\$54.88
Granted	5,000	\$37.07
Exercised/vested and released	(5,000)	\$54.88
Expired/cancelled	---	---
Outstanding at December 31, 2024	5,000	\$37.07
Exercisable/vested at December 31, 2024	---	\$---

Stock Options

No options were granted in 2024, 2023 or 2022.

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

Stock Awards

On May 6, 2024, 5,000 shares of Class A Non-Voting Common Stock, or Class A Stock, were granted as restricted stock awards. The fair value per share was \$37.07, the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 6, 2024. These restricted stock awards will be fully vested and released one year after the grant date and, prior to their vesting date, are subject to forfeiture in the event of the recipient's termination of service.

On May 9, 2023, 5,000 shares of Class A Non-Voting Common Stock, or Class A Non-Voting Stock, were granted as restricted stock awards. The fair value per share was \$54.88, the closing price of the Class A Non-Voting Stock as recorded on the Nasdaq Global Select Market on May 9, 2023. These restricted stock awards were fully vested and released one year after the grant date.

On May 3, 2022, 5,000 shares of Class A Non-Voting Stock, were granted as restricted stock awards. The fair value per share was \$45.58, the closing price of the Class A Non-Voting Stock as recorded on the Nasdaq Global Select Market on May 3, 2022. These shares were fully vested and released one year after the grant date.

As of December 31, 2024, there was \$63,000 of total unrecognized expense related to non-vested awards of restricted shares awarded under the 2015 Plan. The cost will be recognized over 0.34 years, the remaining vesting period for the restricted stock awards.

The total intrinsic value of awards released during 2024 was approximately \$197,400.

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%. 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 of 6% of eligible salaries and wages. The 401(k) Plan expenses, which include Company contributions and administrative fees, for the years 2024, 2023 and 2022, were approximately \$1.2 million, \$1.4 million and \$1.3 million, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Leases

The Company's leases are disclosed in Note 3 – Leases.

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 non-lease components related to this easement agreement. It was determined that the majority of this easement agreement contained non-lease components. In October 2024, this easement agreement was terminated in its entirety. Easement payments, including both lease and non-lease components, for 2024, 2023 and 2022 were \$34,000, \$45,000 and \$43,000, 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 November 2016, Artesian Wastewater was required to pay a minimum of \$40,000 per year for the use of this land. Once operations began in 2021, the monthly fee is 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 2024, 2023 and 2022 were \$119,000, \$126,000, \$113,000, respectively. The agreement can be terminated by giving 180-day notice prior to the termination date. The future minimum annual payment related to this easement agreement for the years subsequent to 2024 is \$22,000.

Interconnections

Artesian Water has one water service interconnection agreement with a neighboring utility, Chester Water Authority. The agreement is effective from January 1, 2022 through December 31, 2026, includes automatic five-year renewal terms, unless terminated by either party, and has a "take or pay" clause which currently requires us to purchase a minimum of 0.5 million gallons of water per day. Rates charged under this agreement are subject to change with notice.

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 of water per day. The agreement extends through June 2029. The agreement includes one remaining automatic five-year renewal term, unless terminated by either party.

The minimum annual purchase commitments for all interconnection agreements for 2025 through 2029, calculated at the noticed rates, are as follows:

<i>In thousands</i>		
2025	\$	928
2026		943
2027		57
2028		57
2029		57
	<u>\$</u>	<u>2,042</u>

Expenses for purchased water were \$1.5 million, \$1.3 million and \$1.8 million for 2024, 2023 and 2022, respectively.

Other Commitments

In April 2021, Artesian Water entered into a 3-year agreement with Worldwide Industries Corporation effective July 1, 2021 to paint elevated water storage tanks. Pursuant to the agreement, the total expenditure for the three years was \$1.2 million. In September 2022, this agreement was amended to paint an additional elevated water storage tank and to extend the term of the agreement for an additional year. Pursuant to the amended agreement, the total expenditure for the four years is \$2.2 million. Tank painting expense for 2024, 2023 and 2022 was \$735,000, \$689,000, and \$531,000, 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 2025 through 2027 are as follows:

<i>In thousands</i>	
2025	\$ 4,050
2026	13,715
2027	2,400
	<u>\$ 20,165</u>

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 regulated 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, 2024, Artesian Water was serving approximately 97,400 customers, Artesian Water Maryland was serving approximately 2,700 customers and Artesian Water Pennsylvania was serving approximately 40 customers.

Artesian Wastewater and TESI provide regulated wastewater utility service to customers within their established service territory in Sussex County, Delaware pursuant to rates filed with and approved by the DEPSC. As of December 31, 2024, Artesian Wastewater and TESI were serving approximately 8,600 customers combined, including one large industrial customer.

NOTE 13 – REGULATORY PROCEEDINGS

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 Company's requested level of rates.

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

- The DEPSC, regulates Artesian Water, Artesian Wastewater, and TESI.
- 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 subsidiaries 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. Any DSIC rate in effect will be reset to zero upon implementation of a temporary increase in base rates charged to customers. 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.

Artesian Water filed an initial request with the DEPSC on April 28, 2023, further supplemented with a request filed on November 30, 2023, to implement new rates to meet a requested increase in revenue of approximately \$16.7 million, on an annualized basis, or 22.7%. The DEPSC approved and Artesian Water implemented a temporary rate increase effective November 28, 2023 of approximately \$10.8 million, on an annualized basis, or 14.6%, subject to refund, and reduced the DSIC previously in effect from approximately 7.5% to zero. On May 22, 2024, Artesian Water, the Staff of the DEPSC, and the Division of the Public Advocate, or DPA, (collectively, the Parties) entered into an agreement, or Settlement Agreement, to settle Artesian Water’s April 2023 application to implement new rates. On June 12, 2024, a DEPSC order was issued approving the settlement agreement entered into on May 22, 2024 between the Parties. The Settlement Agreement authorizes a total increase in the revenue requirement of \$11.2 million, on an annualized basis, or approximately 15.2%, with a rate effective date of June 12, 2024, which encompasses a 9.5% return on common equity and an overall rate of return on rate base of 6.75%. Temporary rates that were in effect since November 28, 2023 were replaced with the final approved rates from the Settlement Agreement. Revised depreciation rates for utility plant and revised amortization rates for certain regulatory assets and liabilities were also approved effective June 12, 2024.

