

THE YORK WATER COMPANY

2011 Annual Report

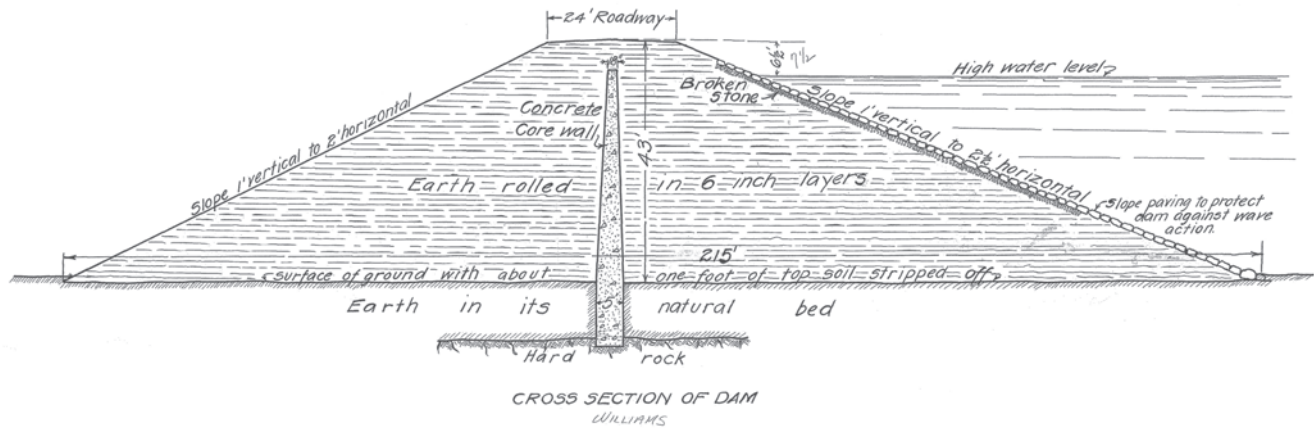


Our Past **VISION**

Has Preserved Our Future



196th YEAR



2012 Marks the

100th ANNIVERSARY

of the Lake Williams

Impounding Dam and Reservoir.



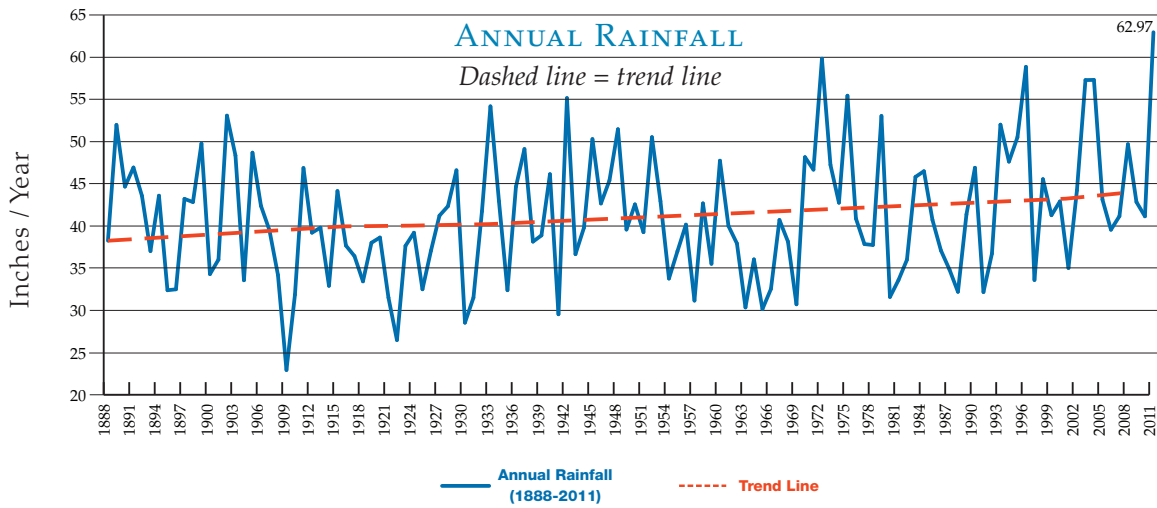
THE YORK WATER COMPANY'S
BOLD VISION FOR THE FUTURE
FROM A CENTURY PAST
CONTINUES TO SERVE THE PRESENT –
AND FORESEEABLE FUTURE.

