

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

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-34245

THE YORK WATER COMPANY
(Exact name of registrant as specified in its charter)



Pennsylvania
(State or other jurisdiction of incorporation or organization)

23-1242500
(I.R.S. Employer Identification No.)

130 East Market Street, York, Pennsylvania
(Address of principal executive offices)

17401
(Zip Code)

Registrant's telephone number, including area code (717) 845-3601

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

Common Stock, No par value
(Title of Class)

YORW
(Trading Symbol)

The NASDAQ Global Select Market
(Name of Each Exchange on Which Registered)

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

None
(Title of Each Class)

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 12b-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 if the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting 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 Exchange Act).

YES NO

The aggregate market value of the Common Stock, no par value, held by nonaffiliates of the registrant on June 30, 2023 was \$590,539,032.

As of March 5, 2024 there were 14,334,183 shares of Common Stock, no par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Company's 2024 Annual Meeting of Shareholders are incorporated by reference into Part I and Part III.

TABLE OF CONTENTS

Forward-Looking Statements		3
PART I		
Item 1.	Business	4
Item 1A.	Risk Factors	7
Item 1B.	Unresolved Staff Comments	7
Item 1C	Cybersecurity	8
Item 2.	Properties	10
Item 3.	Legal Proceedings	11
Item 4.	Mine Safety Disclosures	11
PART II		
Item 5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	12
Item 6.	Reserved	12
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operation	12
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 8.	Financial Statements	21
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	51
Item 9A.	Controls and Procedures	52
Item 9B.	Other Information	52
Item 9C	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	53
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	53
Item 11.	Executive Compensation	53
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	54
Item 13.	Certain Relationships and Related Transactions, and Director Independence	54
Item 14.	Principal Accounting Fees and Services	54
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	55
Item 16.	Form 10-K Summary	59
Signatures		61

FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report and in documents incorporated by reference constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Words such as “may,” “should,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “objective” and similar expressions are intended to identify forward-looking statements. These forward-looking statements include certain information relating to the Company’s business strategy and future prospects; including, but not limited to:

- the amount and timing of rate changes and other regulatory matters including the recovery of costs recorded as regulatory assets;
- expected profitability and results of operations;
- trends;
- goals, priorities and plans for, and cost of, growth and expansion;
- strategic initiatives;
- availability of water supply;
- water usage by customers; and
- the ability to pay dividends on common stock and the rate of those dividends.

The forward-looking statements in this Annual Report reflect what the Company currently anticipates will happen. What actually happens could differ materially from what it currently anticipates will happen and caution should be exercised against placing undue reliance upon such statements, which are based only on information currently available to the Company and speak only as of the date hereof. The Company does not intend to make a public announcement when forward-looking statements in this Annual Report are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason. Important matters that may affect what will actually happen include, but are not limited to:

- changes in weather or climate, including drought conditions or extended periods of heavy precipitation;
- natural disasters, including pandemics such as the recent outbreak of the novel strain of coronavirus known as “COVID-19” and its variants and the effectiveness of the Company’s pandemic plans;
- levels of rate relief granted;
- the level of commercial and industrial business activity within the Company’s service territory;
- construction of new housing within the Company’s service territory and increases in population;
- changes in government policies or regulations, including the tax code;
- the ability to obtain permits for expansion projects;
- material changes in demand from customers, including the impact of conservation efforts which may impact the demand of customers for water;
- changes in economic and business conditions, including interest rates;
- loss of customers;
- changes in, or unanticipated, capital requirements;
- the impact of acquisitions;
- changes in accounting pronouncements;
- changes in the Company’s credit rating or the market price of its common stock; and
- the ability to obtain financing.

THE YORK WATER COMPANY

PART I

Item 1. Business.

The York Water Company (the “Company”) is the oldest investor-owned water utility in the United States and is duly organized under the laws of the Commonwealth of Pennsylvania. The Company has operated continuously since 1816. The primary business of the Company is to impound, purify to meet or exceed safe drinking water standards and distribute water. The Company also owns and operates three wastewater collection systems and ten wastewater collection and treatment systems. The Company operates within its franchised water and wastewater territory, which covers portions of 56 municipalities within four counties in south-central Pennsylvania. The Company is regulated by the Pennsylvania Public Utility Commission, or PPUC, for both water and wastewater in the areas of billing, payment procedures, dispute processing, terminations, service territory, debt and equity financing and rate setting. The Company must obtain PPUC approval before changing any practices associated with the aforementioned areas.

Water service is supplied through the Company’s own distribution system. The Company obtains the bulk of its water supply for its primary system for York and Adams Counties from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of approximately 73.0 million gallons from a combined watershed area of approximately 117 square miles. The Company has two reservoirs on this primary system, Lake Williams and Lake Redman, which together hold up to approximately 2.2 billion gallons of water. The Company supplements these reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons of untreated water per day. The Company obtains its water supply for its system for Franklin County from the Roxbury Dam on the Conodoguinet Creek, which has an average daily flow of approximately 26.0 million gallons from a watershed area of approximately 33 square miles. The Company has a reservoir on this system which holds up to approximately 330 million gallons of water. The Company also owns thirteen wells which are capable of providing a safe yield of approximately 808,000 gallons per day to supply water to the customers of its groundwater satellite systems in York, Adams, and Lancaster Counties. As of December 31, 2023, the Company’s average daily availability was 41.0 million gallons, and average daily consumption was approximately 21.8 million gallons. The Company’s service territory had an estimated population of 209,000 as of December 31, 2023. Industry within the Company’s service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles.

The Company's water business is somewhat dependent on weather conditions, particularly the amount and timing of precipitation. Revenues are particularly vulnerable to weather conditions in the summer months. Prolonged periods of hot and dry weather generally cause increased water usage for watering lawns, washing cars, and keeping golf courses and sports fields irrigated. Conversely, prolonged periods of dry weather could lead to drought restrictions from governmental authorities. Despite the Company’s adequate water supply, customers may be required to cut back water usage under such drought restrictions which would negatively impact revenues. The Company has addressed some of this vulnerability by instituting minimum customer charges which are intended to cover fixed costs of operations under all likely weather conditions.

The Company’s business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. Increases in revenues are generally dependent on the Company’s ability to obtain rate increases from the PPUC in a timely manner and in adequate amounts and to increase volumes of water sold through increased consumption and increases in the number of customers served. The Company continuously looks for water and wastewater acquisition and expansion opportunities both within and outside its current service territory as well as additional opportunities to enter into bulk water contracts with municipalities and other entities to supply water.

The Company has agreements with several municipalities to provide billing and collection services. The Company also has a service line protection program on a targeted basis in order to further diversify its business. Under this optional program, customers pay a fixed monthly fee, and the Company will repair or replace damaged customer service lines, as needed, subject to an annual maximum dollar amount. The Company continues to review and consider opportunities to expand both initiatives.

Competition

As a regulated utility, the Company operates within an exclusive franchised territory that is substantially free from direct competition with other public utilities, municipalities, and other entities. Although the Company has been granted an exclusive franchise for each of its existing community water and wastewater systems, the ability of the Company to expand or acquire new service territories may be affected by currently unknown competitors obtaining franchises to surrounding systems by application or acquisition. These competitors may include other investor-owned utilities, nearby municipally-owned utilities and sometimes competition from strategic or financial purchasers seeking to enter or expand in the water and wastewater industry. The addition of new service territory and the acquisition of other utilities are generally subject to review and approval by the PPUC.

Water and Wastewater Quality and Environmental Regulations

Provisions of water and wastewater service are subject to regulation under the federal Safe Drinking Water Act, the Clean Water Act and related state laws, and under federal and state regulations issued under these laws. In addition, the Company is subject to federal and state laws and other regulations relating to solid waste disposal, dam safety and other aspects of its operations.

The federal Safe Drinking Water Act establishes criteria and procedures for the U.S. Environmental Protection Agency, or EPA, to develop national quality standards. Regulations issued under this Act, and its amendments, set standards on the amount of certain contaminants allowable in drinking water. Current requirements are not expected to have a material impact on the Company's operations or financial condition as it already meets or exceeds standards. In the future, the Company may be required to change its method of treating drinking water and may incur additional capital investments if new regulations become effective.

Under the requirements of the Pennsylvania Safe Drinking Water Act, or SDWA, the Pennsylvania Department of Environmental Protection, or DEP, regulates the quality of the finished water supplied to customers. The DEP requires the Company to submit monthly reports showing the results of daily bacteriological and other chemical and physical analyses. As part of this requirement, the Company conducts over 70,000 laboratory tests annually. Management believes that the Company complies with the standards established by the agency under the SDWA. The DEP assists the Company by regulating discharges into the Company's watershed area to prevent and eliminate pollution.

The federal Groundwater Rule establishes protections against microbial pathogens in community water supplies. This rule requires additional testing of water from well sources, and under certain circumstances requires demonstration and maintenance of effective disinfection. The Company holds public water supply permits issued by the DEP, which establishes the groundwater source operating conditions for its wells, including demonstrated 4-log treatment of viruses. All of the groundwater satellite systems operated by the Company are in compliance with the federal Groundwater Rule.

The Clean Water Act regulates discharges from water and wastewater treatment facilities into lakes, rivers, streams, and groundwater. The Company complies with this Act by obtaining and maintaining all required permits and approvals for discharges from its water and wastewater facilities and by satisfying all conditions and regulatory requirements associated with the permits.

The DEP monitors the quality of wastewater discharge effluent under the provisions of the National Pollutant Discharge Elimination System, or NPDES. The Company submits monthly reports to the DEP showing the results of its daily effluent monitoring and removal of sludge and biosolids. The Company is not aware of any significant environmental remediation costs necessary from the handling and disposal of waste material from its wastewater operations.

Lead and copper may enter drinking water primarily through plumbing materials. The Company is required to comply with the Lead and Copper Rule established by the EPA and administered by the DEP. The Company must monitor drinking water at customer taps for compliance with this rule. If lead concentrations exceed an action level, the Company must undertake a number of additional actions to control corrosion, inform the public about steps they should take to protect their health and may be required to replace lead service lines under its control. The Company is currently in compliance with standards under the Lead and Copper Rule.

The EPA has published the Lead and Copper Rule Revisions, or LCRR, that includes a requirement to submit a service line inventory and a lead service line replacement plan to the respective states or agencies by October 16, 2024, as well as provide public education and sampling at elementary schools and childcare facilities. Additionally, the EPA is developing a new regulation, the Lead and Copper Rule Improvements, or LCRI, to better protect communities from exposure to lead in drinking water. The LCRI is expected to delay the due dates for lead service line replacement plans and result in modifications to other parts of the LCRR. The Company is executing an implementation plan to comply with the initial LCRR requirement to complete a lead service line inventory and begin additional sampling.

The DEP and the Susquehanna River Basin Commission, or SRBC, regulate the amount of water withdrawn from streams in the watershed to assure that sufficient quantities are available to meet the needs of the Company and other regulated users. Through its Division of Dam Safety, the DEP regulates the operation and maintenance of the Company's impounding dams. The Company routinely inspects its dams and prepares annual reports of their condition as required by DEP regulations. The DEP reviews these reports and inspects the Company's dams.

Since 1980, the DEP has required any new dam to have a spillway that is capable of passing the design flood without overtopping the dam. The design flood is either the Probable Maximum Flood, or PMF, or some fraction of it, depending on the size and location of the dam. PMF is very conservative and is calculated using the most severe combination of meteorological and hydrologic conditions reasonably possible in the watershed area of a dam.

The Company engaged a professional engineer to analyze the spillway capacities at the Lake Williams and Lake Redman dams and validate the DEP's recommended flood design for the dams. Management presented the results of the study to the DEP in December 2004, and DEP then requested that the Company submit a proposed schedule for the actions to address the spillway capacities. Thereafter, the Company retained an engineering firm to prepare preliminary designs for increasing the spillway capacities to pass the PMF through armoring the dams with roller compacted concrete. Management met with the DEP on a regular basis to review the preliminary design and discuss scheduling, permitting, and construction requirements including their concern regarding the stability of the Lake Williams spillway in light of current design standards. The Company completed the final design and the permitting process to armor the dam and replace the spillway of the Lake Williams dam and began construction in 2022. The Company completed the dam armoring and spillway replacement in 2023 at a total cost of approximately \$40 million. Additional capital expenditures will be incurred in 2024 to complete the sitework around the dam and reservoir. The Lake Redman dam will be reviewed following the completion of the work on the Lake Williams dam.

Capital expenditures and operating costs required as a result of water quality standards and environmental requirements have been traditionally recognized by state public utility commissions as appropriate for inclusion in establishing rates. The capital expenditures currently required as a result of water quality standards and environmental requirements have been budgeted in the Company's capital program and represent less than 15% of its expected total capital expenditures over the next five years. The Company is currently in compliance with wastewater environmental standards and does not anticipate any major capital expenditures for its current wastewater business.

Growth

(All dollar amounts are stated in thousands of dollars)

The Company continues to grow its number of customers and distribution facilities.

The growth in the number of customers is due primarily to the acquisition of water and wastewater systems and organic growth. During the year ended December 31, 2023, the Company increased its number of customers from 76,731 to 77,893. See "Management's Discussion and Analysis – Acquisitions and Growth" for a discussion of the Company's recent acquisitions.

The Company continues to grow its water distribution and wastewater collection systems to provide reliable service to its expanding franchised service territory and the increasing population within that territory. During the year ended December 31, 2023, the Company installed an additional 41,300 feet of water distribution mains and acquired an additional 16,300 feet of water distribution mains resulting in 1,076 miles of water mains as of December 31, 2023. During the year ended December 31, 2023, the Company acquired an additional 16,400 feet of wastewater collection mains resulting in 102 miles of wastewater mains as of December 31, 2023.

The Company's growth in revenues is primarily a result of customer growth and increases in water and wastewater rates. During the year ended December 31, 2023, the Company recognized revenue of \$71,031, an increase of \$10,970, or 18.3%, as compared to \$60,061 during the year ended December 31, 2022. In 2023, operating revenue was derived from the following sources and in the following percentages: residential, 64%; commercial and industrial, 29%; and other, 7%, which is primarily from the provision for fire service but includes other water and wastewater service-related income. See "Management's Discussion and Analysis – Rate Matters" for a discussion of the Company's rate case management.

Information about Our Executive Officers

The Company presently has 130 employees, all but one of which are full time employees including the officers detailed in the information set forth under the caption "Executive Officers of the Company" of the 2024 Proxy Statement incorporated herein by reference.

Available Information

The Company makes available free of charge, on or through its website (www.yorkwater.com), its annual report on Form 10-K, its quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements, and other information about SEC registrants, including the Company.

Shareholders may request, without charge, copies of the Company's financial reports. Such requests, as well as other investor relations inquiries, should be addressed to:

Molly E. Houck	The York Water Company	(717) 718-2942
Investor Relations &	130 East Market Street	(800) 750-5561
Communications Administrator	York, PA 17401	mollyh@yorkwater.com

Item 1A. Risk Factors.

Not applicable.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Risk Management and Strategy

The Company recognizes the critical importance of developing, implementing, and maintaining robust cybersecurity measures to safeguard its information systems and protect the confidentiality, integrity, and availability of its data.

Managing Material Risks & Integrated Overall Risk Management

The Company embraces risk management across the company, to include cybersecurity risk. This comprehensive approach ensures that cybersecurity considerations are an integral part of its decision-making processes at every level. The Company's risk management team works closely with its IT department to continuously evaluate and address cybersecurity risks in alignment with its business objectives and operational needs.

Engage Third Parties on Risk Management

To address the evolving nature and complexity of cybersecurity threats, the Company engages with a range of external experts, including cybersecurity assessors, consultants, and auditors in evaluating and testing its risk management systems. These partnerships enable the Company to leverage specialized knowledge and insights with respect to its cybersecurity strategies and processes. The collaboration with these third parties includes regular audits, threat assessments, penetration testing, and consultation on security enhancements.

Oversee Third-party Risk

The Company recognizes that cybersecurity threats and risks are amplified with the addition of third-party digital service providers. In response, the Company implements stringent processes to oversee and manage these risks. It conducts thorough security assessments of all third-party providers before engagement and maintains ongoing monitoring to ensure compliance with its cybersecurity standards. This process is also intended to provide for the security and integrity of the Company's data that may be stored on third-party systems. The monitoring includes quarterly assessments made by the contracted Chief Information Officer, or CIO, and on an ongoing basis by its dedicated cybersecurity staff. This approach is designed to mitigate risks related to data breaches or other security incidents originating from third parties.

Identified Material Risks

To date, the Company has not encountered cybersecurity challenges, risks, or breaches that have materially impaired its business strategy, operations, or its financial standing.

Board of Directors Oversight of Cybersecurity Material Risks – Governance

The Board of Directors, or the Board, is keenly aware of the critical nature of cybersecurity risks, particularly in its business as a public utility providing a life sustaining product. The Board, in partnership with the Executive team, has created a robust cybersecurity program, with meaningful oversight measures and tools for tracking and managing cyber risks and threats. The Company understands the importance of its product and services to the communities that it serves and is dedicated to maintaining high stakeholder confidence in its operations.