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 last two applications with the DEPSC to collect DSIC rates and (2) the rate upon which eligible plant improvements was based:

Application Date	11/20/2020	05/30/2024	11/22/2024
DEPSC Approval Date	12/14/2020	06/12/2024	12/18/2024
Effective Date	01/01/2021	07/01/2024	01/01/2025
Cumulative DSIC Rate	7.50%	0.34%	1.66%
Net Eligible Plant Improvements – Cumulative Dollars (<i>in millions</i>)	\$43.1	\$2.0	\$11.7
Eligible Plant Improvements – Installed Beginning Date	10/01/2014	11/01/2023	11/01/2023
Eligible Plant Improvements – Installed Ending Date	04/30/2019	04/30/2024	10/31/2024

On December 18, 2024, the DEPSC approved Artesian Water’s application to implement a DSIC rate of 1.66%, effective January 1, 2025. Effective July 1, 2024, Artesian Water was permitted to recover specific investments made in infrastructure through the assessment of a 0.34% DSIC. The January 1, 2025 and July 1, 2024 DSIC are subject to periodic audit by the DEPSC. Effective January 1, 2021, Artesian Water was permitted to recover specific investments made in infrastructure through the assessment of a 7.50% DSIC. The January 1, 2021 DSIC rate was reset to zero when the temporary base rate increase was placed into effect on November 28, 2023. For the years ended December 31, 2024, December 31, 2023 and December 31, 2022, we earned approximately \$0.1 million, \$4.7 million and \$5.1 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,		
	2024	2023	2022
	<i>(in thousands)</i>		
Weighted average common shares outstanding during the period for basic computation	10,294	10,018	9,462
Dilutive effect of employee stock options	2	4	19
Weighted average common shares outstanding during the period for diluted computation	<u>10,296</u>	<u>10,022</u>	<u>9,481</u>

For the years ended 2024, 2023 and 2022, no shares of restricted stock awards were excluded from the calculations of diluted net income per share. For the years ended 2024, 2023 and 2022, 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 Non-Voting Stock, and 1,040,000 authorized shares of Class B Stock. As of December 31, 2024, 9,418,871 shares of Class A Non-Voting Stock and 881,452 shares of Class B Stock were issued and outstanding. As of December 31, 2023, 9,404,311 shares of Class A Non-Voting Stock and 881,452 shares of Class B Stock were issued and outstanding. As of December 31, 2022, 8,621,415 shares of Class A Non-Voting 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 \$23.24, \$23.00, and \$19.86 at December 31, 2024, December 31, 2023, and December 31, 2022, respectively. These amounts were computed by dividing common stockholders' equity by the number of weighted average shares of common stock outstanding on December 31, 2024, December 31, 2023, and December 31, 2022, respectively.

NOTE 15 – COMMON STOCK OFFERING

On May 23, 2023, the Company completed the sale of 695,650 shares of its Class A Stock, par value \$1.00 per share, at a price to the public of \$50 per share. The net proceeds to the Company from the offering, after deducting the underwriting discounts and commissions and other offering costs, were approximately \$33.0 million. The Company also granted the underwriter a 30-day option to purchase up to an additional 104,348 shares of Class A Stock at the public offering price, less the underwriting discount. On June 16, 2023, the underwriter exercised its over-allotment option to purchase 67,689 shares of Class A Stock at the public offering price. The net proceeds to the Company resulting from the exercise of the over-allotment option, after deducting the underwriting discounts and commissions and other offering costs, were approximately \$3.2 million. All of the shares of Class A Stock sold in the offering were offered by the Company.

The proceeds from both the initial offering and the over-allotment option were used to repay short-term borrowings, including borrowings incurred under our lines of credit with Citizens Bank and CoBank, incurred primarily to finance capital expenditures, including investment in utility plant and equipment, and other general corporate purposes.

NOTE 16 - 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 ensure 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.

Several of the water systems of Artesian Resources' subsidiaries are claimants in two multi-district litigation, or MDL, class action settlements designed to resolve claims for per- and polyfluoroalkyl substances, or PFAS, contamination in Public Water Systems' Drinking Water, as those terms are defined in the respective Agreements (the "Settlements"), which are with two groups of settling defendants on behalf of: (1) the 3M company ("3M"); and (2) E.I. Du Pont de Nemours and Company (n/k/a Eidp, Inc.), DuPont de Nemours Inc., The Chemours Company, The Chemours Company FC, LLC, and Corteva, Inc. (collectively, "DuPont"). Phase One Public Water System Settlement Claims Forms have been submitted on behalf of Artesian Resources' eligible systems in each of the Settlements. The amount of any recovery, if any, by Artesian Resources' subsidiaries is uncertain.

Several of the water systems of Artesian Resources' subsidiaries are eligible claimants in the MDL class action settlement designed to resolve claims for PFAS contamination in Public Water Systems' Drinking Water, as those terms are defined in the settlement agreement of settling defendants Tyco Fire Products LP and Chemguard, Inc. (the "Tyco Settlement"). The deadline for eligible claimants to submit requests for exclusion from the settlement was September 23, 2024; Artesian Resources' subsidiaries have elected to remain in the settlement class. The amount of any recovery, if any, by Artesian Resources' subsidiaries is uncertain.

Several of the water systems of Artesian Resources' subsidiaries may be eligible claimants in the MDL class action settlement designed to resolve claims for PFAS contamination in Public Water Systems' Drinking Water, as those terms are defined in the settlement agreement of settling defendant BASF Corporation (the "BASF Settlement"). The deadline for eligible claimants to submit requests for exclusion from the settlement was October 15, 2024; Artesian Resources' subsidiaries have elected to remain in the settlement class. The amount of any recovery, if any, by Artesian Resources' subsidiaries is uncertain.

NOTE 17 - BUSINESS SEGMENT INFORMATION

The Company's operating segments are comprised of its businesses which generate revenues and incur expenses, for which separate operational financial information is available and is regularly evaluated by management for the purpose of making operating decisions, assessing performance, and allocating resources. The Company operates its businesses primarily through one reportable segment, the Regulated Utility segment. The Regulated Utility segment is the largest component of the Company's business and includes an aggregation of our five regulated utility subsidiaries that are in the business of providing regulated water and wastewater services on the Delmarva Peninsula. Our regulated water utility services include treating, distributing, and selling water to residential, commercial, industrial, governmental, municipal and utility customers throughout the State of Delaware and in Cecil County, Maryland and to a residential community in Chester County, Pennsylvania. Our regulated wastewater utility services include the treatment and disposal of wastewater for customers in Sussex County, Delaware. The Company is subject to regulations as to its rates, services, and other matters by the states of Delaware, Maryland and Pennsylvania with respect to utility service within these states.

The Chief Operating Decision Maker, or CODM, is the Executive Committee led by the Chief Executive Officer and includes the Chief Financial Officer. The CODM uses operating income as its measure of profit to assess the performance of each segment. This profit measure excludes the financing component and allows management to focus on controllable expenses, to allocate resources during the annual budgeting process and to monitor budget versus actual results on a monthly basis.

The accounting policies of the operating segments are the same as those described in Note 2 – Basis of Presentation. The measurement of depreciation, interest, and capital expenditures are predominately related to our Regulated Utility segment. These amounts in our non-utility business are negligible and account for approximately less than 1% of consolidated amounts as of December 31, 2024, December 31, 2023 and December 31, 2022.