Building a dam across the east branch of the Codorus Creek was needed to provide a reserve to meet any conceivable water shortages. In 1912 this was a herculean effort and 250 workmen with picks, shovels, wheelbarrows, mules, and limited assistance from steam engines completed this incredible undertaking in fourteen months. Nothing of this magnitude had ever been accomplished in this region and the project captured the attention of the public. Lake Williams has continued to provide an uninterrupted supply of water to the residents of York over the past 100 years. In the 1960's Lake Redman was added and in 2005 a pipeline to the Susquehanna River was constructed to insure the York and Adams County regions have a drought resistant supply for current and future generations. Over the next several years, we will be doing significant upgrades to both of our dams to insure that they are able to provide our customers with another 100 years of safe operation and uninterrupted service.



2011: THE YEAR OF RAINFALL

We've been keeping records since 1888, and over the past 123 years, 2011 was the wettest!



In 2011 we received 62.97" of precipitation. This was over 20" greater than the historic average of 41.17". In addition, the month of September, which saw the remnants of two hurricanes pass through, was also a record month when 15.09" of rain fell. This was nearly a foot greater than an average September of 3.6"! The very wet conditions increased our operating costs due to increased purification demands and increased expenses to repair flood damages. The record rainfall also decreased revenue during the typically high demand late summer months. Even though this combination of increased costs and reduced revenue had an impact on our bottom line, the Company still managed to remain nimble, adapt to these very unique challenges, and turn in a record year.

In the recent past we have been asked if climate change could interfere with our water supply. Thanks to the construction of alternative supplies over the past 100 years and the precipitation trend shown in the above graph, it appears that our area is actually receiving more rainfall than we did in the late 1800's. This provides strong evidence that our region, and our customers, shouldn't be concerned about the adequacy of our water supply.



Jeffrey R. Hines, P.E.
President and
Chief Executive Officer

Dear Shareholders,

I am pleased to report that although the weather created operational and financial challenges in 2011, we had a record year which continues our 196 year tradition of service, growth, and performance.

Record Financial Performance

Due to our continued growth, 2011 results were the best in our history.

Operating revenues grew by 4.2% to \$40.6 million in 2011. Operating income increased 0.5% to \$19.9 million. Our net income increased by 1.7% to \$9.1 million in 2011. Earnings per share of \$0.71 in 2011 were the same as in 2010.

In departing from tradition, and in an effort to streamline financial reporting, we are only including a summary of our financial results and key statistics in this annual report. Please refer to our annual SEC Form 10-K, which was delivered with this report, or can be downloaded from the investor relations section of our website at www.yorkwater.com for a more detailed review of our financial performance.

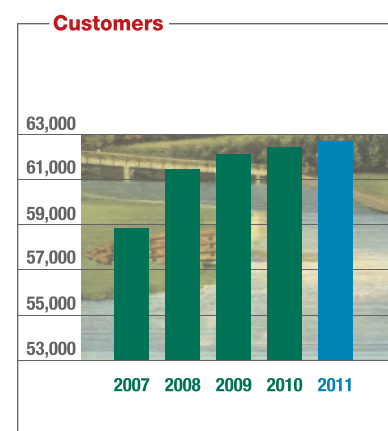
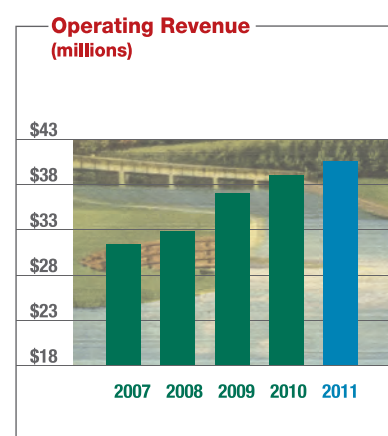
Continued Growth, Acquisitions, and Expansion

The growth in average number of customers served was relatively flat in 2011 but grew slightly to 62,738. The percent of customer growth in 2011 was below our average of 3% due to the continued slow down in the housing market due to the economy. The Company is now authorized to serve in 46 municipalities in Adams and York Counties. Population served grew by 2.7% in 2011 to approximately 187,000. A portion of this growth was due to estimates recalculated by the 2010 census and indicates that our service area is a vibrant and growing community.