Board Oversight

The Audit Committee is the lead Board committee with oversight of the cybersecurity program and bears the primary responsibility for this aspect of the business. The Audit Committee is comprised of Board members with diverse professional backgrounds, such as accounting/finance, utility security, risk management, and business performance integration. The breadth of experience in this Committee enables it to be the most appropriate lead in oversight of cybersecurity risks and capability.

Management Role

The Chief Administrative Officer and General Counsel has primary oversight of the IT Department and the cybersecurity program, with a direct reporting relationship to the President and Chief Executive Officer. The Chief Administrative Officer and General Counsel also reports to the Audit Committee at least two times per calendar year and presents a report to the Board at least once per calendar year. These briefings include both educational and program status information, including:

- Current cybersecurity risks, including qualitative rating based upon underlying objective measures;
- Status of ongoing cybersecurity initiatives and strategies;
- Incident and response reports and lessons learned from any cybersecurity event; and
- Compliance report with regulatory requirements and industry standards.

In addition to scheduled presentations described above, the IT Department contracted CIO, the Chief Administrative Officer and General Counsel, and the President and Chief Executive Officer maintain constant dialogue regarding emerging or potential cybersecurity risks and threats. The Chief Administrative Officer and General Counsel is in regular contact with the Audit Committee Chair related to these risks so that the oversight by the Board can be both proactive and responsive. The Audit Committee has the authority to actively participate in strategic decisions related to cybersecurity and offers guidance and approval for major initiatives. As a result, cybersecurity considerations can be integrated into the foundation of broader corporate objectives. The Audit Committee and the Board conduct an annual review of the Company's cybersecurity risk position and the effectiveness of its risk management strategies and measures. From this review at the Board level, the Company is able to identify areas where there exist improvement opportunities and can set goals for the following year.

Risk Management Personnel

Primary responsibility for assessing, monitoring, and managing cybersecurity risks rests with the CIO, who has oversight over the IT Department, including one dedicated cybersecurity staff person and select specialized contractors. This group of contractors includes a Chief Information Security Officer, Chief Technology Officer, Cybersecurity Analysts, Network Engineers, and Network Administrators.

Monitor Cybersecurity Risks

The cybersecurity team actively monitors for cybersecurity risks by employing the use of endpoint detection and response solutions with immediate alert notifications, vulnerability scanning solutions that proactively identify risks, and by monitoring the logs of network devices.

Reporting to the Board

The Chief Administrative Officer and General Counsel has primary responsibility to report to the President and Chief Executive Officer and to the Board and presents with the CIO where appropriate for the content of the presentation and/or to facilitate a substantive discussion. The CIO, through the Chief Administrative Officer and General Counsel, ensures that the highest levels of the Company remain informed about the cybersecurity posture, potential risks, events, and response if they occur. Material cybersecurity matters, and significant strategic risk management processes and decisions are elevated to the Board by the Chief Administrative Officer and General Counsel, ensuring that the Board has effective and substantive oversight and may provide input and guidance on critical cybersecurity measures and issues.

Item 2. Properties.

Source of Water Supply

The Company obtains the bulk of its water supply for its primary system for York and Adams Counties from both the South Branch and East Branch of the Codorus Creek, which together have an average daily flow of approximately 73.0 million gallons from a combined watershed area of approximately 117 square miles. The Company owns two impounding dams on this primary system located in York and Springfield Townships adjoining the Borough of Jacobus to the south. The lower dam, the Lake Williams Impounding Dam, creates a reservoir covering approximately 165 acres containing about 870 million gallons of water. The upper dam, the Lake Redman Impounding Dam, creates a reservoir covering approximately 290 acres containing about 1.3 billion gallons of water. The Company supplements these reservoirs with a 15-mile pipeline from the Susquehanna River to Lake Redman which provides access to an additional supply of 12.0 million gallons per day, or MGD.

The Company obtains its water supply for its system for Franklin County from the Roxbury Dam on the Conodoguinet Creek, which has an average daily flow of approximately 26.0 million gallons from a watershed area of approximately 33 square miles. The Company has a reservoir on this system which holds up to approximately 330 million gallons of water.

The Company also owns satellite groundwater systems in York, Adams, and Lancaster Counties. The systems consist of thirteen wells capable of providing a combined safe yield of approximately 808,000 gallons per day.

As of December 31, 2023, the Company's present average daily availability was 41.0 million gallons, and daily consumption was approximately 21.8 million gallons.

Pumping Stations

The Company's main pumping station is located in Spring Garden Township, York County, on the south branch of the Codorus Creek about four miles downstream from the Company's lower impounding dam. The pumping station houses pumping equipment with a combined permitted capacity of 42.0 MGD. A large diesel backup generator is installed to provide power to the pumps in the event of an emergency. The untreated water is pumped approximately two miles to the filtration plant through pipes owned by the Company.

The Susquehanna River Pumping Station is located on the western shore of the Susquehanna River in York County, several miles south of Wrightsville. The pumping station houses pumping equipment with a combined permitted capacity of 12.0 MGD. The pumping station pumps water from the Susquehanna River approximately 15 miles through a combination of 30 inch and 36 inch ductile iron main to the Company's upper impounding dam, located at Lake Redman.

The Lake Redman Pumping Station is located in York Township, York County, adjacent to Lake Redman. The pumping station is designed to provide a redundant source with permitted capacity to pump 20.0 MGD of untreated water through a company-owned 36 inch force main approximately 3.5 miles to the filtration plant, meeting the Company's daily consumption needs.

Treatment Facilities

The Company's primary water filtration plant is located in Spring Garden Township, York County, about one-half mile south of the City of York. Water at this plant is filtered through twelve dual media filters having a rated capacity of 39.0 MGD, with a maximum supply of 42.0 MGD for short periods if necessary.

The Company's sediment recycling facility is located adjacent to this water filtration plant. This state of the art facility employs cutting edge technology to remove fine, suspended solids from untreated water. The Company estimates that through this energy-efficient, environmentally friendly process, approximately 600 tons of sediment will be removed annually, thereby improving the quality of the Codorus Creek watershed.

The Company also operates a water filtration plant in Greene Township, Franklin County. Water at this plant is filtered through filters having a rated capacity of 1.16 MGD.

Based on a total average daily consumption in 2023 of approximately 21.8 million gallons, the Company believes the water pumping and filtering facilities are adequate to meet present and anticipated demands.

The Company has ten wastewater treatment facilities located in four counties within south-central Pennsylvania. The wastewater treatment plants range from small extended aeration package plants to three larger facilities that utilize Biological Nutrient Removal/tertiary treatment technology, and have a combined permitted flow capacity of 922,500 gallons. With a projected maximum daily demand of 389,000 gallons, the plants' flow paths offer both capacity and operational redundancy for maintenance, high flow events, and potential growth.

Distribution and Collection

The distribution systems of the Company have approximately 1,076 miles of water main lines which range in diameter from 2 inches to 36 inches. The distribution systems include booster stations and standpipes and reservoirs capable of storing approximately 59.7 million gallons of potable water. All booster stations are equipped with at least two pumps for protection in case of mechanical failure. Following a deliberate study of customer demand and pumping capacity, the Company installed standby generators at all critical booster stations to provide an alternate energy source or emergency power in the event of an electric utility interruption.

The thirteen wastewater collection systems of the Company have approximately 102 miles of gravity collection mains and pressure force mains along with redundant sewage pumping stations.

Other Properties

The Company's distribution center and material and supplies warehouse are located in Springettsbury Township and are composed of three one-story concrete block buildings aggregating 30,680 square feet.

The administrative and executive offices of the Company are located in one three-story and one two-story brick and masonry buildings, containing a total of approximately 21,861 square feet, in the City of York, Pennsylvania.

All of the Company's properties described above are held in fee by the Company. There are no material encumbrances on such properties.

In 1976, the Company entered into a Joint Use and Park Management Agreement with York County under which the Company licensed use of certain of its lands and waters for public park purposes for a period of 50 years. Under the agreement, York County has agreed not to erect a dam upstream on the East Branch of the Codorus Creek or otherwise obstruct the flow of the creek.

Item 3. Legal Proceedings.

There are no material legal proceedings involving the Company.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

The common stock of The York Water Company is traded on the NASDAQ Global Select Market under the symbol YORW.

Shareholders of record (excluding individual participants in securities positions listings) as of December 31, 2023 numbered approximately 1,824.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item with respect to securities authorized for issuance under equity compensation plans is set forth in Part III, Item 12 of this Annual Report.

Purchases of Equity Securities by the Company

The Company did not repurchase any of its securities during the fourth quarter of 2023.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(All dollar amounts are stated in thousands of dollars.)

Overview

The York Water Company (the "Company") is the oldest investor-owned water utility in the United States, operated continuously since 1816. The Company also owns and operates three wastewater collection systems and ten wastewater collection and treatment systems. The Company is a purely regulated water and wastewater utility. Profitability is largely dependent on water revenues. Due to the size of the Company and the limited geographic diversity of its service territory, weather conditions, particularly precipitation, economic, and market conditions can have an adverse effect on revenues. The Company experienced increased revenues in 2023 compared to 2022 primarily due to a rate increase effective March 1, 2023 and an increase in the number of customers, which was partially offset by lower revenues from the distribution system improvement charge, or DSIC.

The Company's business does not require large amounts of working capital and is not dependent on any single customer or a very few customers for a material portion of its business. In 2023, operating revenue was derived from the following sources and in the following percentages: residential, 64%; commercial and industrial, 29%; and other, 7%, which is primarily from the provision for fire service, but includes other water and wastewater service-related income. The diverse customer mix helps to reduce volatility in consumption.

The Company seeks to grow revenues by increasing the volume of water sold and wastewater service provided through increases in the number of customers, making timely and prudent investments in infrastructure replacements, expansion and improvements, and timely filing for rate increases. The Company continuously looks for acquisition and expansion opportunities both within and outside its current service territory as well as through contractual services and bulk water supply.

The Company has entered into agreements with municipalities to provide billing and collection services. The Company also has a service line protection program on a targeted basis. The Company continues to review and consider opportunities to expand both initiatives to further diversify the business.

In addition to increasing revenue, the Company consistently focuses on minimizing costs without sacrificing water quality or customer service. Paperless billing, expanding online services, negotiation of favorable electric, banking, and other costs, as well as taking advantage of the Tax Cuts and Jobs Act of 2017, or the 2017 Tax Act, and the Internal Revenue Service, or IRS, tangible property regulations, or TPR, are examples of the Company's recent efforts to minimize costs.

Performance Measures

Company management uses financial measures including operating revenues, net income, earnings per share and return on equity to evaluate its financial performance. Additional statistical measures including number of customers, customer complaint rate, annual customer rates and the efficiency ratio are used to evaluate performance quality. These measures are calculated on a regular basis and compared with historical information, budget and the other publicly-traded water and wastewater companies.

The Company's performance in 2023 was strong under the above measures. Operating revenues increased in 2023 compared to 2022 primarily due to a rate increase effective March 1, 2023 and an increase in the number of customers, which was partially offset by the lower revenues from the DSIC. The increase in operating revenues offset the increases in operating expenses. The Company incurred higher income taxes primarily due to higher income before income taxes. The overall effect was an increase in net income in 2023 over 2022 of 21.3% and a return on year end common equity of 10.7%. The return on year end common equity was strong and higher than the 2022 result of 9.5% which included an increase in common equity from an underwritten public stock offering completed in 2022. The 2023 results were in line with the five year historical average return on year end common equity of 10.7%.

The efficiency ratio, which is calculated as net income divided by revenues, is used by management to evaluate its ability to control expenses. Over the five previous years, the Company's ratio averaged 30.0%. In 2023, the ratio was higher than the average at 33.4% due primarily to the increase in operating revenues and lower income taxes than are included in the historical average. Management is confident that its ratio will compare favorably to that of its peers. Management continues to look for ways to decrease expenses and increase efficiency as well as to file for rate increases promptly when needed.

2023 Compared with 2022

Net income for 2023 was \$23,757, an increase of \$4,177, or 21.3%, from net income of \$19,580 for 2022. The primary contributing factors to the increase were higher operating revenues, which were partially offset by higher operating expenses and income taxes.

Operating revenues for 2023 increased \$10,970, or 18.3%, from \$60,061 for 2022 to \$71,031 for 2023. The primary reason for the increase was a rate increase effective March 1, 2023. Growth in the customer base also added to revenues. The average number of water customers served in 2023 increased as compared to 2022 by 996 customers, from 70,420 to 71,416 customers. The average number of wastewater customers served in 2023 increased as compared to 2022 by 390 customers, from 5,609 to 5,999 customers, primarily due to acquisitions. Total per capita consumption for 2023 was approximately 0.3% higher than last year. The increased revenues were partially offset by a \$1,994 decrease from a lower DSIC allowed by the PPUC. The DSIC reset to zero on March 1, 2023 when the rate order took effect. In 2024, the Company expects revenues to show a modest increase over 2023 due to a full year at the new rates and an increase in the number of water and wastewater customers from acquisitions and growth within the Company's service territory. Other regulatory actions, drought warnings or restrictions, weather patterns, and economic conditions could impact results.

Operating expenses for 2023 increased \$5,922, or 16.6%, from \$35,578 for 2022 to \$41,500 for 2023. The increase was primarily due to higher expenses of approximately \$1,607 for depreciation and amortization, \$975 for water treatment, \$713 for wages, \$683 for wastewater treatment as the prior year included a one-time reimbursement not repeated in the current year, \$362 for insurance, \$282 for distribution system maintenance, \$281 for outside services, \$213 for billing and revenue collection services, \$202 for fuel to pump raw water from the Susquehanna River, \$189 for reduced capitalized overhead, \$106 for an increased allowance for uncollectible accounts, and \$89 for source maintenance. Other operating expenses increased by a net of \$220. In 2024, the Company expects depreciation and amortization expense to continue to rise due to additional investment in utility plant, and other expenses to increase as costs to treat water and wastewater, and to maintain and extend the distribution system, continue to rise. Drought conditions and weather patterns could further increase operating expenses.

Interest on debt for 2023 increased \$1,933, or 37.8%, from \$5,114 for 2022 to \$7,047 for 2023. The increase was primarily due to an increase in long-term debt outstanding and higher interest rates. The average debt outstanding under the lines of credit was \$16,316 for 2023 and \$13,428 for 2022. The weighted average interest rate on the lines of credit was 5.36% for 2023 and 2.11% for 2022. Interest expense for 2024 is expected to be higher due to continued borrowings and continued higher interest rates.

Allowance for funds used during construction increased \$2,652, from \$1,501 in 2022 to \$4,153 in 2023 due to a higher volume of eligible construction. Allowance for funds used during construction in 2024 is expected to decrease based on the completion of the Lake Williams Dam project and a projected decrease in the amount of eligible construction.

Other income (expenses), net for 2023 reflects increased expenses of \$521 as compared to 2022. Higher retirement expenses of approximately \$843 were the primary reason for the increase. Lower charitable contributions of approximately \$288 partially offset the increase. Other expenses decreased by a net of \$34. In 2024, other income (expenses) will be largely determined by the change in market returns and discount rates for retirement programs and related assets.

Income tax expense for 2023 increased \$1,262 compared to 2022 primarily due to higher income before income taxes partially offset by higher deductions from the IRS TPR. The Company's effective tax rate was 5.1% for 2023 and 0.1% for 2022. The Company's effective tax rate for 2024 will be largely determined by income before income taxes and the level of eligible asset improvements expensed for tax purposes under TPR each period.

Rate Matters

See Note 10 to the Company's financial statements included herein for a discussion of its rate matters.

The Company does not expect to file a rate increase request in 2024.

Acquisitions and Growth

See Note 2 to the Company's financial statements included herein for a discussion of completed acquisitions included in financial results.

On February 7, 2024, the Company signed an agreement to purchase the wastewater collection assets of Margareta Mobile Home Park in Lower Windsor Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in 2025 at which time the Company will add approximately 65 wastewater customers.

On July 17, 2023, the Company signed an agreement to purchase the wastewater collection and treatment assets of York Haven Sewer Authority in York Haven Borough, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the third quarter of 2024 at which time the Company will add approximately 230 wastewater customers.

On June 1, 2023, the Company signed an agreement to purchase the water assets of Longstown Mobile Estates in Windsor Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the first quarter of 2024 at which time the Company will add approximately 90 water customers. The water customers are currently served by the Company through a single customer connection to the mobile home park.

On May 23, 2023, the Company signed an agreement to purchase the Brookhaven Mobile Home Park water assets of ATG Properties, LLC in Hellam Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second half of 2024 at which time the Company will add approximately 150 water customers.

On May 18, 2023, the Company signed an agreement to purchase the water assets of Houston Run Community Water System, LLC in Salisbury Township, Lancaster County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second quarter of 2024 at which time the Company will add approximately 15 water customers.