	2024		Years Ended December 31, 2023		2022	
	Regulated Utility	Total	Regulated Utility	Total	Regulated Utility	Total
Regulated Utility Revenues	\$ 101,210	\$ 101,210	\$ 92,228	\$ 92,228	\$ 89,818	\$ 89,818
Reconciliation of revenue						
Other revenues		7,014 (a)		6,877 (a)		9,248 (a)
Inter-segment elimination		(272)		(244)		(169)
Consolidated revenues		<u>107,952</u>		<u>98,861</u>		<u>98,897</u>
Less: (b)						
Payroll and Benefits (c)	25,975		25,031		24,018	
Supply and Delivery (d)	14,704		12,595		11,936	
Administrative (e)	9,389		8,823		7,987	
Depreciation and Amortization	13,578		13,281		12,563	
Income Taxes	6,552		5,216		5,091	
Property and other taxes	6,255		6,036		5,812	
Regulated Utility Operating Income	\$ 24,757	24,757	\$ 21,246	21,246	\$ 22,411	22,411
Reconciliation of operating income						
Other profit		1,394 (a)		1,200 (a)		1,495 (a)
Consolidated operating income		<u>\$ 26,151</u>		<u>\$ 22,446</u>		<u>\$ 23,906</u>

	December 31, 2024		December 31, 2023	
	Regulated Utility	Total	Regulated Utility	Total
Assets				
Regulated Utility Assets	\$ 793,118	\$ 793,118	\$ 760,339	\$ 760,339

Reconciliation of assets

Other assets	5,505	6,493
Consolidated assets	<u>\$ 798,623</u>	<u>\$ 766,832</u>

(a) Other revenues and other profit:

- Revenue and profit from segments below the quantitative thresholds are attributable to four non-utility businesses of the Company
- These businesses are primarily comprised of: Service Line Protection Plan services for water, sewer and internal plumbing; design, construction and engineering services; contract services for the operation and maintenance of water and wastewater systems in Delaware and Maryland; and leased space to the Regulated Utility Segment
- These non-utility businesses do not individually or in the aggregate meet the quantitative thresholds for determining reportable segments
- Certain corporate costs have been allocated from the regulated utility segment to the non-utility businesses and are included in the other profit amounts shown

(b) Significant expense categories:

- The significant expense categories and amounts align with the segment-level information that is regularly provided to the CODM
- Inter-segment expenses related to leased space provided by one non-utility business, calculated on the lower of cost or market method, are included in the amounts shown

(c) Payroll and benefits:

- This category does not include amounts capitalized on the Consolidated Balance Sheet

(d) Supply and Delivery:

- This category includes purchased power, purchased water, chemicals, infrastructure maintenance and repair costs, and wastewater disposal fees

(e) Administration expense:

- This category includes computer systems maintenance and subscription fees, audit and legal fees, insurance, customer billing, and other general and administrative expenses

NOTE 18 - IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued amended guidance for improvements to reportable segment disclosures. The amendments in this update require the Company to disclose significant segment expenses that are regularly provided to the chief operating decision makers, or CODMs, and are included within each reported measure of segment operating results. The standard also requires the Company to disclose the total amount of any other items included in segment operating results which were not deemed to be significant expenses for separate disclosure, along with a qualitative description of the composition of these other items. In addition, the standard also requires disclosure of the CODM's, title and position, as well as detail on how the CODM uses the reported measure of segment operating results to evaluate segment performance and allocate resources. The standard also aligns interim segment reporting disclosure requirements with annual segment reporting disclosure requirements. The Company adopted this standard effective with our December 31, 2024 year end reporting, and the standard will be effective for interim reporting periods in fiscal years beginning after December 15, 2024. The standard required retrospective application to all prior periods presented. The standard required additional disclosures related to the Company's reportable segments, and did not have an impact on the Company's results of operations or cash flows due to the adoption of this guidance.

In December 2023, FASB issued amended guidance on Income Taxes: Improvements to Income Tax. The amendments require the Company to provide further disaggregated income tax disclosures for specific categories on the effective tax rate reconciliation, as well as additional information about federal, state/local and foreign income taxes. The standard also requires the Company to annually disclose its income taxes paid (net of refunds received), disaggregated by jurisdiction. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be applied on a prospective basis, although optional retrospective application is permitted. While the standard will require additional disclosures related to the Company's income taxes, management does not expect the adoption of this guidance to have an impact on the Company's results of operations or cash flows.

In November 2024, FASB issued amended guidance which requires disaggregated disclosure of income statement expenses for public business entities. The guidance does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted.

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, 2024 and 2023, the related consolidated statements of operations, cash flows, and changes in stockholders’ equity for each of the three years in the period ended December 31, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, 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 the 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.

Revenue recognition – Water Sales

As indicated in Note 2 to the consolidated financial statements, water sales revenue consists of tariff contract revenues from the sale of water, fixed fees for water services, and Distribution System Improvement Charges, or DSIC, billed to customers at rates outlined in the Company's tariffs. The Company recognizes revenues from the sale of water, and fixed fees for water services over time as water is consumed and as the customers simultaneously receive and consume the benefits of the Company remaining ready to provide them water services, respectively. DSIC revenue is a surcharge applied to tariff rates, and the Company recognizes DSIC revenue depending on whether the surcharge was applied to water consumption revenue or fixed-fee revenue. As indicated in the consolidated statements of operations, the Company recorded \$88 million of water sales revenue for the year ended December 31, 2024.

We identified the recognition of water sales as a critical audit matter due to the large volume of customers and transactions which involved an increased extent of auditor effort in performing audit procedures and evaluating audit evidence related to the Company’s water sales revenue recognition.

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

- Testing the design and operating effectiveness of certain relevant internal controls related to the Company's recognition of water sales revenue.
- Testing a sample of revenue transactions by obtaining and inspecting source documents such as invoices, cash receipts, approved tariff rates and recalculating the revenue recognized.
- Testing a sample of revenue transactions to verify that the customer's property is located within the Company's approved service territory.
- Performing analytical procedures to reconcile cash received from customers to revenue recognized.

/s/ BDO USA, P.C.

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

Wilmington, Delaware
March 26, 2025

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 Company'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, 2024 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, 2024, 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, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Date: March 26, 2025

CHIEF EXECUTIVE OFFICER:

/s/ NICHOLLE R. TAYLOR

Nicholle R. Taylor

CHIEF FINANCIAL OFFICER:

/s/ DAVID B. SPACHT

David B. Spacht

ITEM 9B. OTHER INFORMATION

Insider Adoption or Termination of Trading Arrangements:

During the fiscal quarter ended December 31, 2024, none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

<u>Name</u>	<u>Age</u>	<u>Position</u>
Nicholle R. Taylor	57	<p>Biography: Chair of the Board of Directors of the Company, or the Board, commencing February 2025 and a director since 2007. Ms. Taylor has served as President and Chief Executive Officer since February 2025. Ms. Taylor previously served as Interim President and Chief Executive Officer between January 3, 2025 and February 2025 and served as Senior Vice President of the Company from May 9, 2012 until her appointment as the Company’s President and Chief Executive Officer. She has also served as President of Artesian Water Company since August 16, 2021. Previously Ms. Taylor served as Chief Operating Officer of Artesian Water Company from August 2019 to August 2021. She was Vice President of the Company 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 Budget and Finance Committee. Ms. Taylor is the niece of Dian C. Taylor and the cousin of John R. Eisenbrey, Jr.</p> <p>Qualifications: Ms. Nicholle Taylor has over thirty years of experience with the Company in a variety of field, office, and managerial positions. The Board 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.</p>
Kenneth R. Biederman Ph. D.	81	<p>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; Budget and Finance; Governance and Nominating; and Compensation Committees. As previously disclosed pursuant to a Current Report on Form 8-K filed with the SEC on February 7, 2025, Mr. Biederman has advised the Company that he will resign from the Board following the conclusion of the annual meeting of stockholders on May 6, 2025.</p> <p>Qualifications: Dr. 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.</p>
John R. Eisenbrey, Jr.	69	<p>Biography: Director since 1993 – Small Business Executive. For more than 40 years, Owner and President of Bear Industries, Inc., a contracting firm providing building fire</p>

sprinkler protection installations for businesses throughout the Delmarva Peninsula. Mr. Eisenbrey served on the Board of Trustees of St. Andrews School between 2021 and 2024. Mr. Eisenbrey is the nephew of Dian C. Taylor and the cousin of Nicholle R. Taylor. He serves on the Audit; Budget and Finance; Governance and Nominating; and Compensation Committees.