In 2011, The York Water Company continued its long tradition of acquiring troubled water systems and providing water service into new areas. In 2011 we completed an interconnect with Cross Keys Village in Adams County. Cross Keys is a growing community and is now one of our top 10 customers based on consumption.

Dividends and Shareholder Value: An American Record!

In line with our objective to maintain regular dividend increases, we raised the quarterly dividend rate by 2.0% during the year. This is the fifteenth consecutive year we have raised our dividend and the 196th consecutive year of dividend payments. We believe this to be the longest consecutive dividend record in America.





Our financial position continued to improve in 2011. The market price of our common stock increased 2.0% to \$17.64 per share. In addition, the dividend was increased in 2011 by 2.3% to \$0.5266 per share, for a yield on December 31, 2011 of about 3.0%. If a share of stock were purchased on December 31, 2010, the total return for the year would be about 5.1%.

Continued Success of a Direct Stock Purchase Plan

In 2011 the Company continued its Direct Stock Purchase Plan that allows for the purchase of up to \$40,000 per year directly from the company at market price without any fees. Dividends can then be reinvested automatically at a 5% discount, again with no fees. Interested investors should go to www.yorkwater.com and review the prospectus for additional information and to participate in the program.

York Water Expands into the Sewer Business

In late 2011, York Water entered into a Sales Agreement to purchase the Asbury Pointe wastewater collection and treatment system. This system in East Manchester Township, York County serves approximately 240 customers for sewer service. Upon completion of regulatory approvals, we anticipate bringing these customers on line during the second quarter of 2012. In 2011 we also entered into our first wastewater billing and customer service contracts to area wastewater authorities, starting with the Jefferson-Codorus Joint Sewer Authority and the New Salem Sewer Authority.

Customer Service: Still less than one penny per gallon

The York Water Company continues to maintain some of the lowest customer complaint rates in the state and York Water's rates for water service remain among the lowest in the state.

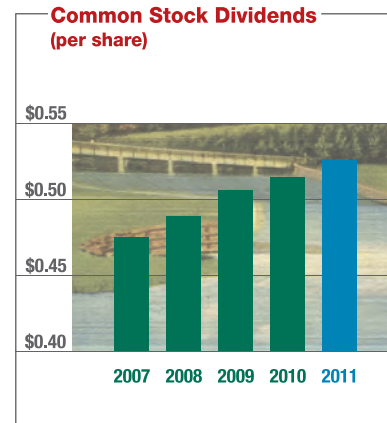
Personal Service and "green" Electronic Billing

Although we are a 196 year old company, we continue to make technological advances to assist our customers. However we still strive to provide that personal touch. When you call our office, one of our friendly customer service representatives will answer the phone and assist you. In 2010 we initiated electronic billing.

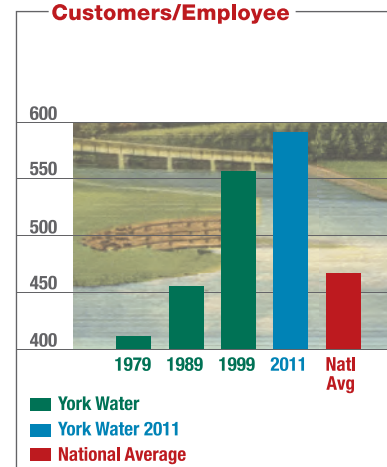
Earnings Per Share

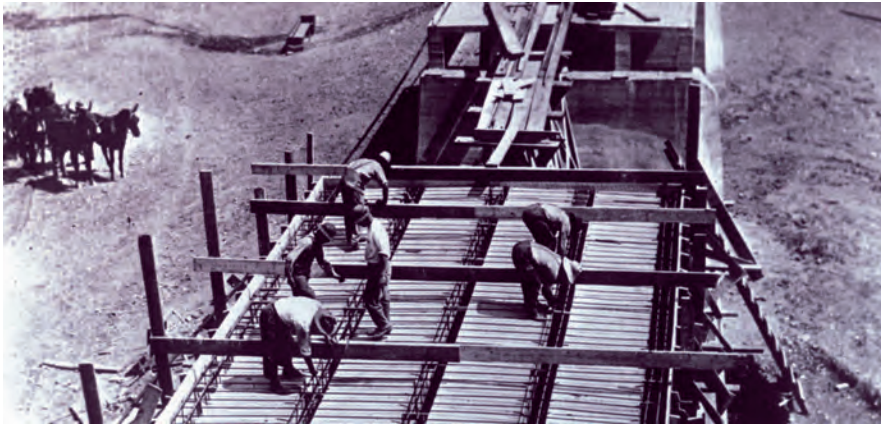


Common Stock Dividends (per share)