On March 27, 2023, the Company signed an agreement to purchase the water assets of Pine Run Retirement Community in Hamilton Township, Adams County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second half of 2024 at which time the Company will add approximately 100 water customers.

On November 9, 2022, the Company signed an agreement to purchase the wastewater collection and treatment assets of CMV Sewage Co., Inc. in Chanceford Township, York County, Pennsylvania. Completion of the acquisition is contingent upon receiving approval from all required regulatory authorities. Closing is expected in the second half of 2024 at which time the Company will add approximately 280 wastewater customers.

In total, these acquisitions are expected to be immaterial to Company results. The Company is also pursuing other bulk water contracts and acquisitions in and around its service territory to help offset any potential declines in per capita water consumption and to grow its business.

On May 10, 2017, the Company signed an emergency interconnect agreement with Dallastown-Yoe Water Authority. The effectiveness of this agreement is contingent upon receiving approval from all required regulatory authorities. Approval is expected to be granted in 2024 at which time the Company will begin construction of a water main extension to a single point of interconnection and either supply a minimum agreed upon amount of water to the authority, receive a payment in lieu of water, or provide water during an emergency, at current tariff rates.

Capital Expenditures

During 2023, the Company invested \$64,640 in construction expenditures for armoring and replacing the spillway of the Lake Williams dam, wastewater treatment plant construction as well as various replacements and improvements to infrastructure and routine items. In addition, the Company invested \$625 in the acquisition of water and wastewater systems. The Company replaced approximately 50,200 feet of water main and 500 feet of wastewater main in 2023. The Company was able to fund construction expenditures using internally-generated funds, line of credit borrowings, proceeds from its stock purchase plans and customer advances and contributions from developers, municipalities, customers, or builders. See Notes 1, 4 and 5 to the Company's financial statements included herein.

The Company anticipates construction and acquisition expenditures for 2024 and 2025 of approximately \$42,200 and \$46,100, respectively, exclusive of any acquisitions not yet approved. In addition to routine transmission and distribution projects, a portion of the anticipated 2024 and 2025 expenditures will be for additional main extensions, completion of armoring and replacing the spillway of the Lake Williams dam, wastewater treatment plant construction, an upgrade to the enterprise software system, and various replacements of infrastructure. The Company intends to use primarily internally-generated funds for its anticipated 2024 and 2025 construction and fund the remainder through line of credit borrowings, potential debt and equity offerings, proceeds from its stock purchase plans and customer advances and contributions (see Note 1 to the Company's financial statements included herein). Customer advances and contributions are expected to account for between 5% and 10% of funding requirements in 2024 and 2025. The Company believes it will have adequate credit facilities and access to the capital markets, if necessary, during 2024 and 2025, to fund anticipated construction and acquisition expenditures.

Liquidity and Capital Resources

Cash

The Company manages its cash through a cash management account that is directly connected to its line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit arrangement. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally for payroll, to pay suppliers, to fund capital expenditures, or to pay debt service, funds are automatically borrowed under the line of credit. As of December 31, 2023, the Company borrowed \$30,273 under its line of credit and incurred a cash overdraft on its cash management account of \$1,547, which was recorded in accounts payable. The cash management facility connected to the line of credit is expected to provide the necessary liquidity and funding for the Company's operations, capital expenditures, and acquisitions for the foreseeable future.

Accounts Receivable

The accounts receivable balance tends to follow the change in revenues but is also affected by the timeliness of payments by customers and the level of the reserve for doubtful accounts. In 2023, higher revenue levels as compared to 2022 resulted in an increase in accounts receivable – customers. A reserve is maintained at a level considered adequate to provide for expected credit losses. Expected credit losses are based on historical write-offs combined with an evaluation of current conditions and reasonable and supportable forecasts including inactive accounts with outstanding balances, the aging of balances in payment agreements, adverse situations that may affect a customer's ability to pay, economic conditions, and other relevant factors applied to the current aging of receivables. Customer accounts are written off when collection efforts have been exhausted. If the status of the evaluated factors deteriorate, the Company may incur additional expenses for uncollectible accounts and experience a reduction in its internally-generated funds.

Internally-generated Funds

The amount of internally-generated funds available for operations and construction depends on the Company's ability to obtain timely and adequate rate relief, changes in regulations, customers' water usage, weather conditions, customer growth and controlled expenses. In 2023, the Company generated \$31,908 internally as compared to \$22,018 in 2022. The increase from 2022 was primarily due to the increase in net income and the increase in depreciation and amortization, a non-cash expense.

Common Stock

Common stockholders' equity as a percent of the total capitalization was 54.8% as of December 31, 2023, compared with 59.3% as of December 31, 2022. The ratio decreased in 2023 due to higher debt primarily from increased capital expenditures. The Company expects to use long-term debt for its future financing needs and allow the debt percentage to trend upward until it approaches fifty percent before considering additional equity. It is the Company's general intent to target equity between fifty and fifty-five percent of total capitalization.

The Company has the ability to issue approximately \$4,000 of additional shares of its common stock or debt securities remaining under an effective "shelf" Registration Statement on Form S-3 on file with the Securities and Exchange Commission subject to market conditions at the time of any such offering.

Credit Line

Historically, the Company has borrowed under its lines of credit before refinancing with long-term debt or equity capital. As of December 31, 2023, the Company maintained a \$50,000, unsecured, committed line of credit at an interest rate of the Secured Overnight Financing Rate, or SOFR, plus 1.17% with an unused commitment fee and an interest rate floor. The Company had \$30,273 in outstanding borrowings under its line of credit as of December 31, 2023. The interest rate on line of credit borrowings as of December 31, 2023 was 6.51%. In the third quarter of 2023, the Company renewed its committed line of credit and extended the maturity date to September 2025. No other terms or conditions of the line of credit agreement were modified. On January 1, 2023, the interest rate changed from LIBOR plus 1.05% to a successor rate of the SOFR plus 1.17% in advance of the discontinuation of LIBOR in 2023. The Company expects to renew this line of credit as it matures under similar terms and conditions.

The Company has taken steps to manage the risk of reduced credit availability. It has established a committed line of credit with a 2-year revolving maturity that cannot be called on demand. There is no guarantee that the Company will be able to obtain sufficient lines of credit with favorable terms in the future. If the Company is unable to obtain sufficient lines of credit or to refinance its line of credit borrowings with long-term debt or equity, when necessary, it may have to eliminate or postpone capital expenditures. Management believes the Company will have adequate capacity under its current line of credit to meet financing needs throughout 2024.

Long-term Debt

The Company's loan agreements contain various covenants and restrictions. Management believes it is currently in compliance with all of these restrictions. See Note 6 to the Company's financial statements included herein for additional information regarding these restrictions.

On February 24, 2023, the Company entered into a note purchase agreement with certain institutional investors relating to the private placement of \$40,000 aggregate principal amount of the Company's senior notes. The senior notes bear interest at 5.50% per annum payable semiannually and mature on February 24, 2053. The senior notes are unsecured and unsubordinated obligations of the Company. The Company received net proceeds, after deducting issuance costs, of approximately \$39,829. The net proceeds were used to refinance line of credit borrowings incurred by the Company as interim financing for various capital projects of the Company.

The Company's total long-term debt as a percentage of the total capitalization, defined as total common stockholders' equity plus total long-term debt, was 45.2% as of December 31, 2023, compared with 40.7% as of December 31, 2022. The Company expects to use long-term debt for its future financing needs and allow the debt percentage to trend upward. A debt to total capitalization ratio between forty-five and fifty percent has historically been acceptable to the PPUC in rate filings. See Note 6 to the Company's financial statements included herein for the details of its long-term debt outstanding as of December 31, 2023.

Income Taxes, Deferred Income Taxes and Uncertain Tax Positions

Under the IRS TPR, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. This ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. It also results in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions. The Company expects to continue to expense these asset improvements in the future.

The Company's effective tax rate will largely be determined by income before income taxes and the level of eligible asset improvements expensed for tax purposes that would have been capitalized for tax purposes prior to the implementation of the TPR.

On July 8, 2022, the Pennsylvania budget for the fiscal year ending June 30, 2023 was signed into law. A provision within the tax code bill included with the budget provides for an annual phase-down of the Pennsylvania corporate net income tax rate of one percentage point in the first year beginning January 1, 2023 from 9.99% to 8.99%, and a one-half percentage point each year thereafter until it reaches 4.99% beginning January 1, 2031. The Company has remeasured the state portion of the Company's deferred income taxes. The effect, net of the federal benefit recognized in income for the years ended December 31, 2023 and 2022, was immaterial. Deferred income taxes for differences that are recognized for ratemaking purposes on a cash or flow-through basis were remeasured with offsetting changes to regulatory assets and liabilities on the balance sheet as of December 31, 2023 and 2022. The Company expects any savings in its Pennsylvania current income taxes to be returned to its customers through the rate making process or as a future negative surcharge on their bills.

The Company has a substantial deferred income tax asset primarily due to the excess accumulated deferred income taxes on accelerated depreciation from the 2017 Tax Act and the differences between the book and tax balances of the customers' advances for construction and contributions in aid of construction and deferred compensation plans. The Company does not believe a valuation allowance is required due to the expected generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has seen an increase in its deferred income tax liability amounts primarily as a result of the accelerated depreciation deduction available for federal tax purposes which creates differences between book and tax depreciation expense. The Company expects this trend to continue as it makes significant investments in capital expenditures subject to accelerated depreciation or TPR.

The Company has determined there are no uncertain tax positions that require recognition as of December 31, 2023. See Note 14 to the Company's financial statements included herein for additional details regarding income taxes.

Credit Rating

On July 26, 2023, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. The Company's ability to maintain its credit rating depends, among other things, on adequate and timely rate relief, which it has been successful in obtaining, its ability to fund capital expenditures in a balanced manner using both debt and equity and its ability to generate cash flow. In 2024, the Company's objectives are to continue to maximize its funds provided by operations and maintain a strong capital structure in order to be able to attract capital.

Physical and Cyber Security

The Company maintains security measures at its facilities, and collaborates with federal, state, and local authorities, and industry trade associations regarding information on possible threats and security measures for water and wastewater utility operations. The costs incurred are expected to be recoverable in water and wastewater rates and are not expected to have a material impact on its business, financial condition, or results of operations.

The Company relies on information technology systems in connection with the operation of the business, especially with respect to customer service, billing, accounting, and in some cases, the monitoring and operation of treatment, storage, and pumping facilities. In addition, the Company relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies, and human resource functions. The information technology systems may be vulnerable to damage or interruption from cyber security attacks or other cyber-related events, including, but not limited to, power loss, computer systems failures, internet, telecommunications or data network failures, physical and electronic loss of data, computer viruses, intentional security breaches, hacking, denial of service actions, misappropriation of data, and similar events. In some cases, administration of certain functions may be outsourced to third-party service providers that could also be targets of cyber security attacks. A loss of these systems, or major problems with the operation of these systems, could harm the business, financial condition, and results of operations of the Company through the loss or compromise of customer, financial, employee, or operational data, disruption of billing, collections or normal field service activities, disruption of electronic monitoring and control of operational systems, and delays in financial reporting and other normal management functions.

Possible impacts associated with a cyber security attack or other events may include remediation costs related to lost, stolen, or compromised data, repairs to data processing systems, increased cyber security protection costs, adverse effects on the Company's compliance with regulatory and environmental laws and regulation, including standards for drinking water, litigation, and reputational damage.

The Company has implemented processes, procedures, and controls to prevent or limit the effect of these possible events and maintains insurance to help defray costs associated with cyber security attacks. The Company has not experienced a material impact on business or operations from these attacks. Although the Company does not believe its systems are at a materially greater risk of cyber security attacks than other similar organizations and despite the implementation of robust security measures, the Company cannot provide assurance that the insurance will fully cover the costs of a cyber security event, and its robust security measures do not guarantee that reputation and financial results will not be adversely affected by such an incident.

Environmental Matters

The Company was granted approval by the PPUC to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the date of the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately \$1,762 and \$1,518 through December 31, 2023 and 2022, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost \$1,900. This estimate is subject to adjustment as more facts become available.

Drought

On January 26, 2024, Pennsylvania state officials moved York County to a drought watch, moved Lancaster County to normal status, and continued the drought watch for Adams County and the drought warning for Franklin County. The warning calls for a voluntary reduction in nonessential water use of 10 to 15 percent and the watch calls for a voluntary reduction in nonessential water use of 5 to 10 percent. In addition, the Company has implemented a voluntary restriction on nonessential water use within its service territory. These measures could potentially impact future revenues, operating expenses, and net income depending on the length and severity of the dry conditions.

Dividends

During 2023, the Company's dividend payout ratios relative to net income and net cash provided by operating activities were 49.3% and 36.3%, respectively. During 2022, the Company's dividend payout ratios relative to net income and net cash provided by operating activities were 56.2% and 48.5%, respectively. During the fourth quarter of 2023, the Board increased the dividend by 4.00% from \$0.2027 per share to \$0.2108 per share per quarter.

The Company's Board declared a dividend in the amount of \$0.2108 per share at its January 2024 meeting. The dividend is payable on April 15, 2024 to shareholders of record as of February 29, 2024. While the Company expects to maintain this dividend amount in 2024, future dividends will be dependent upon the Company's earnings, financial condition, capital demands and other factors and will be determined by the Company's Board. See Note 6 to the Company's financial statements included herein for restrictions on dividend payments.

Inflation

The Company is affected by inflation, most notably by the continually increasing costs incurred to maintain and expand its service capacity. The cumulative effect of inflation results in significantly higher facility replacement costs which must be recovered from future cash flows. The ability of the Company to recover this increased investment in facilities is dependent upon future rate increases, which are subject to approval by the PPUC. The Company can provide no assurances that its rate increases will be approved by the PPUC; and, if approved, the Company cannot guarantee that these rate increases will be granted in a timely or sufficient manner to cover the investments and expenses for which the rate increase was sought.

Critical Accounting Estimates

The methods, estimates, and judgments the Company used in applying its accounting policies have a significant impact on the results reported in its financial statements. The Company's accounting policies require management to make subjective judgments because of the need to make estimates of matters that are inherently uncertain. The Company's most critical accounting estimates include: revenue recognition and accounting for its pension plans.

Revenue Recognition

Operating revenues include amounts billed to metered water and certain wastewater customers on a cycle basis and unbilled amounts based on both actual and estimated usage from the latest meter reading to the end of the accounting period. Estimates are based on average daily usage for those particular customers. The unbilled revenue amount is recorded as a current asset on the balance sheet. Actual results could differ from these estimates and would result in operating revenues being adjusted in the period in which the actual usage is known. Based on historical experience, the Company believes its estimate of unbilled revenues is reasonable.

Pension Accounting

Accounting for defined benefit pension plans requires estimates of future compensation increases, mortality, the discount rate, and expected return on plan assets as well as other variables. These variables are reviewed annually with the Company's pension actuary. The Company used compensation increases of 2.5% to 3.0% in 2022 and 2023.

The Company adopted a new mortality table in 2019, the Pri-2012, using the white collar table for the administrative and general plan and the blue collar table for the union plan. In 2021, the Company adopted the MP-2021 mortality improvement scale, which slightly increased the life expectancy of pension plan participants, resulting in a slight increase to the pension benefit obligation, and ultimately, a decrease in the Company's funded status of the plans.

The Company selected its December 31, 2023 and 2022 discount rates based on the FTSE Pension Liability Index. This index uses spot rates for durations out to 30 years and matches them to expected disbursements from the plan over the long term. The Company believes this index most appropriately matches its pension obligations. The present values of the Company's future pension obligations were determined using a discount rate of 4.75% at December 31, 2023 and 5.00% at December 31, 2022.

Adopting a new mortality table that represents a change in life expectancy and choosing a different discount rate normally changes the amount of pension expense and the corresponding liability. In the case of the Company, these items change its liability, but do not have an impact on its pension expense. The PPUC, in a previous rate settlement, agreed to grant recovery of the Company's contribution to the pension plans in customer rates. As a result, under the accounting standards regarding rate-regulated activities, expense in excess of the Company's pension plan contribution can be deferred as a regulatory asset and expensed as contributions are made to the plans and are recovered in customer rates. Therefore, these changes affect regulatory assets rather than pension expense.

In 2023, the Company modified its investment policy statements. The Company's estimate of the expected return on plan assets is primarily based on the historic returns and projected future returns of the asset classes represented in its plans. The target allocation of pension assets is 70% to 90% fixed income securities, 10% to 30% equity securities, and 0% to 10% cash reserves. The Company used 5.00% as its expected rate of return in 2023, a decrease from the 6.50% used in 2022 based on the modified investment policy statements. A decrease in the expected pension return would normally cause an increase in pension expense; however due to the aforementioned rate settlement, the Company's expense would continue to be equal to its contributions to the plans. The change would instead be recorded in regulatory assets.

Lower discount rates and underperformance of assets could cause future required contributions and expense to increase substantially. If this were to happen, the Company would have to consider changes to its pension plan benefits and possibly request additional recovery of expenses through increased rates charged to customers. See Note 11 to the Company's financial statements included herein for additional details regarding the pension plans.