Qualifications: The Board 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 40 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 experience with operational, technical, and regulatory matters also applicable to our water business.

Michael Houghton,
Esq.

68 **Biography:** Director appointed September 2018 – Mr. Houghton retired as of January 1, 2022 as Partner from the law firm of Morris Nichols Arshnt & Tunnell in Wilmington, Delaware, and continued as special counsel to the firm until September 30, 2023. 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. Mr. Houghton's legal expertise involves the representation of governmental entities, such as the Delaware River & Bay Authority. He has also represented banks, trust companies, insurance companies and public utilities in commercial transactions and before regulatory authorities and state, county, and local governments and in legislative and public policy matters before Delaware government. Mr. Houghton has also advised numerous entities, including Fortune 500 companies, on unclaimed property issues and has represented numerous companies in connection with unclaimed property audits and voluntary disclosure matters. He has been selected for inclusion in The Best Lawyers in America from 2009-2023. Mr. Houghton is a member of the Board of Governors of the Delaware State Chamber of Commerce and the Boards of the Delaware Public Policy Institute and the Rockefeller Trust Company of Delaware. He is a past member of the Pete du Pont Freedom Foundation, the Board of the Delaware Bar Foundation, a Trustee of the Uniform Law Foundation, a Past President of the Delaware State Bar Association and a Past President the National Conference of Commissioners on Uniform State Laws. He was appointed in 2017 by Delaware Governor John Carney to serve as Chair of the Delaware Economic and Financial Advisory Council and in 2023 to the Delaware Marijuana Appeals Commission and the Delaware Environmental Appeals Board and in December 2024 to the Delaware River and Bay Authority. Mr. Houghton serves on the Audit; Budget and Finance; Compensation; and Governance and Nominating Committees.

Qualifications: Mr. Houghton's legal and regulatory experience and extensive involvement in Delaware legislative and public policy matters are attributes that provide valuable insight and benefit as the Company continues its growth in Delaware. The Board has determined that Mr. Houghton's more than 40 years of experience makes him well qualified to serve on the Board.

Dian C. Taylor

79 **Biography:** Director since 1991 – Chair of the Board from July 1993 to February 2025. Ms. Taylor served as Chief Executive Officer of the Company from September 1992 to January 2025 when she commenced a leave of absence. Her employment with the Company began in August 1991 and ended in February 2025. Prior to joining the Company, Ms. Taylor had extensive marketing and small business ownership experience. 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 Budget and Finance Committee.

Qualifications: Ms. Dian Taylor experience as President and Chief Executive Officer of the Company for over 30 years gives her extensive knowledge regarding the Company and the complex issues facing smaller companies. 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 as a Commissioner for the Delaware River and Bay Authority, on the Delaware Economic and Financial Advisory Council, as a Regional Advisory Board Member for Citizens Bank, on the Board of Governors of the Delaware State Chamber of Commerce, on the Executive Committee of the Delaware Business Round Table, American Heart Association, Committee of 100 and the Delaware Council on Economic Education, and as a Trustee of the Delaware Grand Opera and the Christiana Care Hospital. 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's conclusion that Ms. Taylor should serve as a director of the Company.

Pierre A. Anderson 46 Chief Information Officer and Senior Vice President of the Company since May 19, 2021. Mr. Anderson previously served as Vice President of Information Technologies of the Company from May 2012 to May 2021, Director of Information Technologies from April 2008 to May 2012, and Manager of Information Technologies from December 2006 to April 2008. 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 roles. He received his Bachelors of Science degree in Computer Science from Delaware State University and both an MBA and Masters of Science in Information Systems & Technology Management from the University of Delaware's Lerner College of Business & Economics.

Mr. Anderson serves on the Boards of Easterseals of Delaware & Maryland's Eastern Shore (Vice Chair), Delaware State Chamber of Commerce, University of Delaware's Lerner College Alumni, Bancroft Construction Company, and the Delaware Economic & Forecasting Advisory Council (DEFAC).

Joseph A. DiNunzio, CPA, CGMA 62 Executive Vice President and Secretary of the Company since May 2007 and President of Artesian Water Maryland, Inc. since May 2017. Mr. DiNunzio previously served as Senior Vice President and Secretary since March 2000 and as Vice President and Secretary since January 1995. He served as Secretary of the Company from July 1992 to January 1995. Prior to joining Artesian in 1989, Mr. DiNunzio was employed by PriceWaterhouseCoopers LLP. He earned a B.S. in Commerce, with concentration in accounting, from the McIntire School of Commerce at the University of Virginia.

Mr. DiNunzio is Past Chairman of the Board of the Cecil County Chamber of Commerce and served on the Board of the Cecil Business Leaders from June 2013 to January 2023. He is Past Chairman of the Delaware Chapter of the National Association of Water Companies. Mr. DiNunzio is a member of the Cecil County Maryland Economic Development Commission, the Delaware Source Water Assessment and Protection Program's Citizens and Technical Advisory Committee, the American Institute of Certified Public Accountants, the Pennsylvania Institute of Certified Public Accountants, and was a member of the 2003 Delaware Legislative Drinking Water Task Force.

Courtney A. Emerson, Esq. 41 General Counsel of the Company since August 2021 and Assistant Secretary of the Company since November 2022. Prior to joining Artesian in 2021, Ms. Emerson practiced law at Fox Rothschild LLP. She previously served as an emergency manager for the State of Delaware for nearly a decade and was an educator at a multinational bank. She earned her J.D. from the Delaware Law School of Widener University and her B.S. in Political Science from the University of Delaware.

Ms. Emerson has served as Vice Chair of the Environmental Section of the Delaware State Bar Association, as Vice Chair of the American Bar Association's Disaster Legal Services Team, and as Vice President of the University of Delaware Alumni Lawyers Society. She is a member of the General Counsel Section of the National Association of Water Companies, the Environmental Section of the Delaware State Chamber of Commerce, the American Bar Association, and the Committee of 100.

Jennifer L. Finch,
CPA

56 Senior Vice President of Finance & Corporate Treasurer of the Company since November 2020. Prior to that, Ms. Finch was the Assistant Treasurer and Vice President of Finance. Ms. Finch is responsible for the oversight of all aspects of accounting and tax-related matters, corporate financing, and serves as the principal accounting officer.

Prior to joining Artesian in 2008, Ms. Finch held various accounting positions for Handler Corporation, a homebuilder and developer located in Wilmington, Delaware, where she worked for 14 years. She also worked four years for a local certified public accounting firm and has more than 30 years of accounting, auditing, and tax experience. Ms. Finch is a member of the American Institute of Certified Public Accountants and the Delaware Society of Certified Public Accountants.

Raymond T. Kelly,
CPA, CISA

40 Vice President of Information Technology for the Company since November 4, 2022. Mr. Kelly joined Artesian in 2013 as Manager of Business Applications and was promoted to the Director of Information Technology in 2016. Prior to joining Artesian he served as a Manager for PricewaterhouseCoopers, where he progressively advanced from an Associate; leading information technology audits, financial audits of publicly traded institutions, and utility meter to cash system engagements. During his time at Artesian, Mr. Kelly, who is responsible for all Information Technology functions, has directly led and overseen all enhancements to the technology portfolio including; enterprise applications, infrastructure, business process automation, analytics, and cybersecurity.