Customers/Employee





Instead of receiving a paper bill, customers can be notified of their bill by email along with directions on how they can pay their bill on-line. In 2011, electronic billing usage doubled. We plan to continue to promote various paperless payment options to become more “green” and to be more efficient and cost effective. Of course, our historic office in downtown York remains open for walk-in or phone-in customer support.

Dedicated and Experienced Employees

A Company that continues to thrive and grow, and improve service to its customers for nearly 200 years, can only be possible due to the dedication, loyalty, and hard work of its talented employees. We thank all of the York Water family for their commitment to make this Company the most efficient water utility in the nation.



Tom Norris Retires as Chairman of the Board

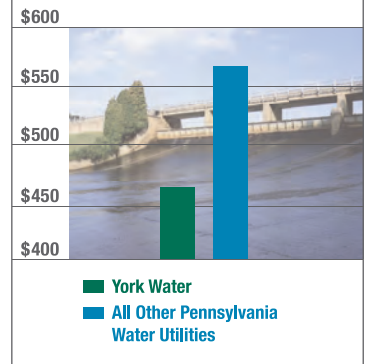
Tom Norris has been a Director since 2000 and Chairman of the Board since 2008. During his tenure, Tom provided professionalism and expertise that helped to continue to transform The York Water Company into its preeminent position in the community and among our peers. Tom will continue to serve the Company as a Director Emeritus.

Outlook

We continue our efforts to grow our business and serve our communities. We monitor our operating region for opportunities to acquire new franchise territories and enter into non-regulated business activities so that we may provide our rich history, experience, and know-how to communities that realize the importance of a high quality, drought-resistant supply of water for domestic, commercial, industrial, and fire protection uses. In 2011 we entered the wastewater business with several initiatives and we'll continue to evaluate opportunities to provide our expertise to serve our region and expand our customer base within the wastewater field.

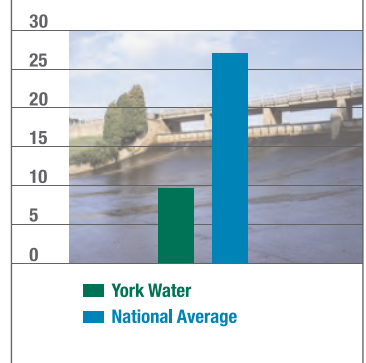
We will continue to anticipate our communities' growth so that wherever and whenever “That good York water” is needed, it will be available in plentiful supply.

Average Annual Cost for Water
(Residential)



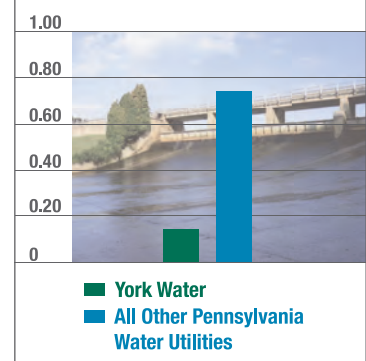
Main Breaks

Per 100 Miles of Pipe

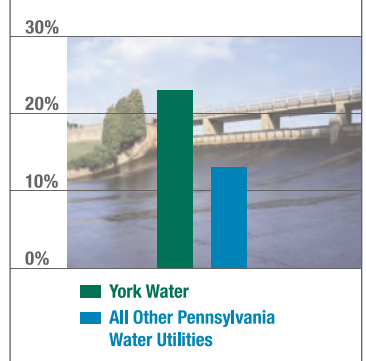


Complaint Rate

Per 100 Customers



Most Efficient Water
Utility in America



Note: Efficiency ratio as measured by net income as a percent of revenue.