Off-Balance Sheet Transactions

The Company does not use off-balance sheet transactions, arrangements or obligations that may have a material current or future effect on financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses. The Company does not use securitization of receivables or unconsolidated entities. For risk management purposes, the Company uses a derivative financial instrument, an interest rate swap agreement discussed in Note 7 to the financial statements included herein. The Company does not engage in trading or other risk management activities, does not use other derivative financial instruments for any purpose, has no material lease obligations, no guarantees and does not have material transactions involving related parties.

Impact of Recent Accounting Pronouncements

There are currently no recent accounting pronouncements that are expected to have a material impact to the Company's financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
The York Water Company

Opinion on the Financial Statements

We have audited the accompanying balance sheets of The York Water Company (the "Company") as of December 31, 2023 and 2022, the related statements of income, common stockholders' equity, and cash flows, for each of the two years in the period ended December 31, 2023, and the related notes and financial statement schedule listed in Item 15(a)2 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2003.

Philadelphia, Pennsylvania

March 5, 2024

THE YORK WATER COMPANY

Balance Sheets (In thousands of dollars, except per share amounts)

	Dec. 31, 2023	Dec. 31, 2022
ASSETS		
UTILITY PLANT, at original cost	\$ 620,201	\$ 549,141
Plant acquisition adjustments	(9,384)	(9,178)
Accumulated depreciation	<u>(117,113)</u>	<u>(108,758)</u>
Net utility plant	<u>493,704</u>	<u>431,205</u>
OTHER PHYSICAL PROPERTY, net of accumulated depreciation of \$501 in 2023 and \$463 in 2022	 <u>1,569</u>	 <u>696</u>
CURRENT ASSETS:		
Cash and cash equivalents	1	1
Accounts receivable, net of reserves of \$1,005 in 2023 and \$855 in 2022	7,837	6,701
Unbilled revenues	3,484	3,290
Recoverable income taxes	332	882
Materials and supplies inventories, at cost	3,109	2,335
Prepaid expenses	<u>821</u>	<u>1,025</u>
Total current assets	<u>15,584</u>	<u>14,234</u>
OTHER LONG-TERM ASSETS:		
Prepaid pension cost	23,380	17,090
Note receivable	255	255
Deferred regulatory assets	48,949	42,545
Other assets	<u>4,764</u>	<u>4,570</u>
Total other long-term assets	<u>77,348</u>	<u>64,460</u>
Total Assets	 <u>\$ 588,205</u>	 <u>\$ 510,595</u>

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Balance Sheets (In thousands of dollars, except per share amounts)

	Dec. 31, 2023	Dec. 31, 2022
STOCKHOLDERS' EQUITY AND LIABILITIES		
COMMON STOCKHOLDERS' EQUITY:		
Common stock, no par value, authorized 46,500,000 shares, issued and outstanding 14,332,245 shares in 2023 and 14,285,584 shares in 2022	\$ 136,174	\$ 134,220
Retained earnings	<u>85,004</u>	<u>72,963</u>
Total common stockholders' equity	<u>221,178</u>	<u>207,183</u>
PREFERRED STOCK, authorized 500,000 shares, no shares issued	-	-
LONG-TERM DEBT	<u>180,007</u>	<u>139,465</u>
COMMITMENTS	-	-
CURRENT LIABILITIES:		
Accounts payable	10,873	10,766
Dividends payable	2,754	2,628
Accrued compensation and benefits	1,629	1,541
Accrued interest	1,741	965
Deferred regulatory liabilities	644	593
Other accrued expenses	<u>502</u>	<u>488</u>
Total current liabilities	<u>18,143</u>	<u>16,981</u>
DEFERRED CREDITS:		
Customers' advances for construction	18,853	14,911
Deferred income taxes	55,235	47,901
Deferred employee benefits	3,847	3,725
Deferred regulatory liabilities	42,989	37,448
Other deferred credits	<u>632</u>	<u>680</u>
Total deferred credits	<u>121,556</u>	<u>104,665</u>
Contributions in aid of construction	<u>47,321</u>	<u>42,301</u>
Total Stockholders' Equity and Liabilities	<u><u>\$ 588,205</u></u>	<u><u>\$ 510,595</u></u>

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Income (In thousands of dollars, except per share amounts)

	Year Ended December 31	
	2023	2022
OPERATING REVENUES:	\$ 71,031	\$ 60,061
OPERATING EXPENSES:		
Operation and maintenance	17,362	14,133
Administrative and general	10,893	9,926
Depreciation and amortization	11,746	10,139
Taxes other than income taxes	1,499	1,380
	41,500	35,578
Operating income	29,531	24,483
OTHER INCOME (EXPENSES):		
Interest on debt	(7,047)	(5,114)
Allowance for funds used during construction	4,153	1,501
Other pension costs	(1,082)	(1,275)
Other income (expenses), net	(521)	-
	(4,497)	(4,888)
Income before income taxes	25,034	19,595
Income tax expense	1,277	15
Net Income	\$ 23,757	\$ 19,580
Basic Earnings Per Share	\$ 1.66	\$ 1.40
Diluted Earnings Per Share	\$ 1.66	\$ 1.40

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Common Stockholders' Equity
(In thousands of dollars, except per share amounts)
For the Years Ended December 31, 2023 and 2022

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
Balance, December 31, 2021	13,112,948	\$ 88,230	\$ 64,392	\$ 152,622
Net income	-	-	19,580	19,580
Cash dividends declared, \$0.7874 per share	-	-	(11,009)	(11,009)
Issuance of common stock	1,121,940	43,970	-	43,970
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	42,739	1,741	-	1,741
Stock-based compensation	7,957	279	-	279
Balance, December 31, 2022	<u>14,285,584</u>	<u>134,220</u>	<u>72,963</u>	<u>207,183</u>
Net income	-	-	23,757	23,757
Cash dividends declared, \$0.8189 per share	-	-	(11,716)	(11,716)
Issuance of common stock under dividend reinvestment, direct stock and employee stock purchase plans	41,702	1,654	-	1,654
Stock-based compensation	4,959	300	-	300
Balance, December 31, 2023	<u><u>14,332,245</u></u>	<u><u>\$ 136,174</u></u>	<u><u>\$ 85,004</u></u>	<u><u>\$ 221,178</u></u>

The accompanying notes are an integral part of these statements.

THE YORK WATER COMPANY

Statements of Cash Flows (In thousands of dollars, except per share amounts)

	Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 23,757	\$ 19,580
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,746	10,139
Stock-based compensation	300	279
Increase in deferred income taxes	530	4
Other	(1,114)	(54)
Changes in assets and liabilities:		
Increase in accounts receivable and unbilled revenues	(1,868)	(3,005)
Decrease in recoverable income taxes	550	12
Increase in materials and supplies, prepaid expenses, prepaid pension cost, regulatory and other assets	(9,512)	(537)
Increase (decrease) in accounts payable, accrued compensation and benefits, accrued expenses, deferred employee benefits, regulatory liabilities, and other deferred credits	6,743	(4,406)
Increase in accrued interest	776	6
Net cash provided by operating activities	31,908	22,018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions, including debt portion of allowance for funds used during construction of \$2,321 in 2023 and \$839 in 2022	(64,640)	(50,532)
Acquisitions of water and wastewater systems	(625)	(3,388)
Net cash used in investing activities	(65,265)	(53,920)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customers' advances for construction and contributions in aid of construction	5,064	3,488
Repayments of customer advances	(505)	(972)
Proceeds of long-term debt issues	104,681	54,378
Debt issuance costs	(171)	-
Repayments of long-term debt	(64,148)	(61,458)
Changes in cash overdraft position	(1,628)	1,429
Issuance of common stock	1,654	45,711
Dividends paid	(11,590)	(10,674)
Net cash provided by financing activities	33,357	31,902
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	1	1
Cash and cash equivalents at end of period	\$ 1	\$ 1
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$ 3,727	\$ 4,041

Supplemental disclosure of non-cash investing and financing activities:

Accounts payable includes \$6,433 in 2023 and \$5,118 in 2022 for the construction of utility plant.

Contributions in aid of construction includes \$4,403 recorded as part of the Conewago Industrial Park acquisition.

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

(In thousands of dollars, except per share amounts)

1. Significant Accounting Policies

The primary business of The York Water Company, or the Company, is to impound, purify and distribute water. The Company also owns and operates three wastewater collection systems and ten wastewater collection and treatment systems. The Company operates within its franchised territory located in four counties within south-central Pennsylvania and is subject to regulation by the Pennsylvania Public Utility Commission, or PPUC.

The following summarizes the significant accounting policies employed by The York Water Company.

Utility Plant and Depreciation

The cost of additions includes contracted cost, direct labor and fringe benefits, materials, overhead and, for certain utility plant, allowance for funds used during construction. In accordance with regulatory accounting requirements, water and wastewater systems acquired are recorded at estimated original cost of utility plant when first devoted to utility service and the applicable depreciation is recorded to accumulated depreciation. The difference between the estimated original cost less applicable accumulated depreciation, and the purchase price and acquisition costs, is recorded as an acquisition adjustment within utility plant as permitted by the PPUC. At December 31, 2023 and 2022, utility plant includes a net credit acquisition adjustment of \$9,384 and \$9,178, respectively. For those amounts approved by the PPUC, the net acquisition adjustment is being amortized over the remaining life of the respective assets. Certain amounts are still awaiting approval from the PPUC before amortization will commence. Amortization amounted to \$69 and \$67 for the years ended December 31, 2023 and 2022, respectively.

Upon normal retirement of depreciable property, the estimated or actual cost of the asset is credited to the utility plant account, and such amounts, together with the cost of removal less salvage value, are charged to the reserve for depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is reported. Gains or losses from abnormal retirements are reflected in income currently.

The straight-line remaining life method is used to compute depreciation on utility plant cost, exclusive of land and land rights. Annual provisions for depreciation of transportation and mechanical equipment included in utility plant are computed on a straight-line basis over the estimated service lives. Such provisions are charged to clearing accounts and apportioned therefrom to operating expenses and other accounts in accordance with the Uniform System of Accounts as prescribed by the PPUC.

The Company charges to maintenance expense the cost of repairs and replacements and renewals of minor items of property. Maintenance of transportation equipment is charged to clearing accounts and apportioned from there in a manner similar to depreciation. The cost of replacements, renewals, and betterments of units of property is capitalized to the utility plant accounts.

The following remaining lives are used for financial reporting purposes:

<u>Utility Plant Asset Category</u>	<u>December 31</u>		<u>Approximate range of remaining lives</u>
	<u>2023</u>	<u>2022</u>	
Mains and accessories	\$286,993	\$265,033	13 – 86 years
Services, meters, and hydrants	98,387	92,818	14 – 47 years
Operations structures, reservoirs, and water tanks	89,207	87,218	10 – 55 years
Pumping and treatment equipment	44,719	40,038	6 – 35 years
Office, transportation, and operating equipment	19,292	18,128	3 – 20 years
Land and other non-depreciable assets	5,685	3,938	-
Utility plant in service	544,283	507,173	
Construction work in progress	75,918	41,968	-
Total Utility Plant	<u>\$620,201</u>	<u>\$549,141</u>	

The effective rate of depreciation was 2.55% in 2023 and 2.38% in 2022, on average utility plant, net of customers' advances and contributions. Larger depreciation provisions resulting from allowable accelerated methods are deducted for tax purposes.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents except for those instruments earmarked to fund construction expenditures or repay long-term debt.

The Company periodically maintains cash balances in major financial institutions in excess of the federally insured limit by the Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at outstanding balances, less a reserve for doubtful accounts. The reserve for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the reserve and subsequent recoveries, if any, are credited to the reserve. The reserve for doubtful accounts is the best estimate of the amount of probable credit losses in the existing accounts receivable and is determined based on lifetime expected credit losses and the aging of account balances. Management's periodic evaluation of the adequacy of the reserve is based on historical write-offs combined with an evaluation of current conditions and reasonable and supportable forecasts including inactive accounts with outstanding balances, the aging of balances in payment agreements, adverse situations that may affect a customer's ability to pay, economic conditions, and other relevant factors applied to the current aging of receivables. This evaluation is inherently subjective. Unpaid balances remaining after the stated payment terms are considered past due.

Materials and Supplies Inventories

Materials and supplies inventories are stated at cost. Costs are determined using the average cost method.

Note Receivable

Note receivable is recorded at cost and represents amounts due from a municipality for construction of water mains in their municipality. Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a note to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the note agreement. When a note is considered to be impaired, the carrying value of the note is written down. The amount of the impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate.

Regulatory Assets and Liabilities

The Company is subject to the provisions of generally accepted accounting principles regarding rate-regulated entities. The accounting standards provide for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current customer rates or are considered probable of being included in future rates. The regulatory assets or liabilities are then relieved as the cost or credit is reflected in rates. Regulatory assets represent costs that are expected to be fully recovered from customers in future rates while regulatory liabilities represent amounts that are expected to be refunded to customers in future rates. These deferred costs have been excluded from the Company's rate base and, therefore, no return is being earned on the unamortized balances.

Regulatory assets and liabilities are comprised of the following:

	December 31		Remaining Recovery Periods
	2023	2022	
<u>Assets</u>			
Income taxes	\$35,885	\$29,779	Various
Unrealized swap losses	632	674	1 – 6 years
Utility plant retirement costs	9,592	9,060	5 years
Customer-owned lead service line replacements	1,257	1,260	Various
Income taxes on customers' advances for construction and contributions in aid of construction	1,250	1,353	Various
Service life study expenses	19	24	4 years
Rate case filing expenses	314	395	3 years
	<u>\$48,949</u>	<u>\$42,545</u>	
<u>Liabilities</u>			
Excess accumulated deferred income taxes on accelerated depreciation	\$13,286	\$13,483	Various
Postretirement benefits	21,196	14,906	Not yet known
Income taxes	6,516	6,758	Various
IRS TPR catch-up deduction	2,635	2,894	10 years
	<u>\$43,633</u>	<u>\$38,041</u>	

The regulatory asset for income taxes includes (a) deferred state income taxes related primarily to differences between book and tax depreciation expense, (b) deferred income taxes related to the differences that arise between specific asset improvement costs capitalized for book purposes and deducted as a repair expense for tax purposes, and (c) deferred income taxes associated with the gross-up of revenues related to the differences. These assets are recognized for ratemaking purposes on a cash or flow-through basis and will be recovered in rates as they reverse.

The Company uses regulatory accounting treatment to defer the mark-to-market unrealized gains and losses on its interest rate swap to reflect that the gain or loss is included in the ratemaking formula when the transaction actually settles. The value of the swap as of the balance sheet date is recorded as part of other deferred credits. Realized gains or losses on the swap will be recorded as interest expense in the statement of income over its remaining term of six years.

Utility plant retirement costs represent costs already incurred for the removal of assets, which are expected to be recovered over a five-year period in rates, through depreciation expense.

The Company was granted approval by the PPUC to modify its tariff to replace lead customer-owned service lines that were discovered when the Company replaced its lead service lines, and to include the cost of the annual replacement of up to 400 lead customer-owned service lines whenever they are discovered, regardless of the material used for the company-owned service line, over nine years. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost and record the costs as a regulatory asset to be recovered in future base rates to customers. The recovery period was established in the most recent rate order at four years beginning March 1, 2023. The recovery period for the customer-owned lead service line replacements completed subsequent to the most recent rate order will begin after the next rate order.

Service life study expenses are deferred and amortized over their remaining life of four years. Rate case filing expenses are deferred and amortized over their remaining life of three years.

Pursuant to the Tax Cuts and Jobs Act of 2017, or 2017 Tax Act, customers' advances for construction and contributions in aid of construction are considered taxable income. The Company's tariff allows the Company to record these income taxes for inclusion in rate base. This asset is recognized for ratemaking purposes on a cash or flow-through basis and will be recovered in rates as it reverses. In November 2021, the Infrastructure Investment and Jobs Act of 2021, or 2021 Infrastructure Act, repealed the tax treatment of customers' advances for construction and contributions in aid of construction made after December 31, 2020.

Under normalization rules applicable to public utility property included in the 2017 Tax Act, the excess accumulated deferred income taxes on accelerated depreciation from lowering of the enacted federal statutory corporate tax rate is recorded as a regulatory liability. The benefit will be given back to customers in rates over the remaining regulatory life of the property.

The regulatory liability for income taxes includes deferred taxes related to excess accumulated deferred income taxes on accelerated depreciation, other postretirement benefits, customers' advances for construction and contributions in aid of construction, and bad debts, as well as deferred investment tax credits. These liabilities will be given back to customers in rates, as tax deductions occur over the next 1 to 50 years.

The regulatory liability for the Internal Revenue Service, or IRS, tangible property regulations, or TPR, catch-up deduction represents the tax benefits realized on the Company's 2014 income tax return for qualifying capital expenditures made prior to 2014. The period over which it will be given back to customers in rates was established in a rate order at 15 years beginning March 1, 2019.