Mr. Kelly earned both a Bachelor of Science in Computer Science and Business and a Bachelor of Science in Business and Economics from Lehigh University. He is a Certified Public Accountant, a Certified Information Systems Auditor, and a Chartered Global Management Accountant. He serves on the Program Committee of the Boys & Girls Club of Delaware and is a member of the American Institute of Certified Public Accountants.

Daniel W. Konstanski

40 Mr. Konstanski is a Board Certified, Professional Engineer with 20 years of experience in the water and wastewater industry. He joined the Company in March of 2014 as a Senior Engineer, was appointed Manager of Engineering in 2019 and was named Vice President of Engineering in October of 2022. Mr. Konstanski is responsible for managing and overseeing the Engineering Department's operation and staff as well as directly managing capital projects. His team includes engineers, project managers and subject matter experts who shepherd, analyze, and manage Artesian's extensive water and wastewater assets including treatment, pipeline hydraulics, system modeling, pumped networks, and regulatory matters. During his time at Artesian Mr. Konstanski has managed the permitting, design and construction of multiple new water and wastewater treatment plants as well as renovations of numerous existing facilities, overseen the development of state-of-the-art digital models for both the water and wastewater systems, led efforts to increase self-sufficiency by hundreds of millions of gallons per year and provided input on Artesian's purchase of multiple additional water and wastewater systems.

Mr. Konstanski earned his Bachelor of Science in Civil Engineering from Michigan Technological University and his Board Certification from the American Academy of Environmental Engineers. He has been a Licensed Professional Engineer since 2010. Mr. Konstanski is a member of the American Water Works Association and the Water Environment Federation.

David B. Spacht

65 Chief Financial Officer of the Company 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 40 years on developing rates and regulations in Delaware. He has also worked closely with the Maryland Public Service Commission developing rates and regulations as a result of filing for acquisitions. He was selected by the National Association of Regulatory Utility Commissioners Subcommittee on Education 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 32 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.

John M. Thaeher 66 Senior Vice President of Operations. Mr. Thaeher has served as an officer since February 1998. He currently serves as an officer of the Company. Prior to joining the company, Mr. Thaeher was with Hydro Group, Inc. from 1996 to 1998 as Southeastern District Manager of Sales and Operations from Maryland to Florida. During 1995 and 1996, he was Sales Manager of the Northeast Division with sales responsibilities from Maine to Florida. Previously, 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. Nicholle R. Taylor has been nominated for election to the Board at the Annual Meeting of stockholders to be held May 6, 2025, to serve for a term lasting until the annual meeting of stockholders to be held in 2028, or until her earlier resignation or removal.

The Board, which met six times in 2024, has established four standing committees: the Audit Committee, the Compensation Committee, the Budget and Finance Committee, and the Governance and Nominating Committee. Information with respect to the Audit, Compensation and Governance and Nominating Committees is set forth below. In addition, the charter for each of the four standing committees of the Board is available on our website, www.artesianwater.com.

Dian C. Taylor, the Company's Chief Executive Officer throughout 2024, also served as Chair of the Board throughout 2024. In February 2025, Nicholle R. Taylor was appointed to serve as both Chief Executive Officer and Chair of the Board. The Board, after considering the size of the Company and the composition of the Board, determined that the combined structure was appropriate. The Board determined that having one person serving as Chair of the Board and Chief Executive Officer ensured a unified leadership of the Board and management and provided potential efficiency in the execution of the strategies and visions of the Board and management. The Board believed that Ms. Taylor's experience and operational knowledge of the business enabled 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.

Communications with Directors

Any stockholder wishing to communicate with a director may do so by contacting the Company's Secretary, which will pass to the director written, e-mail or phone communications. The Board has authorized the Secretary to screen frivolous or unlawful communications or commercial advertisements. You may reach the Secretary at Artesian Resources Corporation, 664 Churchmans Road, Newark, DE 19702.

Director Compensation

In May 2024, each independent director received an annual retainer fee of \$95,000, to be paid quarterly. Dian C. Taylor and Nicholle R. Taylor received annual retainer fees of \$67,000, to be paid quarterly. Directors do not receive any additional meeting fees.

In 2024, 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			Total
	Paid in Cash (\$)	Stock Awards (\$)(1)	All other Compensation (\$)	
Kenneth R. Biederman	95,000	37,070	---	132,070
John R. Eisenbrey, Jr.	95,000	37,070	---	132,070
Michael Houghton	95,000	37,070	---	132,070

- (1) On May 6, 2024, each director, received a restricted stock award of 1,000 shares of Class A Non-Voting Stock. The fair market value per share was \$37.07, the closing price of the Class A Non-Voting Stock as recorded on the Nasdaq Global Select Market on May 6, 2024. Subject to continued service, the restricted shares vest one year from the date of grant. There were no outstanding option shares outstanding for Independent Directors at December 31, 2024. The number of restricted shares outstanding at December 31, 2024 for each director is:

	Option Shares Outstanding at December 31, 2024	Restricted Shares Outstanding at December 31, 2024
Kenneth R. Biederman	---	1,000
John R. Eisenbrey, Jr.	---	1,000
Michael Houghton	---	1,000

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2024, the members of our Compensation Committee were Kenneth R. Biederman, John R. Eisenbrey, Jr. and Michael Houghton. 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 2024, the Board of Directors determined that Messrs. Biederman, Eisenbrey and Houghton, a majority of the Board, 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 Michael Houghton, three independent directors. The Board 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 SEC. The Board 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 SEC. During 2024, 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 Michael Houghton, 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 SEC. During 2024, the Compensation Committee met five times.

Consideration of Director Candidates

The Governance and Nominating Committee is comprised of Kenneth R. Biederman, John R. Eisenbrey, Jr. and Michael Houghton, three independent directors. 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 a director for the 2025 Annual Stockholders' Meeting was approved by the Governance and Nominating Committee on February 7, 2025. On February 4, 2025, Mr. Biederman informed the Board he will resign from the Board and his committee positions at the conclusion of the annual meeting of stockholders on May 6, 2025. In connection with such notice, the Governance and Nominating Committee has commenced a search for a new director.

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 SEC. This code is publicly available on the Company's website at www.artesianwater.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. It is intended to be an inactive textual reference only and is not incorporated by reference herein.

Insider Trading Arrangements and Policy

We are committed to promoting high standards of ethical business conduct and compliance with applicable laws, rules and regulations. As part of this commitment, we have adopted our Insider Trading Policy governing the purchase, sale, and/or other dispositions of our securities by our directors, officers, employees, consultants and other non-directors or non-employees alike, that we believe is reasonably designed to promote compliance with insider trading laws, rules and regulations, and the exchange listing standards applicable to us. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K.

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 for 2024 are: Dian C. Taylor, former President and Chief Executive Officer who left the Company in February 2025 but remains a member of the Board; David B. Spacht, Chief Financial Officer; Joseph A. DiNunzio, Executive Vice President & Secretary; Nicholle R. Taylor, current President, Chief Executive Officer and Board Chair since February 2025 and former Senior Vice President and Jennifer L. Finch, Corporate Treasurer and Senior Vice President of Finance.