Highlights of Our 196th Year

(In thousands of dollars, except per share amounts)

Summary of Operations					
For the Year	2011	2010	2009	2008	2007
Water operating revenues.....	\$ 40,629	\$ 39,005	\$ 37,043	\$ 32,838	\$ 31,433
Operating expenses	20,754	19,238	19,655	18,158	17,333
Operating income.....	19,875	19,767	17,388	14,680	14,100
Interest expense.....	5,155	4,795	4,780	4,112	3,916
Other income (expenses), net	(677)	(465)	(517)	(509)	(78)
Income before income taxes	14,043	14,507	12,091	10,059	10,106
Income taxes	4,959	5,578	4,579	3,628	3,692
Net income	\$ 9,084	\$ 8,929	\$ 7,512	\$ 6,431	\$ 6,414
Per Share of Common Stock					
Book value	\$ 7.45	\$ 7.19	\$ 6.92	\$ 6.14	\$ 5.97
Basic earnings per share	0.71	0.71	0.64	0.57	0.57
Cash dividends declared per share.....	0.5266	0.5150	0.5060	0.4890	0.4750
Weighted average number of shares outstanding during the year	12,734,420	12,626,660	11,695,155	11,298,215	11,225,822
Utility Plant					
Original cost, net of acquisition adjustments.....	\$ 278,344	\$ 269,856	\$ 259,839	\$ 245,249	\$ 222,354
Construction expenditures	9,472	10,541	12,535	24,438	18,154
Other					
Total assets.....	\$ 274,219	\$ 259,931	\$ 248,837	\$ 240,442	\$ 210,969
Long-term debt including current portion	85,017	85,173	77,568	86,353	70,505

Shareholder Information

Market for Common Stock and Dividends

The common stock of The York Water Company is traded on the NASDAQ Global Select Market (Symbol "YORW"). Quarterly price ranges and cash dividends per share for the last two years follow:

	2011			2010		
	High	Low	Dividend*	High	Low	Dividend*
1st Quarter	\$17.51	\$15.81	\$0.1310	\$15.00	\$13.04	\$0.1280
2nd Quarter	17.72	16.40	0.1310	15.60	12.83	0.1280
3rd Quarter	18.14	16.00	0.1310	16.40	13.42	0.1280
4th Quarter	18.00	15.86	0.1336	18.00	15.52	0.1310

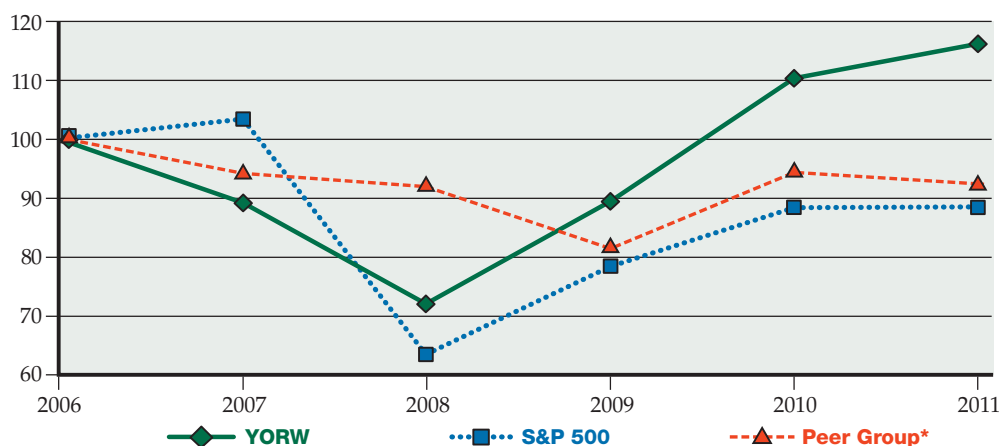
*Cash dividends per share reflect dividends declared at each dividend date.

Prices listed in the above table are sales prices as listed on the NASDAQ Global Select Market. Shareholders of record (excluding individual participants in securities positions listings) as of December 31, 2011 numbered approximately 1,658.

Performance Graph

The following line graph presents the annual and cumulative total shareholder return for The York Water Company Common Stock over a five-year period from 2006 through 2011, based on the market price of the Common Stock and assuming reinvestment of dividends, compared with the cumulative total shareholder return of companies in the S&P 500 Index and a peer group made up of publicly traded water utilities, also assuming reinvestment of dividends. The peer group companies include: American States, Aqua America, Artesian Resources, California Water Service, Connecticut Water Service, Middlesex Water, Pennichuck Corporation and San Jose Water.