Postretirement benefits include the difference between contributions and deferred pension expense and the overfunded status of the pension plans. The overfunded status represents the difference between the projected benefit obligation and the fair market value of the assets. This liability will change in future years based on the amount of contributions made and market returns. The liability will be given back to customers in rates over some period determined by the PPUC in a future rate filing.

Other Assets

Other assets consist mainly of the cash value of life insurance policies held as an investment by the Company for reimbursement of costs and benefits associated with its supplemental retirement and deferred compensation programs.

Deferred Debt Expense

Deferred debt expense is amortized on a straight-line basis over the term of the related debt and is presented on the balance sheet as a direct reduction from long-term debt.

Customers' Advances for Construction

Customer advances are cash payments from developers, municipalities, customers, or builders for construction of utility plant, and are refundable upon completion of construction, as operating revenues are earned. If the Company loans funds for construction to the customer, the refund amount is credited to the note receivable rather than paid out in cash. After all refunds to which the customer is entitled are made, any remaining balance is transferred to contributions in aid of construction.

Contributions in Aid of Construction

Contributions in Aid of Construction is composed of (i) direct, non-refundable contributions from developers, customers, or builders for construction of water infrastructure and (ii) customer advances that have become non-refundable. Contributions in aid of construction are deducted from the Company's rate base, and therefore, no return is earned on property financed with contributions. The PPUC requires that contributions received remain on the Company's balance sheets indefinitely as a long-term liability.

Interest Rate Swap Agreement

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. The Company utilizes an interest rate swap agreement to effectively convert its variable-rate debt to a fixed rate. Interest rate swaps are contracts in which a series of interest rate cash flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. The Company has designated the interest rate swap agreement as a cash flow hedge, classified as a financial derivative used for non-trading activities.

The accounting standards regarding accounting for derivatives and hedging activities require companies to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheets. In accordance with the standards, the interest rate swap is recorded on the balance sheets in other deferred credits at fair value.

The Company uses regulatory accounting treatment rather than hedge accounting to defer the unrealized gains and losses on its interest rate swap. These unrealized gains and losses are recorded as a regulatory asset. Based on current ratemaking treatment, the Company expects the gains and losses to be recognized in rates and in interest expense as the swap settlements occur. Swap settlements are recorded in the income statement with the hedged item as interest expense. Swap settlements resulted in the reclassification from regulatory assets to interest expense of \$18 in 2023 and \$247 in 2022. The overall swap result was a gain of \$24 in 2023 and \$1,133 in 2022. During the year ending December 31, 2024, the Company expects to reclassify \$40 before tax from regulatory assets to interest expense.

The interest rate swap will expire on October 1, 2029.

Stock-Based Compensation

The Company records compensation expense in the financial statements for stock-based awards based on the grant date fair value of those awards. Stock-based compensation expense is recognized over the requisite service periods of the awards on a straight-line basis, which is generally commensurate with the vesting term. Forfeitures are recognized as they occur.

Income Taxes

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes.

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. To the extent such income taxes increase or decrease future rates, an offsetting regulatory asset or liability has been recorded.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets. As of December 31, 2023 and 2022, deferred investment tax credits amounted to \$392 and \$428, respectively.

The Company filed for a change in accounting method under the IRS TPR effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. The Company was permitted to make this deduction for prior years (the “catch-up deduction”) and each year going forward, beginning with 2014 (the “ongoing deduction”). After receiving approval from the PPUC in a rate order, the Company began to recognize the catch-up deduction, recorded as a regulatory liability, over 15 years beginning March 1, 2019. The ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. The catch-up deduction resulted in a decrease in current income taxes payable and an increase to regulatory liabilities. Both the ongoing and catch-up deductions resulted in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions.

The 2017 Tax Act, among other things, reduces the federal statutory corporate tax rate for tax years beginning in 2018 from 34% to 21%, treats customers' advances for construction and contributions in aid of construction as taxable income, eliminates certain deductions, and eliminates bonus depreciation on qualified water and wastewater property. This resulted in the remeasurement of the federal portion of the Company's deferred taxes as of December 31, 2017 to the 21% rate. The effect was recognized in income for the year ended December 31, 2017 for all deferred tax assets and liabilities except accelerated depreciation. Under normalization rules applicable to public utility property included in the 2017 Tax Act, the excess accumulated deferred income taxes on accelerated depreciation is recorded as a regulatory liability. The regulatory liability is a temporary difference, so a deferred tax asset is recorded including the gross-up of revenue necessary to return, in rates, the effect of the temporary difference. In November 2021, the 2021 Infrastructure Act repealed the tax treatment of customers' advances for construction and contributions in aid of construction made after December 31, 2020.

Allowance for Funds Used During Construction

Allowance for funds used during construction (AFUDC) represents the estimated cost of funds used for construction purposes during the period of construction. These costs are reflected as non-cash income during the construction period and as an addition to the cost of plant constructed. AFUDC includes the net cost of borrowed funds and a rate of return on other funds. The PPUC approved rate of 10.04% was applied for 2023 and 2022. AFUDC is recovered through water and wastewater rates as utility plant is depreciated.

Use of Estimates in the Preparation of Financial Statements

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

2. Acquisitions

On August 11, 2022, the Company completed the acquisition of the water assets and wastewater collection and treatment assets of Country View Manor Community, LLC in York County, Pennsylvania. The Company began operating the existing water assets and wastewater collection and treatment assets on August 15, 2022. The acquisition resulted in the addition of approximately 50 water and wastewater customers with purchase price and acquisition costs of approximately \$47, which is less than the depreciated original cost of the assets. The Company recorded a negative acquisition adjustment of \$13 and will seek approval from the PPUC to amortize the acquisition adjustment over the remaining life of the acquired assets. This acquisition is immaterial to Company results.

On August 25, 2022, the Company completed the acquisition of the water assets and wastewater collection and treatment assets jointly owned by Letterkenny Industrial Development Authority and Franklin County General Authority in Franklin County, Pennsylvania. The Company began operating the existing water assets and wastewater collection and treatment assets on August 29, 2022. The acquisition resulted in the addition of approximately 90 water and wastewater customers with purchase price and acquisition costs of approximately \$2,818, which is less than the depreciated original cost of the assets. The Company recorded a negative acquisition adjustment of \$5,613 and will seek approval from the PPUC to amortize the acquisition adjustment over the remaining life of the acquired assets. This acquisition is immaterial to Company results.

On October 28, 2022, the Company completed the acquisition of the water assets of the Albright Trailer Park of R.T. Barclay, Inc. in Springfield Township, York County, Pennsylvania. The Company began operating the existing water system through an interconnection with its current distribution system on October 31, 2022. The acquisition resulted in the addition of approximately 60 water customers with purchase price and acquisition costs of approximately \$10, which is less than the depreciated original cost of the assets. The Company recorded a negative acquisition adjustment of \$5 and will seek approval from the PPUC to amortize the acquisition adjustment over the remaining life of the acquired assets. These customers were previously served by the Company through a single customer connection to the park. This acquisition is immaterial to Company results.

On November 17, 2022, the Company completed the acquisition of the water assets of Scott Water Company in Greene Township, Franklin County, Pennsylvania. The Company began operating the existing water system through an interconnection with its current distribution system on November 18, 2022. The acquisition resulted in the addition of approximately 25 water customers with purchase price and acquisition costs of approximately \$32, which is more than the depreciated original cost of the assets. The Company recorded an acquisition adjustment of \$23 and will seek approval from the PPUC to amortize the acquisition adjustment over the remaining life of the acquired assets. This acquisition is immaterial to Company results.

On December 1, 2022, the Company completed the acquisition of the wastewater collection and treatment assets of SYC WWTP, L.P. and the Albright Trailer Park of R.T. Barclay, Inc. in Shrewsbury and Springfield Townships, York County, Pennsylvania. The Company began operating the existing collection and treatment facilities on December 5, 2022. The acquisition resulted in the addition of approximately 90 wastewater customers with purchase price and acquisition costs of approximately \$516, of which \$35 was paid in 2023, which is less than the depreciated original cost of the assets. The Company recorded a negative acquisition adjustment of \$202 and will seek approval from the PPUC to amortize the acquisition adjustment over the remaining life of the acquired assets. The wastewater customers of the Albright Trailer Park were previously served by SYC WWTP, L.P. through a single customer connection to the park. This acquisition is immaterial to Company results.

On October 12, 2023, the Company completed the acquisition of the water assets and wastewater collection and treatment assets of Conewago Industrial Park Water and Sewer Company in Lancaster County, Pennsylvania. The Company began operating the existing water assets and wastewater collection and treatment assets on October 16, 2023. The acquisition resulted in the addition of approximately 30 commercial and industrial water and wastewater customers with purchase price and acquisition costs of approximately \$590, which is less than the depreciated original cost of the assets. The Company recorded a negative acquisition adjustment of \$73 and will seek approval from the PPUC to amortize the acquisition adjustment over the remaining life of the acquired assets. This acquisition is immaterial to Company results.

3. Accounts Receivable and Contract Assets

Accounts receivable are summarized in the following table:

	<u>As of Dec. 31, 2023</u>	<u>As of Dec. 31, 2022</u>	<u>Change</u>
Accounts receivable – customers	\$8,250	\$7,069	\$1,181
Other receivables	592	487	105
	<u>8,842</u>	<u>7,556</u>	<u>1,286</u>
Less: allowance for doubtful accounts	<u>(1,005)</u>	<u>(855)</u>	<u>(150)</u>
Accounts receivable, net	<u>\$7,837</u>	<u>\$6,701</u>	<u>\$1,136</u>
 Unbilled revenue	 <u>\$3,484</u>	 <u>\$3,290</u>	 <u>\$194</u>

Differences in timing of revenue recognition, billings, and cash collections result in receivables, which are contract assets. Generally, billing occurs subsequent to revenue recognition, resulting in unbilled revenue on the balance sheet, which is also a contract asset. The Company does not receive advances or deposits from customers before revenue is recognized so no contract liabilities are reported. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately on the balance sheet. The changes in accounts receivable – customers and in unbilled revenue were primarily due to normal timing difference between performance and the customer’s payments.

4. Note Receivable and Customers' Advances for Construction

The Company entered into an agreement with a municipality to extend water service into a previously formed water district. The Company loaned funds to the municipality to cover the costs related to the project. The municipality concurrently advanced these funds back to the Company in the form of customers' advances for construction. The municipality is required by enacted ordinance to charge application fees and water revenue surcharges (fees) to customers connected to the system, which are remitted to the Company. The note principal and the related customer advance that could be used to settle the note receivable are reduced periodically as operating revenues are earned by the Company from customers connected to the system and refunds of the advance are made. There is no due date for the notes or expiration date for the advance.

The Company recorded interest income of \$192 in 2023 and \$194 in 2022. The interest rate on the note outstanding is 7.5%.

Included in the accompanying balance sheets at December 31, 2023 and 2022 were the following amounts related to this project.

	<u>2023</u>	<u>2022</u>
Note receivable, including interest	\$255	\$255
Customers' advances for construction	205	243

The Company has other customers' advances for construction totaling \$18,648 and \$14,668 at December 31, 2023 and 2022, respectively.

5. Common Stock and Earnings Per Share

Net income of \$23,757 and \$19,580 for the years ended December 31, 2023 and 2022, respectively, is used to calculate both basic and diluted earnings per 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 plus potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted net income per share. The dilutive effect of stock-based compensation is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation.

The following table summarizes the shares used in computing basic and diluted net income per share:

	<u>2023</u>	<u>2022</u>
Weighted average common shares, basic	14,294,910	13,957,788
Effect of dilutive securities:		
Employee stock-based compensation	803	1,127
Weighted average common shares, diluted	<u>14,295,713</u>	<u>13,958,915</u>

Under the employee stock purchase plan, all full-time employees who have been employed at least ninety consecutive days may purchase shares of the Company's common stock limited to 10% of gross compensation. The purchase price is 95% of the fair market value (as defined). Shares issued during 2023 and 2022 were 4,227 and 4,378, respectively. As of December 31, 2023, 45,416 authorized shares remain unissued under the plan.

The Company has a Dividend Reinvestment and Direct Stock Purchase and Sale Plan (“the Plan”), which is available to both current shareholders and the general public. On November 7, 2022, the Company filed a Registration Statement on Form S-3 with the Securities and Exchange Commission (SEC) to rollover the unissued 365,975 shares authorized under the 2019 Form S-3, for issuance under the new Prospectus for the Plan. Under the optional dividend reinvestment portion of the Plan, holders of the Company’s common stock may purchase additional shares instead of receiving cash dividends. The purchase price is 95% of the fair market value (as defined). Under the direct stock purchase portion of the Plan, purchases are made monthly at 100% of the stock’s fair market value, as defined in the new Prospectus. The Registration Statement was declared effective by the SEC on November 17, 2022. Shares issued during 2023 and 2022 were 37,475 and 38,361, respectively. As of December 31, 2023, 320,708 authorized shares remain unissued under the Plan.

On April 5, 2022, the Company closed an underwritten public offering of 975,600 shares of its common stock, with an offering price of \$41 per share. On April 7, 2022, the Company closed on the full exercise of the underwriter’s option to purchase an additional 146,340 shares of its common stock at the same price. Janney Montgomery Scott LLC was the underwriter in the offering. The Company received net proceeds in the offering, after deducting offering expenses and underwriters’ discounts and commissions, of \$43,970. The net proceeds were used to repay the Company’s borrowings under its line of credit agreement incurred to fund capital expenditures and acquisitions, and for general corporate purposes.

On March 11, 2013, the Board of Directors, or the Board, authorized a share repurchase program granting the Company authority to repurchase up to 1,200,000 shares of the Company’s common stock from time to time. The stock repurchase program has no specific end date and the Company may repurchase shares in the open market or through privately negotiated transactions. The Company may suspend or discontinue the repurchase program at any time. During both 2023 and 2022, the Company did not repurchase or retire any shares. As of December 31, 2023, 618,004 shares remain available for repurchase.

6. Long-Term Debt and Short-Term Borrowings

Long-term debt as of December 31, 2023 and 2022 is summarized in the following table:

	<u>2023</u>	<u>2022</u>
Variable Rate Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series 2008A, due 2029	\$12,000	\$12,000
3.00% Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series A of 2019, due 2036	10,500	10,500
3.10 % Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds, Series B of 2019, due 2038	14,870	14,870
3.23% Senior Notes, due 2040	15,000	15,000
4.00% - 4.50% York County Industrial Development Authority Exempt Facilities Revenue Bonds, Series 2015, due 2029 - 2045	10,000	10,000
4.54% Senior Notes, due 2049	20,000	20,000
3.24% Senior Notes, due 2050	30,000	30,000
5.50% Senior Notes, due 2053	40,000	-
Committed Line of Credit, due 2025	30,273	29,740
Total long-term debt	182,643	142,110
Less discount on issuance of long-term debt	(147)	(158)
Less unamortized debt issuance costs	(2,489)	(2,487)
Long-term portion	<u>\$ 180,007</u>	<u>\$ 139,465</u>

Payments due by year as of December 31, 2023:

<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
\$-	\$42,273	\$330	\$340	\$355

Payments due in 2025 include payback of the committed line of credit. The committed line of credit is reviewed annually, and upon favorable outcome, would likely be extended for another year. Payments due in 2025 also include potential payments of \$12,000 on the variable rate bonds (due 2029) which would only be payable if all bonds were tendered and could not be remarketed, or in the event the Company was unable to, or chose not to, renew the letter of credit backing the bonds. There is currently no such indication of this happening.

Fixed Rate Long-Term Debt

On February 24, 2023, the Company entered into a note purchase agreement with certain institutional investors relating to the private placement of \$40,000 aggregate principal amount of the Company's senior notes. The senior notes bear interest at 5.50% per annum payable semiannually and mature on February 24, 2053. The senior notes are unsecured and unsubordinated obligations of the Company. The Company received net proceeds, after deducting issuance costs, of approximately \$39,829. The net proceeds were used to refinance line of credit borrowings incurred by the Company as interim financing for various capital projects of the Company.

The 8.43% Senior Notes, Series D had a maturity date of December 18, 2022. The Company retired the \$7,500 notes using funds available under its line of credit.

Variable Rate Long-Term Debt

On May 7, 2008, the Pennsylvania Economic Development Financing Authority, or PEDFA, issued \$12,000 aggregate principal amount of PEDFA Exempt Facilities Revenue Refunding Bonds, Series A of 2008 (the "Series A Bonds") for the Company's benefit pursuant to the terms of a trust indenture, dated as of May 1, 2008, between the PEDFA and Manufacturers and Traders Trust Company, as trustee. The PEDFA then loaned the proceeds of the offering of the Series A Bonds to the Company pursuant to a loan agreement, dated as of May 1, 2008, between the Company and the PEDFA. The loan agreement provides for a \$12,000 loan with a maturity date of October 1, 2029. Amounts outstanding under the loan agreement are the Company's direct general obligations. The proceeds of the loan were used to redeem the PEDFA Exempt Facilities Revenue Bonds, Series B of 2004 (the "2004 Series B Bonds"). The 2004 Series B Bonds were redeemed because the bonds were tendered and could not be remarketed due to the downgrade of the bond insurer's credit rating.