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 stockholders 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 during the years 2022 and 2023 to provide it with independent advice on executive compensation matters. The following peer group was utilized: American States Water Company; Chesapeake Utilities Corporation; Consolidated Water Company Ltd.; Fluence Corporation Limited; Global Water Resources, Inc.; Middlesex Water Company; RGC Resources Incorporated; SJW Group; The York Water Company; urban-gro, Incorporated; Williams Industrial Services Group; American Water Works Company, Inc.; California Water Service Group; and Essential Utilities, Inc.

Base Salary

Base salaries for Company executives are set at levels considered appropriate to attract and retain seasoned and talented personnel. In 2024, the Compensation Committee did not increase the base salary of Dian C. Taylor. In 2024, the Compensation Committee increased the base salary of the Chief Financial Officer by 5.7% and other 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, based on Dian C. Taylor's recommendation, in 2024 cash bonuses were awarded to the named executive officers, other than Dian C. Taylor.

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 Stock Awards and less for retainers. See "Director Compensation."

The Company's named executive officers receive a limited number of other benefits as part of a competitive compensation package, which constitutes in the aggregate only a small percentage of their total compensation. As discussed below, these benefits include:

- a Company contribution under our 401(k) Plan;
- participation in our group health plans, which is generally available to all employees, as well as reimbursements for eligible medical expenses not otherwise covered by the Company's medical insurance plan under the Officer's Medical Reimbursement Plan; and
- for Dian C. Taylor, our former Chief Executive Officer, secretarial and driving services, personal use of a Company-owned vehicle, membership fees, home security and certain personal credit card expenses, which, in accordance with Treas. Reg. § 162-2(c)(5) and -2(h)(2)(A)(i), the Company is required to treat as taxable wages to Dian C. Taylor.

Our executive officers do not receive tax reimbursement for imputed income derived from any of these benefits.

All amounts are included in the "All Other Compensation" column in the Summary Compensation Table and the accompanying footnotes to the table.

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 2023, 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,

John R. Eisenbrey, Jr, Chairman
Kenneth R. Biederman
Michael Houghton

CEO Pay Ratio

The 2024 compensation disclosure ratio of the median annual total compensation of all Company employees to the annual total compensation of Dian C. Taylor, the Company's former Chief Executive Officer is as follows:

	2024 Total Compensation
Median employee total annual compensation	\$100,343
Annual total compensation of Dian C. Taylor, our Chief Executive Officer as of the year ended December 31, 2024	\$881,718
Ratio of CEO to median employee compensation	9:1

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, 2023. 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 2024 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, Former President and Chief Executive Officer (5)	2024	648,877	-0-	39,480	193,361	881,718
	2023	635,787	-0-	54,520	159,227	849,534
	2022	611,330	175,000	46,620	198,376	1,031,326
David B. Spacht, Chief Financial Officer	2024	451,401	75,000	N/A	38,216	564,617
	2023	426,366	-0-	N/A	37,444	463,810
	2022	409,973	100,000	N/A	39,583	549,556
Joseph A. DiNunzio, Executive Vice President & Secretary	2024	472,434	78,500	N/A	40,411	591,345
	2023	462,371	-0-	N/A	38,594	500,965
	2022	444,589	150,000	N/A	35,725	630,314
Nicholle R. Taylor, Former Senior Vice President (5)	2024	419,334	100,000	39,480	112,637	671,451
	2023	410,397	-0-	54,520	106,427	571,344
	2022	394,608	150,000	46,620	100,511	691,739
Jennifer L. Finch, Senior Vice President & Treasurer	2024	386,618	75,000	N/A	17,510	479,128
	2023	378,382	1,500	N/A	18,159	398,041
	2022	363,832	100,000	N/A	20,819	484,651

(1) On May 6, 2024, Dian Taylor and Nicholle Taylor each received a restricted stock award of 1,000 shares of Class A Non-Voting 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) of \$37.07 per share. Subject to continued service the restricted shares vest one year from the date of grant. On May 9, 2023, Dian Taylor and Nicholle Taylor each received a restricted stock award of 1,000 shares of Class A Non-Voting Stock. The award was valued at the fair market value on the date of the award of \$54.88 per share. The restricted shares vested one year after the date of grant. On May 3, 2022, Dian Taylor and Nicholle Taylor each received a restricted stock award of 1,000 shares of Class A Non-Voting Stock. The award was valued at the fair market value on the date of the award of \$45.58 per share. The restricted shares vested one year after 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 2024, 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	\$	37,950
David B. Spacht	\$	37,950
Joseph A. DiNunzio	\$	37,950
Nicholle R. Taylor	\$	37,950
Jennifer L. Finch	\$	17,250

(3) Included in the "All Other Compensation" column in the table above are amounts received by Dian C. Taylor and Nicholle R. Taylor as compensation for annual Board retainers in 2024 totaling \$67,000 each. Also included in 2024 are amounts received by Dian C. Taylor for each of the following: \$8,095 for security provided at her personal residence, \$14,744 for secretarial and driving services, \$22,363 for country club dues, \$4,610 for personal use of a company-owned vehicle, and \$11,331 for certain expenses on a credit card. Also included in the "All Other Compensation" column in the table above are \$9,190 and \$7,920 in 2023 and 2022, respectively, for secretarial and driving services, and \$11,751 and \$18,031 in 2023 and 2022, respectively, for certain expenses on a credit card. All other amounts for 2022 and 2023 remain as previously disclosed.

(4) 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 \$27,268 in 2024.

- (5) In February 2025, the Board appointed Nicholle R. Taylor as the Company's Chair of the Board, President and Chief Executive Officer. Dian C. Taylor remains a member of the Board but is no longer serving as the Company's President and Chief Executive Officer.

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	5/06/2024	5/06/2025	1,000	-	-	37,070
Nicholle R. Taylor	5/06/2024	5/06/2025	1,000	-	-	37,070

On May 6, 2024, Dian C. Taylor and Nicholle R. Taylor each received a restricted stock award of 1,000 shares of Class A Non-Voting 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) of \$37.07 per share. The restricted stock awards vest one year from the date of grant.

Outstanding Equity Awards at Fiscal Year-End Table

Name	Number of Securities Underlying Unexercised Options(#) Exercisable	Option Awards		Option Exercise Price(\$)	Option Expiration Date
		Number of Securities Underlying Unexercised Options (#) Unexercisable			
Nicholle R. Taylor	-0-	---		-0-	-0-

Option Exercises and Stock Vested Table

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Dian C. Taylor	-0-	-0-	1,000	39,480
Nicholle R. Taylor	-0-	-0-	1,000	39,480

Policies and Practices Related to the Grant of Certain Equity Awards Close in Time to the Release of Material Nonpublic Information

In response to Item 402(x)(1) of Regulation S-K, the Company does not currently grant new awards of stock options, stock appreciation rights, or similar option-like instruments. Accordingly, the Company has no specific policy or practice on the timing of awards of such options in relation to the disclosure of material nonpublic information by the Company. In the event the Company determines to grant new awards of such options, the Board will evaluate the appropriate steps to take in relation to the foregoing.

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 20, 2025 for each director, each named executive officer, each beneficial owner of more than five percent (5%) of the outstanding shares 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. Unless otherwise indicated, the address of each beneficial owner of voting securities listed below is c/o 664 Churchmans Road, Newark, Delaware 19702.

	Class A Non-Voting Common Stock ⁽¹⁾		Class B Common Stock ⁽¹⁾	
	Shares	Percent ⁽²⁾	Shares	Percent ⁽²⁾
Dian C. Taylor ⁽³⁾	150,919	1.6	159,509	18.1
Kenneth R. Biederman ⁽³⁾	24,875	*	---	---
John R. Eisenbrey, Jr. ⁽³⁾⁽⁴⁾⁽⁵⁾	55,751	*	45,707	5.2
Nicholle R. Taylor ⁽³⁾⁽⁶⁾	28,388	*	281,719	32.0
Michael Houghton	3,000	*	---	---
Joseph A. DiNunzio	19,379	*	203	*
David B. Spacht	4,354	*	189	*
Jennifer L. Finch	1,925	*	---	---
Louisa Taylor Welcher 219 Laurel Avenue Newark, DE 19711	92,771	1.0	135,862	15.4
Directors and Executive Officers as a Group (13 Individuals) ⁽³⁾	317,566	3.4	488,677	55.4

* 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 12, 2024.
- (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 12, 2024, 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 Non-Voting Stock, as follows: Ms. D. Taylor (1,000 shares); Mr. Biederman (1,000 shares); Mr. Eisenbrey, Jr. (1,000 shares); Ms. N. Taylor (1,000 shares); Mr. Houghton (1,000 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 744 shares of the Class A Non-Voting Stock and 45 shares of the Class B Stock held in custodial accounts for Ms. N. Taylor's daughter and 290 shares of Class A Non-Voting Stock held by her spouse.

The following table shows all persons who are known by the Company, as of March 20, 2025, to be the beneficial owner of more than five percent (5%) of the outstanding shares of the Company's Class A Non-Voting Stock, and who do not otherwise own Class B Stock.

	Class A Non-Voting Common Stock	
	Shares	Percent
BlackRock, Inc. (1) 50 Hudson Yards New York, NY 10001	919,462	9.8
The Vanguard Group (2) 100 Vanguard Blvd. Malvern, PA 19355	530,947	5.7
T. Rowe Price Investment Management, Inc. (3) 101 E. Pratt Street Baltimore, MD 21201	884,334	9.4

- (1) Pursuant to a Schedule 13G/A filed by BlackRock, Inc., or BlackRock, with the SEC on February 5, 2025, BlackRock is the beneficial owner of 919,462 shares of Class A Non-Voting Stock, and, to the extent it has voting rights under Delaware law, BlackRock has reported having sole voting power with respect to 919,046 shares and shared voting power with respect to 0 shares, as well as sole dispositive power with respect to 919,462 shares and shared dispositive power with respect to 0 shares.
- (2) Pursuant to a Schedule 13G filed by The Vanguard Group, or Vanguard, with the SEC on February 13, 2024, Vanguard is the beneficial owner of 530,947 shares of Class A Non-Voting Stock, and, to the extent it has voting rights under Delaware law, Vanguard has reported having sole voting power with respect to 0 shares and shared voting power with respect to 13,696 shares, as well as sole dispositive power with respect to 508,599 shares and shared dispositive power with respect to 22,438 shares.
- (3) Pursuant to a Schedule 13G/A filed by T. Rowe Price Investment Management, Inc., or T. Rowe Price, with the SEC on November 11, 2024, T. Rowe Price is the beneficial owner of 884,334 shares of Class A Non-Voting Stock, and, to the extent it has voting rights under Delaware law, T. Rowe Price has reported having sole voting power with respect to 878,473 shares and shared voting power with respect to 0 shares, as well as sole dispositive power with respect to 884,334 shares and shared dispositive power with respect to 0 shares.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

The following table provides information on the shares of our Class A Non-Voting Stock that may be issued upon exercise of outstanding stock options and vesting of awards as of December 31, 2024 under the Company's stockholder approved stock plans.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average 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	5,000	\$-0-	279,932
Total	<u>5,000</u>	<u>\$-0-</u>	<u>279,932</u>

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

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

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

There were not any related party transactions during the years ended December 31, 2024 and December 31, 2023.

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 2024 and 2023 by the independent registered public accounting firm, BDO USA, P.C.

<i>(In thousands)</i>	2024	2023
Audit Fees	\$ 470	\$ 527
Audit-Related Fees	38	40
Tax Fees	---	---
All Other Fees	---	---
Total Fees	<u>\$ 508</u>	<u>\$ 567</u>

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 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 2023 the independent registered public accounting firm provided services related to the Company's Form S-3 Registration Statement.

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 2024 and 2023.

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 2024 and 2023.

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, 2024 is compatible with maintaining its independence.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

	Page(s)*
(1) The following documents are filed as part of this report:	
Financial Statements:	
Reports of Independent Registered Public Accountants (BDO USA, P.C.; Wilmington, DE; PCAOB ID# 243)	57 - 58
Consolidated Balance Sheets at December 31, 2024 and 2023	29
Consolidated Statements of Operations for the three years ended December 31, 2024	30
Consolidated Statements of Cash Flows for the three years ended December 31, 2024	31 - 32
Consolidated Statements of Changes in Stockholders' Equity for the three years ended December 31, 2024	33
Notes to Consolidated Financial Statements	34 – 56
(2) Exhibits: see the exhibit list below	77 - 82

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

ITEM 16. FORM 10-K SUMMARY

Information with respect to this item is not required and has been omitted at our option.

ARTESIAN RESOURCES CORPORATION
FORM 10-K ANNUAL REPORT
YEAR ENDED DECEMBER 31, 2024

EXHIBIT LIST

Exhibit

NumberDescription

- 3.1 Amended and Restated By-laws of Artesian Resources Corporation incorporated by reference to Exhibit 3.1 filed with the Company's Form 10-Q filed on November 8, 2024.
- 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 filed on May 3, 2004 for the quarterly period ended March 31, 2004.
- 4.1 First Amendment to Second Amended and Restated Revolving Credit Agreement between Artesian Water Company, Inc. and CoBank, ACB dated October 25, 2022. Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2022 for the quarter ended September 30, 2022.
- 4.2 Twenty-Fifth Supplemental Indenture dated as of April 29, 2022, between Artesian Water Company, Inc. and Wilmington Trust Company, as trustee. Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed on May 5, 2022 for the quarter ended March 31, 2022.
- 4.3 Bond Purchase Agreement, dated April 29, 2022, by and between Artesian Water Company, Inc., and CoBank, ACB. Incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed on May 5, 2022 for the quarter ended March 31, 2022.
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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.
- 4.8 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.
- 4.9 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.
- 4.10 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 filed on March 15, 2018.
- 4.11 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.
- 4.12 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.

- 4.13 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.
- 4.14 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 filed on March 15, 2018.
- 4.15 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.
- 4.16 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 filed on August 9, 2005.
- 4.17 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 filed on March 10, 2004.
- 4.18 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 filed on March 15, 2018.
- 4.19 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 filed on March 13, 2020.
- 4.20 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 filed on March 13, 2020.
- 4.21 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.
- 4.22 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.
- 4.23 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.
- 4.24 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.
- 4.25 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 filed on March 13, 2020.
- 4.26 Interest Rate Lock Agreement, dated as of February 7, 2022, 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 February 10, 2022.
- 10.1 Amended and Restated Demand Line of Credit Agreement between Artesian Resources Corporation, and Citizens Bank, N.A. dated July August 3, 2023. Incorporated by reference to Exhibit 10.1 filed with the Company's Form 10-Q filed on November 7, 2023.
- 10.2 Financing Agreement, Loan No. 22000032, dated as of December 9, 2022, 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 December 12, 2022.