Borrowings under the loan agreement bear interest at a variable rate as determined by PNC Capital Markets, as remarketing agent, on a periodic basis elected by the Company, which has currently elected that the interest rate be determined on a weekly basis. The remarketing agent determines the interest rate based on the current market conditions in order to determine the lowest interest rate which would cause the Series A Bonds to have a market value equal to the principal amount thereof plus accrued interest thereon. The variable interest rate under the loan agreement averaged 3.38% in 2023 and 1.25% in 2022. As of December 31, 2023 and 2022, the interest rate was 3.89% and 3.75%, respectively.

The holders of the \$12,000 Series A Bonds may tender their bonds at any time. When the bonds are tendered, they are subject to an annual remarketing agreement, pursuant to which a remarketing agent attempts to remarket the tendered bonds according to the terms of the indenture. In order to keep variable interest rates down and to enhance the marketability of the Series A Bonds, the Company entered into a Reimbursement, Credit and Security Agreement with PNC Bank, National Association ("the Bank") dated as of May 1, 2008. This agreement provides for a direct pay letter of credit issued by the Bank to the trustee for the Series A Bonds. The Bank is responsible for providing the trustee with funds for the timely payment of the principal and interest on the Series A Bonds and for the purchase price of the Series A Bonds that have been tendered or deemed tendered for purchase and have not been remarketed. The Company's responsibility is to reimburse the Bank the same day as regular interest payments are made, and within fourteen months for the purchase price of tendered bonds that have not been remarketed. The reimbursement period for the principal is immediate at maturity, upon default by the Company, or if the Bank does not renew the Letter of Credit. The current expiration date of the Letter of Credit is June 30, 2025. It is reviewed annually for a potential extension of the expiration date.

The Company may elect to have the Series A Bonds redeemed, in whole or in part, on any date that interest is payable for a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. The Series A Bonds are also subject to mandatory redemption for the same redemption price in the event that the IRS determines that the interest payable on the Series A Bonds is includable in gross income of the holders of the bonds for federal tax purposes.

Interest Rate Swap Agreement

In connection with the issuance of the PEDFA 2004 Series B Bonds, the Company entered into an interest rate swap agreement with a counterparty, in the notional principal amount of \$12,000. The Company elected to retain the swap agreement for the 2008 Series A Bonds. Interest rate swap agreements derive their value from underlying interest rates. These transactions involve both credit and market risk. The notional amounts are amounts on which calculations, payments, and the value of the derivative are based. Notional amounts do not represent direct credit exposure. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Such difference, which represents the fair value of the swap, is reflected on the Company's balance sheets. See Note 7 for additional information regarding the fair value of the swap.

The interest rate swap will terminate on the maturity date of the 2008 Series A Bonds (which is the same date as the maturity date of the loan under the loan agreement), unless sooner terminated pursuant to its terms. In the event the interest rate swap terminates prior to the maturity date of the 2008 Series A Bonds, either the Company or the swap counterparty may be required to make a termination payment to the other based on market conditions at such time. The Company is exposed to credit-related losses in the event of nonperformance by the counterparty. The Company controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect the counterparty to default on its obligations. Notwithstanding the terms of the swap agreement, the Company is ultimately obligated for all amounts due and payable under the loan agreement.

The interest rate swap agreement contains provisions that require the Company to maintain a credit rating of at least BBB- with Standard & Poor's. On July 26, 2023, Standard & Poor's affirmed the Company's credit rating at A-, with a stable outlook and adequate liquidity. If the Company's rating were to fall below this rating, it would be in violation of these provisions, and the counterparty to the derivative could request immediate payment if the derivative was in a liability position. The Company's interest rate swap was in a liability position as of December 31, 2023. If a violation was triggered on December 31, 2023, the Company would have been required to pay the counterparty approximately \$649.

The Company's interest rate swap agreement provides that it pays the counterparty a fixed interest rate of 3.16% on the notional amount of \$12,000. In exchange, the counterparty paid the Company a floating interest rate (based on 59% of the U.S. Dollar one-month LIBOR rate) on the notional amount. The variable interest rate changed to 59% of the daily simple Secured Overnight Financing Rate, or SOFR, plus a spread adjustment of 11.448 basis points upon the discontinuance of LIBOR in 2023. The floating interest rate paid to the Company is intended, over the term of the swap, to approximate the variable interest rate on the loan agreement and the interest rate paid to bondholders, thereby managing its exposure to fluctuations in prevailing interest rates. The Company's net payment rate on the swap averaged 0.14% in 2023 and 2.04% in 2022.

As of December 31, 2023, there was a spread of 68 basis points between the variable rate paid to bondholders and the variable rate received from the swap counterparty, which equated to an overall effective rate of 3.84% (including variable interest and swap payments). As of December 31, 2022, there was a spread of 122 basis points which equated to an overall effective rate of 4.38% (including variable interest and swap payments).

Line of Credit Borrowings

As of December 31, 2023, the Company maintained a \$50,000 unsecured, committed line of credit at an interest rate of SOFR plus 1.17% with an unused commitment fee and an interest rate floor. In the third quarter of 2023, the Company renewed its committed line of credit and extended the maturity date to September 2025. No other terms or conditions of the line of credit agreement were modified. On January 1, 2023, the interest rate changed from LIBOR plus 1.05% to a successor rate of SOFR plus 1.17% in advance of the discontinuation of LIBOR in 2023. Average borrowings outstanding under the lines of credit were \$16,316 in 2023 and \$13,428 in 2022. The average cost of borrowings under the lines of credit was 5.36% during 2023 and 2.11% during 2022. The weighted average interest rate on the line of credit borrowings was 6.51% as of December 31, 2023 and 5.17% as of December 31, 2022.

The Company utilizes a cash management account that is directly connected to its line of credit. Excess cash generated automatically pays down outstanding borrowings under the line of credit. If there are no outstanding borrowings, the cash is used as an earnings credit to reduce banking fees. Likewise, if additional funds are needed beyond what is generated internally, funds are automatically borrowed under the line of credit. The Company borrowed \$30,273 and \$29,740 under its line of credit and incurred a cash overdraft of \$1,547 and \$3,175, which was recorded in accounts payable, as of December 31, 2023 and 2022, respectively.

Debt Covenants and Restrictions

The terms of the debt agreements carry certain covenants and limit in some cases the Company’s ability to borrow additional funds, to prepay its borrowings and include certain restrictions with respect to declaration and payment of cash dividends and the Company’s acquisition of its stock. Under the terms of the most restrictive agreements, the Company cannot borrow in excess of 60% of its utility plant, and cumulative payments for dividends and acquisition of stock since December 31, 1982 may not exceed \$1,500 plus net income since that date. As of December 31, 2023, none of the earnings retained in the business are restricted under these provisions. The Company’s debt is unsecured.

The Company’s line of credit requires it to maintain a minimum equity to total capitalization ratio (defined as the sum of equity plus funded debt) and a minimum interest coverage ratio (defined as net income plus interest expense plus income tax expense divided by interest expense). As of December 31, 2023, the Company was in compliance with these covenants.

7. Fair Value of Financial Instruments

The accounting standards regarding fair value measurements establish a fair value hierarchy which indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management’s own judgments about the assumptions market participants would use in pricing the asset or liability.

The Company has recorded its interest rate swap liability at fair value in accordance with the standards. The liability is recorded under the caption “Other deferred credits” on the balance sheets. The table below illustrates the fair value of the interest rate swap as of the end of the reporting period.

<u>Description</u>	<u>December 31, 2023</u>	<u>Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)</u>
Interest Rate Swap	\$632	\$632

Fair values are measured as the present value of all expected future cash flows based on the swap yield curve as of the date of the valuation. These inputs to this calculation are deemed to be Level 2 inputs. The balance sheet carrying value reflects the Company’s credit quality as of December 31, 2023. The rate used in discounting all prospective cash flows anticipated to be made under this swap reflects a representation of the yield to maturity for 30-year debt on utilities rated A- as of December 31, 2023. The use of the Company’s credit quality resulted in a reduction in the swap liability of \$17 as of December 31, 2023. The fair value of the swap reflecting the Company’s credit quality as of December 31, 2022 is shown in the table below.

<u>Description</u>	<u>December 31, 2022</u>	<u>Fair Value Measurements at Reporting Date Using Significant Other Observable Inputs (Level 2)</u>
Interest Rate Swap	\$680	\$680

The carrying amount of current assets and liabilities that are considered financial instruments approximates fair value as of the dates presented. The Company's total long-term debt, with a carrying value of \$182,643 at December 31, 2023, and \$142,110 at December 31, 2022, had an estimated fair value of approximately \$175,000 and \$126,000, respectively. The estimated fair value of debt was calculated using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration and risk profile. These inputs to this calculation are deemed to be Level 2 inputs. The Company recognized its credit rating in determining the yield curve and did not factor in third party credit enhancements including the letter of credit on the 2008 PEDFA Series A issue.

Customers' advances for construction and note receivable have carrying values at December 31, 2023 of \$18,853 and \$255, respectively. At December 31, 2022, customers' advances for construction and note receivable had carrying values of \$14,911 and \$255, respectively. The relative fair values of these amounts cannot be accurately estimated since the timing of future payment streams is dependent upon several factors, including new customer connections, customer consumption levels and future rate increases.

8. Commitments

Based on its capital budget, the Company anticipates construction and acquisition expenditures for 2024 and 2025 of approximately \$42,200 and \$46,100, respectively, exclusive of any acquisitions not yet approved. The Company plans to finance ongoing capital expenditures with internally-generated funds, borrowings against the Company's line of credit, proceeds from the issuance of common stock under its dividend reinvestment and direct stock purchase and sale plan and ESPP, potential common stock or debt issues and customer advances and contributions.

The Company committed to capital expenditures of approximately \$39,548 to armor and replace the spillway of the Lake Williams dam, of which \$2,945 remains to be incurred as of December 31, 2023. The Company may make additional commitments for this project in the future.

The Company was granted approval by the PPUC to modify its tariff to include the cost of the annual replacement of up to 400 lead customer-owned service lines over nine years from the date of the agreement. The tariff modification allows the Company to replace customer-owned service lines at its own initial cost. The Company will record the costs as a regulatory asset to be recovered in future base rates to customers, over a four-year period. The cost for the customer-owned lead service line replacements was approximately \$1,762 and \$1,518 through December 31, 2023 and 2022, respectively, and is included as a regulatory asset. Based on its experience, the Company estimates that lead customer-owned service lines replacements will cost \$1,900. This estimate is subject to adjustment as more facts become available.

As of December 31, 2023, approximately 32% of the Company's full-time employees are under union contract. The current contract was ratified in June 2023 and expires on April 30, 2026.

The Company is involved in certain legal and administrative proceedings before various courts and governmental agencies concerning utility service and other matters. The Company expects that the ultimate disposition of these proceedings will not have a material effect on the Company's financial position, results of operations and cash flows.

9. Revenue

The following table shows the Company's revenues disaggregated by service and customer type.

	<u>2023</u>	<u>2022</u>
Water utility service:		
Residential	\$40,031	\$35,382
Commercial and industrial	19,279	15,704
Fire protection	4,124	3,449
Wastewater utility service:		
Residential	5,495	3,814
Commercial and industrial	1,050	551
Billing and revenue collection services	474	481
Collection services	38	157
Other revenue	50	28
	<u>70,541</u>	<u>59,566</u>
Total Revenue from Contracts with Customers		
Rents from regulated property	490	495
	<u>\$71,031</u>	<u>\$60,061</u>
	<u>Total Operating Revenue</u>	<u></u>

Utility Service

The Company provides utility service as a distinct and single performance obligation to each of its water and wastewater customers. The transaction price is detailed in the tariff pursuant to an order by the PPUC and made publicly available. There is no variable consideration and no free service, special rates, or subnormal charges to any customer. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of utility service through a stand-ready obligation to perform and the transfer of water or the collection of wastewater through a series of distinct transactions that are identical in nature and have the same pattern of transfer to the customer. The Company uses an output method to recognize the utility service revenue over time. The stand-ready obligation is recognized through the passage of time in the form of a fixed charge and the transfer of water or the collection of wastewater is recognized at a per unit rate based on the actual or estimated flow through the meter. Each customer is invoiced every month and the invoice is due within twenty days. The utility service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for the passage of time and the actual or estimated usage from the latest meter reading to the end of the accounting period. The methodology is standardized and consistently applied to reduce bias and the need for judgment.

Billing and Revenue Collection Service

The Company provides billing and revenue collection service as distinct performance obligations to three municipalities within the service territory of the Company. The municipalities provide service to their residents and the Company acts as the billing and revenue collection agent for the municipalities. The transaction price is a fixed amount per bill prepared as established in the contract. There is no variable consideration. Due to the fact that both the billing performance obligation and the revenue collection performance obligation are materially complete by the end of the reporting period, the Company does not allocate the transaction price between the two performance obligations. The performance obligations are satisfied at a point in time when the bills are sent as the municipalities receive all the benefits and bears all of the risk of non-collection at that time. Each municipality is invoiced when the bills are complete and the invoice is due within thirty days. The billing and revenue collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period.

Collection Service

The Company provides collection service as a distinct and single performance obligation to several municipalities within the service territory of the Company. The municipalities provide wastewater service to their residents. If those residents are delinquent in paying for their wastewater service, the municipalities request that the Company post for and shut off the supply of water to the premises of those residents. When the resident is no longer delinquent, the Company will restore water service to the premises. The transaction price for each posting, each shut off, and each restoration is a fixed amount as established in the contract. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied at a point in time when the posting, shut off, or restoration is completed as the municipalities receive all the benefits in the form of payment or no longer providing wastewater service. Each municipality is invoiced periodically for the posting, shut offs, and restorations that have been completed since the last billing and the invoice is due within thirty days. The collection service has no returns or warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no performance obligations remain unsatisfied as of the end of the reporting period. A contract asset for unbilled revenue is recognized for postings, shut offs, and restorations that have been completed from the last billing to the end of the accounting period.

Service Line Protection Plan

The Company provides service line protection as a distinct and single performance obligation to current water customers that choose to participate. The transaction price is detailed in the plan's terms and conditions and made publicly available. There is no variable consideration. Due to the fact that the contract includes a single performance obligation, no judgment is required to allocate the transaction price. The performance obligation is satisfied over time through the continuous provision of service line protection through a stand-ready obligation to perform. The Company uses an output method to recognize the service line protection revenue over time. The stand-ready obligation is recognized through the passage of time. A customer has a choice to prepay for an entire year or to pay in advance each month. The service line protection plan has no returns or extended warranties associated with it. No revenue is recognized from performance obligations satisfied in prior periods and no material performance obligations remain unsatisfied as of the end of the reporting period.

10. Rate Matters

From time to time, the Company files applications for rate increases with the PPUC and is granted rate relief as a result of such requests. The most recent rate request was filed by the Company on May 27, 2022 and sought an annual increase in water rates of \$18,854 and an annual increase in wastewater rates of \$1,457. Effective March 1, 2023, the PPUC authorized an increase in water rates designed to produce approximately \$11,600 in additional annual revenues and an increase in wastewater rates designed to produce approximately \$1,900 in additional annual revenues.

The PPUC permits water utilities to collect a distribution system improvement charge, or DSIC. The DSIC allows the Company to add a charge to customers' bills for qualified replacement costs of certain infrastructure without submitting a rate filing. This surcharge mechanism typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period. The DSIC is capped at 5% of base rates, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. The DSIC reset to zero when the new base rates took effect March 1, 2023. The DSIC provided revenues of \$249 in 2023 and \$2,243 in 2022. The DSIC is subject to audit by the PPUC.

11. Employee Benefit Plans

Pensions

The Company maintains a general and administrative and a union-represented defined benefit pension plan covering all of its employees hired prior to May 1, 2010. Employees hired after May 1, 2010 are eligible for an enhanced 401(k) plan rather than a defined benefit plan. The benefits under the defined benefit plans are based upon years of service and compensation near retirement. The Company amended its defined benefit pension plans in 2014, generally limiting the years of eligible service under the plans to 30 years. The Company's funding policy is to contribute annually the amount permitted by the PPUC to be collected from customers in rates, but in no case less than the minimum Employee Retirement Income Security Act (ERISA) required contribution.

The following table sets forth the plans' funded status as of December 31, 2023 and 2022. The measurement of assets and obligations of the plans is as of December 31, 2023 and 2022.

Obligations and Funded Status

At December 31

	<u>2023</u>	<u>2022</u>
Change in Benefit Obligation		
Pension benefit obligation at beginning of year	\$38,717	\$51,530
Service cost	598	1,025
Interest cost	1,876	1,336
Actuarial loss (gain)	974	(13,431)
Benefit payments	<u>(1,967)</u>	<u>(1,743)</u>
Pension benefit obligation at end of year	<u>40,198</u>	<u>38,717</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	55,807	65,584
Actual return on plan assets	8,058	(10,334)
Employer contributions	1,680	2,300
Benefits paid	<u>(1,967)</u>	<u>(1,743)</u>
Fair value of plan assets at end of year	<u>63,578</u>	<u>55,807</u>
Funded Status of Plans at End of Year	<u>\$23,380</u>	<u>\$17,090</u>

The accounting standards require that the funded status of defined benefit pension plans be fully recognized on the balance sheets. They also call for the unrecognized actuarial gain or loss, the unrecognized prior service cost, and the unrecognized transition costs to be adjustments to shareholders' equity (accumulated other comprehensive income). Due to a rate order granted by the PPUC, the Company is permitted under the accounting standards to defer the charges otherwise recorded in accumulated other comprehensive income as a regulatory asset. Management believes these costs will be recovered in future rates charged to customers. The asset for the funded status of the Company's pension plans as of December 31, 2023 and 2022 is recorded in "Prepaid pension cost" on its balance sheets.

In 2023, the plans recognized a significant actuarial loss. In 2023, the Company recognized a 25 basis point decrease in the discount rate. In 2022, the plans recognized a significant actuarial gain. In 2022, the Company recognized a 235 basis point increase in the discount rate. The Company uses the corridor method to amortize actuarial gains and losses. Gains and losses over 10% of the greater of pension benefit obligation or the market value of assets are amortized over the average future service of plan participants expected to receive benefits.

Changes in plan assets and benefit obligations recognized in regulatory liabilities are as follows:

	<u>2023</u>	<u>2022</u>
Net loss (gain) arising during the year	\$(3,472)	\$1,121
Recognized prior service credit	<u>13</u>	<u>13</u>
Total changes in regulatory asset (liability) during the year	<u>\$(3,459)</u>	<u>\$1,134</u>

Amounts recognized in regulatory liabilities that have not yet been recognized as components of net periodic benefit cost consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Net loss	\$(526)	\$2,946
Prior service credit	(24)	(37)
Regulatory asset (liability)	<u>\$(550)</u>	<u>\$2,909</u>

Components of net periodic benefit cost are as follows:

	<u>2023</u>	<u>2022</u>
Service cost	\$598	\$1,025
Interest cost	1,876	1,336
Expected return on plan assets	(3,612)	(4,218)
Amortization of prior service credit	(13)	(13)
Rate-regulated adjustment	2,831	4,170
Net periodic benefit cost	<u>\$1,680</u>	<u>\$2,300</u>

Pension service cost is recorded in operating expenses. All other components of net periodic pension cost are recorded as other pension costs in other income (expenses).

The rate-regulated adjustment set forth above is required in order to reflect pension expense for the Company in accordance with the method used in establishing water rates. The Company is permitted by rate order of the PPUC to expense pension costs to the extent of contributions and defer any remaining expense to regulatory assets or recognize the excess as a regulatory liability to be collected in rates at a later date as additional contributions are made. During 2023, the deferral decreased by \$2,831.

The estimated costs for the defined benefit pension plans relating to the December 31, 2023 balance sheet that will be amortized from regulatory liabilities into net periodic benefit cost over the next fiscal year are as follows:

Net loss	\$ -
Net prior service credit	(13)
	<u>\$(13)</u>

The Company plans to contribute \$1,556 to the plans in 2024.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the next five years and the subsequent five years in the aggregate:

<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029-2033</u>
\$2,238	\$2,231	\$2,318	\$2,358	\$2,588	\$13,698

The following tables show the projected benefit obligation, the accumulated benefit obligation, and the fair value of plan assets as of December 31:

	<u>2023</u>	<u>2022</u>
Projected benefit obligation	\$40,198	\$38,717
Fair value of plan assets	63,578	55,807
	<u>2023</u>	<u>2022</u>
Accumulated benefit obligation	\$38,510	\$37,040
Fair value of plan assets	63,578	55,807

Weighted-average assumptions used to determine benefit obligations at December 31:

	<u>2023</u>	<u>2022</u>
Discount rate	4.75%	5.00%
Rate of compensation increase	2.50% - 3.00%	2.50% - 3.00%

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:

	<u>2023</u>	<u>2022</u>
Discount rate	5.00%	2.65%
Expected long-term return on plan assets	5.00%	6.50%
Rate of compensation increase	2.50% - 3.00%	2.50% - 3.00%

The selected long-term rate of return on plan assets was primarily based on the asset allocation of each of the plan's assets. Analysis of the historic returns of these asset classes and projections of expected future returns were considered in setting the long-term rate of return.

The Company adopted new investment policy statements in December 2023. The investment objective of the Company's defined benefit pension plans is to grow the assets in such a manner that, when coupled with contributions to the plans, the assets are sufficient to pay the benefits promised to the participants and beneficiaries as they come due. At December 31, 2023, compliance with the new investment policy had only recently commenced implementation, resulting in a significant portion of the assets in cash and money market funds awaiting deployment to the asset classes defined in the investment policy statements.

The weighted-average target asset allocations are 70% to 90% fixed income securities, 10% to 30% equity securities, and 0% to 10% reserves (cash and cash equivalents). The Company's investment performance is reviewed on a quarterly basis, with long-term emphasis placed on results achieved over a three to five year period.

Eligible investments for fixed income securities include: (i) U.S. Treasury securities and agency securities; (ii) agency and non-agency mortgage-backed securities backed by loans secured by residential, multi-family and commercial properties including, but not limited to passthroughs, collateralized mortgage obligations, REMICs, project loans, construction loans, and adjustable rate mortgages; (iii) U.S.-dollar denominated obligations of foreign governments and supranational organizations; (iv) U.S.-dollar denominated obligations of domestic and foreign corporations; (v) asset-backed securities; (vi) municipal bonds, both taxable and tax-exempt issues; (vii) cash equivalent investments such as commercial paper, asset-backed commercial paper, certificates of deposit (domestic and U.S.-dollar denominated foreign,) bankers' acceptances and floating rate notes; and (viii) fixed income mutual funds and exchange traded funds consistent with the investment guidelines. At the time of purchase, securities must be rated investment grade pursuant to the inclusion rules for a reference benchmark provider. Securities that are not index eligible must be rated investment grade by a nationally recognized statistical rating organization at the time of purchase. The portfolio is allowed to hold up to 5% in aggregate market value of the portfolio in bonds downgraded below investment grade, provided that an overall investment grade rating is maintained for the total portfolio.

Direct exposure to the following strategies and types of securities is prohibited: oil and gas wells; interest only securities; warrants; principal only securities; margin trading; and inverse floating rate securities.

The fair values of the Company’s pension plan assets at December 31, 2023 and 2022 by asset category and fair value hierarchy level are as follows. All of the valuations are based on quoted prices on active markets (Level 1).

<u>Asset Category</u>	<u>Total Fair Value</u>		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Cash and Money Market Funds (a)	\$53,490	\$6,108	\$53,490	\$6,108
<u>Equity Securities:</u>				
Common Equity Securities (b)	-	17,792	-	17,792
Equity Mutual Funds (c)	10,065	13,542	10,065	13,542
<u>Fixed Income Securities:</u>				
Fixed Income Mutual Funds (d)	23	18,365	23	18,365
Total Plan Assets	<u>\$63,578</u>	<u>\$55,807</u>	<u>\$63,578</u>	<u>\$55,807</u>

- (a) The portfolios are designed to keep up to one year of distributions in immediately available funds. The Company was more heavily-weighted in cash as of December 31, 2023 due to the timing of the change in the investment policy statements and as of December 31, 2022 due to the timing of employer contributions and market volatility.
- (b) This category included investments in U.S. common stocks and foreign stocks trading in the U.S. widely distributed among consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials, real estate, telecommunication, and utilities.
- (c) This category currently includes a majority of investments in exchange traded funds as well as domestic equity mutual funds and international mutual funds which give the portfolio exposure to mid and large cap index funds as well as international diversified index funds.
- (d) This category includes fixed income investments in mutual funds which include government and corporate securities of both the U.S. and other countries. The non-U.S. corporate and sovereign investments add further diversity to the fixed income portion of the portfolio.

Defined Contribution Plan

The Company has a savings plan pursuant to the provisions of section 401(k) of the Internal Revenue Code. For employees hired before May 1, 2010, this plan provides for elective employee contributions of up to 15% of compensation and Company matching contributions of 100% of the participant’s contribution, up to a maximum annual Company contribution of \$2.8 for each employee.

Employees hired after May 1, 2010 are entitled to an enhanced feature of the plan. This feature provides for elective employee contributions of up to 15% of compensation and Company matching contributions of 100% of the participant’s contribution, up to a maximum of 4% of the employee’s compensation. In addition, the Company will make an annual contribution of \$1.2 to each employee’s account whether or not they defer their own compensation. Employees eligible for this enhanced 401(k) plan feature are not eligible for the defined benefit plans. As of December 31, 2023, 76 employees were participating in the enhanced feature of the plan. The Company’s contributions to both portions of the plan amounted to \$380 in 2023 and \$345 in 2022.

Deferred Compensation

The Company has non-qualified deferred compensation and supplemental retirement agreements with certain members of management. The future commitments under these arrangements are offset by corporate-owned life insurance policies. At December 31, 2023 and 2022, the present value of the future obligations included in “Accrued compensation and benefits” and “Deferred employee benefits” was approximately \$4,188 and \$4,067, respectively. The insurance policies included in “Other assets” had a total cash value of approximately \$4,566 and \$4,306 at December 31, 2023 and 2022, respectively. The Company’s net (income) expenses under the plans amounted to \$419 in 2023 and \$(385) in 2022.

Other

The Company has a retiree life insurance program which pays the beneficiary of a retiree \$2 upon the retiree's death. At December 31, 2023 and 2022, the present value of the future obligations was approximately \$100 and \$91, respectively. There is no trust or insurance covering this future liability, instead the Company will pay these benefits out of its general assets. The Company's net (income) expenses under the plan amounted to \$9 in 2023 and \$(58) in 2022.

12. Stock-Based Compensation

On May 2, 2016, the Company's stockholders approved The York Water Company Long-Term Incentive Plan, or LTIP. The LTIP was adopted to provide the incentive of long-term stock-based awards to officers, directors, and key employees. The LTIP provides for the granting of nonqualified stock options, incentive stock options, stock appreciation rights, performance restricted stock grants and units, restricted stock grants and units, and unrestricted stock grants. A maximum of 100,000 shares of common stock may be issued under the LTIP over the ten-year life of the plan. The maximum number of shares of common stock subject to awards that may be granted to any participant in any one calendar year is 2,000. Shares of common stock issued under the LTIP may be treasury shares or authorized but unissued shares. The LTIP is administered by the Compensation Committee of the Board, or the full Board, provided that the full Board administers the LTIP as it relates to awards to non-employee directors of the Company. The Company filed a registration statement with the SEC on May 11, 2016 covering the offering of stock under the LTIP. The LTIP was effective on July 1, 2016.

On May 6, 2019, the Board awarded stock to non-employee directors effective May 6, 2019. This stock award vested immediately. On May 6, 2019, the Compensation Committee awarded restricted stock to officers and key employees effective May 6, 2019. This restricted stock award vests ratably over three years beginning May 6, 2019 and has been fully recognized as of December 31, 2022.

On September 18, 2020, the Board awarded stock to non-employee directors effective September 18, 2020. This stock award vested immediately. On September 18, 2020, the Compensation Committee awarded restricted stock to officers and key employees effective September 18, 2020. This restricted stock award vests ratably over three years beginning September 18, 2020 and has been fully recognized as of December 31, 2023.

On May 3, 2021, the Board awarded stock to non-employee directors effective May 3, 2021. This stock award vested immediately. On May 3, 2021, the Compensation Committee awarded restricted stock to officers and key employees effective May 3, 2021. This restricted stock award vests ratably over three years beginning May 3, 2021.

On May 2, 2022, the Board awarded stock to non-employee directors effective May 2, 2022. This stock award vested immediately. On May 2, 2022, the Compensation Committee awarded restricted stock to officers and key employees effective May 2, 2022. This stock award vests ratably over three years beginning May 2, 2022.

On October 24, 2022, the Board awarded stock to an officer effective October 24, 2022. This stock award vested immediately.

On May 1, 2023, the Board awarded stock to non-employee directors effective May 1, 2023. This stock award vested immediately. On May 1, 2023, the Compensation Committee awarded restricted stock to officers and key employees effective May 1, 2023. This stock award vests ratably over three years beginning May 1, 2023.

On May 1, 2023, the Board accelerated the vesting period for restricted stock granted in 2021, 2022, and 2023 to one retiring key employee from three years to that key employee's 2024 retirement date.

On November 20, 2023, the Board awarded stock to an officer effective November 20, 2023. This stock award vested immediately.

The restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. As a result, the awards are included in common shares outstanding on the balance sheet. Restricted stock awards result in compensation expense valued at the fair market value of the stock on the date of the grant and are amortized ratably over the requisite service period.

The following table summarizes the stock grant amounts and activity for the years ended December 31, 2022 and 2023.

	<u>Number of Shares</u>	<u>Grant Date Weighted Average Fair Value</u>
Nonvested at beginning of the year 2022	8,804	\$46.91
Granted	8,457	\$39.01
Vested	(5,996)	\$42.55
Forfeited	(500)	\$44.61
Nonvested at end of the year 2022	<u>10,765</u>	\$43.24
Granted	6,792	\$41.63
Vested	(6,780)	\$43.09
Forfeited	(1,833)	\$42.29
Nonvested at the end of the year 2023	<u><u>8,944</u></u>	\$42.32

For the years ended December 31, 2023 and 2022, the statement of income includes \$300 and \$279 of stock-based compensation and related recognized tax benefits of \$84 and \$81, respectively. The total fair value of the shares vested in the years ended December 31, 2023 and 2022 was \$292 and \$255, respectively. Total stock-based compensation related to nonvested awards not yet recognized is \$379 at December 31, 2023, which will be recognized over the remaining three-year vesting period.

13. Taxes Other than Income Taxes

The following table provides the components of taxes other than income taxes:

	<u>2023</u>	<u>2022</u>
Regulatory Assessment	\$356	\$347
Property	451	415
Payroll, net of amounts capitalized	687	614
Other	5	4
Total taxes other than income taxes	<u>\$1,499</u>	<u>\$1,380</u>

14. Income Taxes

The provisions for income taxes consist of:

	<u>2023</u>	<u>2022</u>
Federal current	\$506	\$11
State current	241	-
Federal deferred	540	370
State deferred	25	(331)
Federal investment tax credit, net of current utilization	(35)	(35)
Total income taxes	<u>\$1,277</u>	<u>\$15</u>

A reconciliation of the statutory Federal tax provision to the total provision follows:

	<u>2023</u>	<u>2022</u>
Statutory Federal tax provision	\$5,257	\$4,115
State income taxes, net of Federal benefit	287	(196)
IRS TPR deduction	(4,029)	(3,675)
Tax-exempt interest	(40)	(41)
Amortization of investment tax credit	(35)	(35)
Cash value of life insurance	5	13
Amortization of excess accumulated deferred income taxes on accelerated depreciation	(197)	(160)
Change in enacted state tax rate	(9)	3
Other, net	38	(9)
Total income taxes	<u>\$1,277</u>	<u>\$15</u>

The Company filed for a change in accounting method under the IRS TPR effective in 2014. Under the change in accounting method, the Company is permitted to deduct the costs of certain asset improvements that were previously being capitalized and depreciated for tax purposes as an expense on its income tax return. The Company was permitted to make this deduction for prior years (the “catch-up deduction”) and for each year going forward (the “ongoing deduction”). As a result of the catch-up deduction, income tax benefits of \$3,887 were deferred as a regulatory liability. After receiving approval from the PPUC in a rate order, the Company began to recognize the catch-up deduction, recorded as a regulatory liability, over 15 years beginning March 1, 2019. As a result, the Company recognized \$259 in income taxes during each of the years ended December 31, 2023 and 2022. As a result of the ongoing deduction, the net income tax benefits of \$3,770 and \$3,416 for the years ended December 31, 2023 and 2022, respectively, reduced income tax expense and flowed through to net income. The ongoing deduction results in a reduction in the effective income tax rate, a net reduction in income tax expense, and a reduction in the amount of income taxes currently payable. Both the ongoing and catch-up deductions result in increases to deferred tax liabilities and regulatory assets representing the appropriate book and tax basis difference on capital additions.