- 10.3 General Obligation Note (New Castle County Water Main Transmission Replacements Projects), Series 2022E-DWSRF, dated as of December 9, 2022, 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 December 12, 2022.
- 10.4 Financing Agreement, Loan No. 22000031, dated as of December 9, 2022, 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 December 12, 2022.
- 10.5 General Obligation Note (New Castle County Water Main Transmission Replacements Projects), Series 2022F-DWSRF, dated as of December 9, 2022, 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 December 12, 2022.
- 10.6 Financing Agreement, Loan No. 22000030, dated as of August 12, 2022, 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 August 15, 2022.
- 10.7 General Obligation Note (New Castle County Water Main Transmission Replacements Projects), Series 2022A-DWSRF, dated as of August 12, 2022, 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 August 15, 2022.
- 10.8 Financing Agreement, Loan No. 22000029, dated as of August 12, 2022, 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 August 15, 2022.
- 10.9 General Obligation Note (New Castle County Water Main Transmission Replacements Projects), Series 2022B-DWSRF, dated as of August 12, 2022, 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 August 15, 2022.
- 10.10 Financing Agreement, Loan No. 22000028, dated as of August 12, 2022, 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 August 15, 2022.
- 10.11 General Obligation Note (New Castle County Water Main Transmission Replacements Projects), Series 2022C-DWSRF, dated as of August 12, 2022, 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 August 15, 2022.
- 10.12 Settlement Agreement upon which The Chemours Company FC, LLC, Hercules, LLC, Waste Management of Delaware, Inc., SC Holdings, Inc., Cytec Industries, Inc., Zeneca Inc., and Bayer CropScience Inc., collectively the Percentage Settlers, and the Delaware Sand and Gravel Remedial Trust, on one hand, and Artesian Water Company, Inc., on the other hand, have agreed to resolve certain of Artesian Water's claims and issues relating to releases of contaminants from the Delaware Sand & Gravel Landfill Superfund Site, incorporated by reference to Exhibit 10.2 filed with the Company's Quarterly Report on Form 10-Q filed on August 5, 2022.
- 10.13 Amendment to Asset Purchase Agreement, dated May 11, 2022, by and among Artesian Water Company, Inc., a Delaware corporation, and the Town of Clayton, a Delaware municipality, incorporated by reference to Exhibit 10.1 filed with the Company's Form 10-Q filed on August 5, 2022.
- 10.14 Stock Purchase Agreement, dated August 27, 2021, by and among Artesian Wastewater Management, Inc., a Delaware corporation, and Middlesex Water Company, a New Jersey corporation. Incorporated by reference to Exhibit 10.1 filed with the Company's Form 10-Q filed on November 5, 2021.

- 10.15 Asset Purchase Agreement, dated February 16, 2022, by and among Artesian Water Company, Inc. a Delaware corporation, and the Town of Clayton, a Delaware municipality. Incorporated by reference to Exhibit 10.2 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 11, 2022.
- 10.16 Asset Purchase Agreement, dated June 11, 2020 by and among Artesian Water Company, Inc., a Delaware corporation, and the City of Delaware City, a Delaware municipality. Incorporated by reference to Exhibit 10.1 filed with Company's Form 8-K filed on June 16, 2020.
- 10.17 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.
- 10.18 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.
- 10.19 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.
- 10.20 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.
- 10.21 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.
- 10.22 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.
- 10.23 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.
- 10.24 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.
- 10.25 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.
- 10.26 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.
- 10.27 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.
- 10.28 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.

- 10.29 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.
- 10.30 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.
- 10.31 Limited Liability Interest Purchase Agreement, dated May 5, 2008, by and among Artesian Maryland, Inc., a Delaware corporation, Mountain Hill Water Company, LLC, a Maryland limited liability company, Sunrise Holdings, L.P., a Pennsylvania limited partnership and Artesian Resources Corporation, a Delaware corporation. Incorporated by reference to Exhibit 10.1 filed with the Company's Form 8-K filed on May 9, 2008.
- 10.32 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 filed on August 9, 2005. ***
- 10.33 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 filed on July 31, 2003.***
- 10.34 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.***
- 10.35 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.***
- 10.36 Agreement and Mutual Release, dated as of March 16, 2025, by and between Dian C. Taylor and Artesian Resources Corporation.*
- 19.1 Insider Trading Policy, dated March 25, 2025.*
- 21 Subsidiaries of the Company as of December 31, 2024. *
- 23.1 Consent of BDO USA, P.C. *
- 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. **
- 97 Artesian Resources Corporation Clawback Policy, effective as of August 7, 2023. Incorporated by reference to Exhibit 97 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2023.*
- 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 26, 2025

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ NICHOLLE R. TAYLOR</u> Nicholle R. Taylor	Chair of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	March 26, 2025
<u>/s/ DAVID B. SPACHT</u> David B. Spacht	Chief Financial Officer (Principal Financial Officer)	March 26, 2025
<u>/s/ JENNIFER L. FINCH</u> Jennifer L. Finch	Corporate Treasurer and Senior Vice President of Finance (Principal Accounting Officer)	March 26, 2025
<u>/s/ KENNETH R. BIEDERMAN</u> Kenneth R. Biederman	Director	March 26, 2025
<u>/s/ JOHN R. EISENBREY, JR.</u> John R. Eisenbrey, Jr.	Director	March 26, 2025
<u>/s/ MICHAEL HOUGHTON</u> Michael Houghton	Director	March 26, 2025
<u>/s/ DIAN C. TAYLOR</u> Dian C. Taylor	Director	March 26, 2025

EXHIBIT 21**ARTESIAN RESOURCES CORPORATION AND SUBSIDIARY COMPANIES****Subsidiaries of Registrant**

The following list includes the Registrant and all of its subsidiaries. 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
Artesian Resources Corporation	Delaware
Artesian Water Company, Inc.	Delaware
Artesian Water Pennsylvania, Inc.	Pennsylvania
Artesian Water Maryland, Inc.	Delaware
Artesian Development Corporation	Delaware
Artesian Wastewater Management, Inc.	Delaware
Tidewater Environmental Services, Inc. dba Artesian Wastewater	Delaware
Artesian Wastewater Maryland, Inc.	Delaware
Artesian Utility Development, Inc.	Delaware

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-88531 and 333-266821) and Form S-8 (No. 333-05255, 333-31209, 333-78043, 333-126910 and 333-208582) of Artesian Resources Corporation (the Company) of our report dated March 26, 2025, relating to the consolidated financial statements, which appear in the Annual Report to Shareholders, which appears in this annual report on Form 10-K.

/s/ BDO USA, P.C.

Wilmington, Delaware
March 26, 2025

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, Nicholle R. Taylor, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2024 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 26, 2025

/s/ NICHOLLE R. TAYLOR

Nicholle R. 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, 2024 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 26, 2025

/s/ David B. Spacht

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

EXHIBIT 32

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

I, Nicholle R. 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, 2024 (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 26, 2025

Chief Executive Officer:

Chief Financial Officer:

/s/ NICHOLLE R. TAYLOR

Nicholle R. Taylor

/s/ David B. Spacht

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.