The 2017 Tax Act, among other things, reduces the federal statutory corporate tax rate for tax years beginning in 2018 from 34% to 21%, treats customers’ advances for construction and contributions in aid of construction as taxable income, eliminates certain deductions, and eliminates bonus depreciation on qualified water and wastewater property. This resulted in the remeasurement of the federal portion of the Company’s deferred taxes as of December 31, 2017 to the 21% rate. The effect was recognized in income for the year ended December 31, 2017 for all deferred tax assets and liabilities except accelerated depreciation. Under normalization rules applicable to public utility property included in the 2017 Tax Act, the excess accumulated deferred income taxes on accelerated depreciation is recorded as a regulatory liability. The regulatory liability is a temporary difference, so a deferred tax asset is recorded including the gross-up of revenue necessary to return, in rates, the effect of the temporary difference. The Company is recognizing the excess accumulated deferred income taxes on accelerated depreciation, recorded as a regulatory liability, over the remaining useful life of the underlying assets. As a result, the Company recognized \$197 and \$160 in income taxes for the years ended December 31, 2023 and 2022, respectively. In November 2021, the 2021 Infrastructure Act repealed the tax treatment of customers’ advances for construction and contributions in aid of construction made after December 31, 2020.

On July 8, 2022, the Pennsylvania budget for the fiscal year ending June 30, 2023 was signed into law. A provision within the tax code bill included with the budget provides for an annual phase-down of the Pennsylvania corporate net income tax rate of one percentage point in the first year beginning January 1, 2023 from 9.99% to 8.99%, and a one-half percentage point each year thereafter until it reaches 4.99% beginning January 1, 2031. The Company has remeasured the state portion of the Company's deferred income taxes. The effect, net of the federal benefit, of \$(9) and \$3 was recognized in income for the years ended December 31, 2023 and 2022, respectively. Deferred income taxes for differences that are recognized for ratemaking purposes on a cash or flow-through basis were remeasured with offsetting changes to regulatory assets and liabilities on the balance sheet as of December 31, 2023 and 2022. The Company expects any savings in its Pennsylvania current income taxes to be returned to its customers through the rate making process or as a future negative surcharge on their bills.

The tax effects of temporary differences between book and tax balances that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2023 and 2022 are summarized in the following table:

	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Reserve for doubtful accounts	\$278	\$240
Compensated absences	186	172
Deferred compensation	1,073	1,052
Excess accumulated deferred income taxes on accelerated depreciation	3,335	3,385
Deferred taxes associated with the gross-up of revenues necessary to return, in rates, the effect of temporary differences	1,623	1,700
Customers' advances for construction and contributions in aid of construction	1,117	1,260
Tax effect of pension regulatory liability	5,286	3,717
Tax loss carryover	168	839
Contribution carryover	113	140
Other costs deducted for book, not for tax	62	58
Total deferred tax assets	<u>13,241</u>	<u>12,563</u>
Deferred tax liabilities:		
Accelerated depreciation	29,298	28,772
Basis differences from IRS TPR	23,182	18,713
Investment tax credit	290	316
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates, the effect of temporary differences	8,965	7,439
Pensions	5,831	4,262
Unamortized debt issuance costs	363	393
Other costs deducted for tax, not for book	547	569
Total deferred tax liabilities	<u>68,476</u>	<u>60,464</u>
Net deferred tax liability	<u>\$55,235</u>	<u>\$47,901</u>

In accordance with accounting standards, the net deferred tax liability is classified as a noncurrent deferred income tax liability on the balance sheets.

The Company has a Pennsylvania tax loss carryover of \$2,499. If not used, this carryover will expire in 2042. The Company has contribution carryovers of \$408. If not used, these carryovers will expire in 2027.

No valuation allowance was required for deferred tax assets as of December 31, 2023 and 2022. In assessing the value of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon expected future taxable income and the current regulatory environment, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

The Company determined that there were no uncertain tax positions meeting the recognition and measurement test of the accounting standards recorded in the years that remain open for review by taxing authorities, which are 2020 through 2022 for both federal and state income tax returns. The Company has not yet filed tax returns for 2023. The Company believes that it has fully complied with any changes pursuant to the 2017 Tax Act and the 2021 Infrastructure Act and has not taken any new positions in its 2023 income tax provision.

The Company's policy is to recognize interest and penalties related to income tax matters in other expenses. The Company paid no interest or penalties for the years ended December 31, 2023 and 2022.

15. Subsequent Events

On January 31, 2024, the Company completed the acquisition of the wastewater collection and treatment assets of MESCO, Inc. in Monaghan Township, York County, Pennsylvania. The Company began operating the existing wastewater collection and treatment assets on February 1, 2024. The acquisition resulted in the addition of approximately 180 wastewater customers with purchase price and acquisition costs of approximately \$25. This acquisition is immaterial to Company results.

On February 27, 2024, the Company entered into a note purchase agreement with certain institutional investors relating to the private placement of \$40,000 aggregate principal amount of the Company's senior notes. The senior notes bear interest at 5.67% per annum payable semiannually and mature on February 27, 2054. The senior notes are unsecured and unsubordinated obligations of the Company. The Company received net proceeds, after deducting issuance costs, of approximately \$39,837. The net proceeds were used to refinance line of credit borrowings incurred by the Company as interim financing for various capital projects of the Company.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Company's President and Chief Executive Officer along with the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls 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.

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

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the Company's internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013 framework)*. As a result of this assessment and based on the criteria in the COSO framework, management has concluded that, as of December 31, 2023, the Company's internal control over financial reporting was effective.

Item 9B. Other Information.

Rule 10b5-1 Trading Plans

No officers or directors, as defined in Rule 16a-1(f), adopted, modified and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the fourth quarter of fiscal 2023.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors of the Registrant

The information set forth under the caption “Election of Directors” of the 2024 Proxy Statement is incorporated herein by reference.

Executive Officers of the Registrant

The information set forth under the caption “Executive Officers of the Company” of the 2024 Proxy Statement is incorporated herein by reference.

Code of Ethics

The information set forth under the caption “Code of Ethics” of the 2024 Proxy Statement is incorporated herein by reference.

Audit Committee

The information set forth under the caption “Board Committees and Functions” of the 2024 Proxy Statement is incorporated herein by reference.

Item 11. Executive Compensation.

The information set forth under the caption “Compensation of Directors and Executive Officers” of the 2024 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information for the equity compensation plan of the Company as of December 31, 2023:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders*	-	-	108,057
Equity compensation plans not approved by security holders	-	-	0

*Amounts are subject to adjustment to reflect stock dividends, stock splits, or other relevant changes in capitalization.

Under the Company’s Long-Term Incentive Plan, 62,641 shares remain available for awards as of December 31, 2023. In addition, the Company has an employee stock purchase plan that allows employees to purchase stock at a 5% discount up to a maximum of 10% of their gross compensation. Under this plan, 45,416 authorized shares remain unissued as of December 31, 2023.

The information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” of the 2024 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information set forth under the caption “Director Independence” of the 2024 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information set forth under the caption “Principal Accountant’s Fees and Services” of the 2024 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Certain documents filed as part of the Form 10-K.

1. The financial statements set forth under Item 8 of this Form 10-K.

Report of Independent Registered Public Accounting Firm
Balance Sheets as of December 31, 2023 and 2022
Statements of Income for Years Ended December 31, 2023 and 2022
Statements of Common Stockholders' Equity for Years Ended December 31, 2023 and 2022
Statements of Cash Flows for Years Ended December 31, 2023 and 2022
Notes to Financial Statements

2. Financial Statement schedules.

<u>Schedule Number</u>	<u>Schedule Description</u>	<u>Page Number</u>
II	Valuation and Qualifying Accounts for the years ended December 31, 2023 and 2022	60

The report of the Company's independent registered public accounting firm with respect to the financial statement schedule appears on page 22.

All other financial statements and schedules not listed have been omitted since the required information is included in the financial statements or the notes thereto, or is not applicable or required.

3. Exhibits required by Item 601 of Regulation S-K.

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Page Number of Incorporation By Reference</u>
3	Amended and Restated Articles of Incorporation	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 3.1 to Form 8-K dated May 4, 2010.
3.1	Amended and Restated By-Laws	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 3.1 to Form 8-K dated January 26, 2012.

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Page Number of Incorporation By Reference</u>
<u>4.1</u>	<u>Dividend Reinvestment and Direct Stock Purchase and Sale Plan</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission on Form S-3 dated November 7, 2022 (File No. 333-268204).</u>
<u>4.2</u>	<u>Description of The York Water Company Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended.</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.4 to the Company's 2019 Form 10-K.</u>
10.1	Articles of Agreement Between The York Water Company and Springettsbury Township relative to Extension of Water Mains dated April 17, 1985	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's 1989 Form 10-K.
10.2	Note Agreement relative to the \$7,500,000 8.43% Senior Notes, Series D dated December 15, 1992	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.7 to the Company's 1992 Form 10-K.
<u>10.3</u>	<u>Variable Rate Loan Agreement between The York Water Company and Pennsylvania Economic Development Financing Authority, dated as of May 1, 2008 relative to the \$12,000,000 Exempt Facilities Revenue Bonds</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's May 12, 2008 Form 8-K.</u>
<u>10.4</u>	<u>Trust Indenture dated as of May 1, 2008 between Pennsylvania Economic Development Financing Authority and Manufacturers and Traders Trust Company, as trustee</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.5 to the Company's September 15, 2009 Form 8-K.</u>
<u>10.5</u>	<u>Reimbursement, Credit and Security Agreement, dated as of May 1, 2008 between The York Water Company and PNC Bank, National Association</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.3 to the Company's May 12, 2008 Form 8-K.</u>
<u>10.6</u>	<u>Loan Agreement between The York Water Company and York County Industrial Development Authority, entered into July 23, 2015 and dated as of July 1, 2015 relative to the \$10,000,000 4.00% - 4.50% Exempt Facilities Revenue Bonds.</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's July 24, 2015 Form 8-K.</u>
<u>10.7</u>	<u>Trust Indenture entered into July 23, 2015 and dated as of July 1, 2015 between York County Industrial Development Authority and Manufacturers and Traders Trust Company, as trustee</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.2 to the Company's July 24, 2015 Form 8-K.</u>

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Page Number of Incorporation By Reference</u>
<u>10.8*</u>	<u>Cash Incentive Plan</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's January 28, 2005 Form 8-K.</u>
<u>10.9*</u>	<u>Form of Amended and Restated Change in Control Agreement originally effective as of August 1, 2022 between The York Water Company and each of the individuals listed on a schedule attached thereto, which plans are identical in all material respects except as indicated in Schedule 10.1</u>	<u>Filed herewith.</u>
<u>10.10*</u>	<u>Form of Amended and Restated Supplemental Retirement Plan originally effective as of August 1, 2023 between The York Water Company and each of the individuals listed on a schedule attached thereto, which plans are identical in all material respects except as indicated in Schedule 10.10</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's August 3, 2023 Form 10-Q.</u>
<u>10.11*</u>	<u>Form of Amended and Restated Deferred Compensation Plan originally effective as of July 1, 2015 between The York Water Company and each of the individuals listed on a schedule attached thereto, which plans are identical in all material respects except as indicated in Schedule 10.18</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.18 to the Company's March 10, 2020 Form 10-K.</u>
<u>10.12*</u>	<u>Form of Amended and Restated Deferred Compensation Plan originally effective as of January 1, 2016 between The York Water Company and each of the individuals listed on a schedule attached thereto, which plans are identical in all material respects except as indicated in Schedule 10.13</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.13 to the Company's March 8, 2022 Form 10-K.</u>
<u>10.13*</u>	<u>Long-Term Incentive Plan</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission on Form S-8 dated May 11, 2016 (File No. 333-211287).</u>
<u>10.14*</u>	<u>Employee Stock Purchase Plan</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.21 to the Company's March 7, 2017 Form 10-K.</u>
<u>10.15</u>	<u>Note Agreement relative to the \$20,000,000 4.54% Senior Notes, dated January 31, 2019</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's February 5, 2019 Form 8-K.</u>

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Page Number of Incorporation By Reference</u>
<u>10.16</u>	<u>Note Agreement relative to the \$15,000,000 3.23% Senior Notes, dated October 1, 2019</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's October 2, 2019 Form 8-K.</u>
<u>10.17</u>	<u>Loan Agreement between The York Water Company and Pennsylvania Economic Development Financing Authority entered into October 8, 2019 and dated as of September 1, 2019 relative to the \$25,370,000 3.00% - 3.10% Exempt Facilities Revenue Refunding Bonds.</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's October 9, 2019 Form 8-K.</u>
<u>10.18</u>	<u>Trust Indenture entered into October 8, 2019 and dated as of September 1, 2019 between Pennsylvania Economic Development Financing Authority and Manufacturers and Traders Trust Company, as trustee.</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.2 to the Company's October 9, 2019 Form 8-K.</u>
<u>10.19</u>	<u>Note Agreement relative to the \$30,000,000 3.24% Senior Notes, dated September 30, 2020</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's October 2, 2020 Form 8-K.</u>
<u>10.20</u>	<u>Note Agreement relative to the \$40,000,000 5.50% Senior Notes, dated February 24, 2023</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's February 27, 2023 Form 8-K.</u>
<u>10.21</u>	<u>Note Agreement relative to the \$40,000,000 5.67% Senior Notes, dated February 27, 2024</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.1 to the Company's February 28, 2024 Form 8-K.</u>
<u>14</u>	<u>Company Code of Conduct</u>	<u>Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 14 to the Company's August 6, 2014 Form 10-Q.</u>
23	Consent of Baker Tilly US, LLP, Independent Registered Public Accounting Firm	Filed herewith.

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Page Number of Incorporation By Reference</u>
31.1	Certification pursuant to Rule 13a-14(a) and 15d-14(a)	Filed herewith.
31.2	Certification pursuant to Rule 13a-14(a) and 15d-14(a)	Filed herewith.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.
97	The York Water Company Clawback Policy	Filed herewith
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)	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	Filed herewith.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	Filed herewith.

* Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this Annual Report.

Item 16. Form 10-K Summary.

None.

THE YORK WATER COMPANY

**Schedule II Valuation and Qualifying Accounts
For the Two Years Ended December 31, 2023**

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>			<u>Balance at End of Year</u>
		<u>Charged to Cost and Expenses</u>	<u>Recoveries</u>	<u>Deductions</u>	
FOR THE YEAR ENDED DECEMBER 31, 2023					
Reserve for uncollectible accounts	\$855,000	\$538,152	\$24,646	\$412,798	\$1,005,000
FOR THE YEAR ENDED DECEMBER 31, 2022					
Reserve for uncollectible accounts	\$855,000	\$431,851	\$39,023	\$470,874	\$855,000

The Deductions column above represents write-offs of accounts receivable during the applicable year.

SIGNATURES

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.

THE YORK WATER COMPANY
(Registrant)

Dated: March 4, 2024

By: /s/ Joseph T. Hand
Joseph T. Hand
President and CEO

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.

By: /s/ Joseph T. Hand
Joseph T. Hand
(Principal Executive Officer and Director)
Dated: March 4, 2024

By: /s/ Matthew E. Poff
Matthew E. Poff
(Principal Accounting Officer and Chief Financial Officer)
Dated: March 4, 2024

Directors:

Date:

By: /s/ Paul R. Bonney
Paul R. Bonney

March 4, 2024

By: /s/ Douglas S. Brossman
Douglas S. Brossman

March 4, 2024

By: /s/ Michael W. Gang
Michael W. Gang

March 4, 2024

By: /s/ Joseph T. Hand
Joseph T. Hand

March 4, 2024

By: /s/ Jeffrey R. Hines
Jeffrey R. Hines

March 4, 2024

By: /s/ George W. Hodges
George W. Hodges

March 4, 2024

By: /s/ Jody L. Keller
Jody L. Keller

March 4, 2024

By: /s/ Erin C. McGlaughlin
Erin C. McGlaughlin

March 4, 2024

By: /s/ Steven R. Rasmussen
Steven R. Rasmussen

March 4, 2024

By: /s/ Laura T. Wand
Laura T. Wand

March 4, 2024

By: /s/ Ernest J. Waters
Ernest J. Waters

March 4, 2024

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-259809 and 333-268204) and Forms S-8 (File Nos. 333-191497 and 333-211287) of The York Water Company of our report dated March 5, 2024, relating to the financial statements and the financial statement schedule, which appear in this Form 10-K.

/s/ Baker Tilly US, LLP

Philadelphia, Pennsylvania

March 5, 2024

**EXHIBIT 31.1
CERTIFICATIONS**

I, Joseph T. Hand, certify that:

1. I have reviewed this report on Form 10-K of The York Water Company;
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 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 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 registrant's board of directors (or persons performing the equivalent function):
 - 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 5, 2024

By: /s/ Joseph T. Hand
Joseph T. Hand
President and CEO

**EXHIBIT 31.2
CERTIFICATIONS**

I, Matthew E. Poff, certify that:

1. I have reviewed this report on Form 10-K of The York Water Company;
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 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 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 registrant's board of directors (or persons performing the equivalent function):
 - 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 5, 2024

By: /s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The York Water Company on Form 10-K for the year ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph T. Hand, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

By: /s/ Joseph T. Hand
Joseph T. Hand
Chief Executive Officer

Date: March 5, 2024

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The York Water Company on Form 10-K for the year ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew E. Poff, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE YORK WATER COMPANY

By: /s/ Matthew E. Poff
Matthew E. Poff
Chief Financial Officer

Date: March 5, 2024