**The York Water Company: Price Performance
(2006-2011)**



	2006	2007	2008	2009	2010	2011
The York Water Company	100.00	89.16	72.08	89.63	110.40	116.22
S&P 500 Index	100.00	103.53	63.69	78.62	88.67	88.67
Peer Group*	100.00	94.37	92.07	81.05	94.40	92.53

*ARTNA, AWR, CTWS, CWT, MSEX, PNNW, SJW, WTR
Source: FactSet Research Systems Inc.

Shareholder Information

Dividend Policy

Dividends on the Company's common stock are declared by the Board of Directors and are normally paid in January, April, July and October. Dividends are paid based on shares outstanding as of the stated record date, which is ordinarily the last day of the calendar month immediately preceding the dividend payment.

The dividend paid on the Company's common stock on January 17, 2012 was the 564th consecutive dividend paid by the Company. The Company has paid consecutive dividends for its entire history, since 1816. The policy of the Company's Board of Directors is currently to pay cash dividends on a quarterly basis. The dividend rate has been increased annually for fifteen consecutive years. The Company's Board of Directors declared dividend number 565 in the amount of \$0.1336 per share at its January 2012 meeting. The dividend is payable on April 16, 2012 to shareholders of record as of February 29, 2012. Future cash 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 of Directors. See Note 4 to the Company's financial statements filed as part of the SEC Form 10-K for restrictions on dividend payments.

Financial Reports and Investor Relations

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.

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:

Kathleen M. Miller — Chief Financial Officer

The York Water Company
P.O. Box 15089, York, PA 17405-7089

(717) 845-3601
(800) 750-5561
kathym@yorkwater.com



Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

Year Ended December 31	2011	2010	2009
Selected Financial Data			
Income			
Operating Revenues.....	\$40,629	\$39,005	\$37,043
Operating Expenses	\$20,754	\$19,238	\$19,655
Operating Income.....	\$19,875	\$19,767	\$17,388
Interest Expense.....	\$5,155	\$4,795	\$4,780
Net Income	\$9,084	\$8,929	\$7,512
Percent Change in Net Income Compared to Prior Year	1.7%	18.9%	16.8%
Common Stock Dividends	\$6,708	\$6,506	\$6,050
Dividend Payout Ratio	74%	73%	81%
Weighted Average Common Shares Outstanding.....	12,734,420	12,626,660	11,695,155
Basic Earnings Per Weighted Average Common Share.....	\$0.71	\$0.71	\$0.64
Number of Common Shares Outstanding.....	12,791,671	12,692,054	12,558,724
ROE on Year End Common Equity	9.5%	9.8%	8.6%
Common Stock Dividends Per Share	\$0.5266	\$0.5150	\$0.5060
Net Cash Flows From Operating Activities	\$17,474	\$14,755	\$15,801
Balance Sheet			
Common Stockholders' Equity	\$95,265	\$91,257	\$86,922
Long-Term Debt Including Current Maturities	\$85,017	\$85,173	\$77,568
Total Capitalization	\$180,282	\$176,430	\$164,490
Percent Common Stockholders' Equity	53%	52%	53%
Percent Long-Term Debt	47%	48%	47%
Net Utility Plant	\$232,277	\$227,677	\$221,475
Operating Data			
Revenue Class			
Residential	\$25,693	\$24,478	\$23,299
Commercial and Industrial	\$11,820	\$11,440	\$10,734
Other.....	\$3,116	\$3,087	\$3,010
Total Operating Revenues.....	\$40,629	\$39,005	\$37,043
Construction Expenditures	\$9,472	\$10,541	\$12,535
Other Operating Data			
Number of Customers	62,738	62,505	62,186
Number of Employees.....	106	111	111
Common Shareholders	1,658	1,649	1,516
Book Value Per Common Share	\$7.45	\$7.19	\$6.92
Market Value at Year End	\$17.64	\$17.29	\$14.51
Market Value to Book Value	237%	240%	210%
P/E Ratio	24.8	24.4	22.7

Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

2008	2007	2006	2005	2004	2003	2002	2001
\$32,838	\$31,433	\$28,658	\$26,805	\$22,504	\$20,889	\$19,553	\$19,403
\$18,158	\$17,333	\$15,754	\$14,049	\$12,627	\$11,578	\$11,243	\$10,468
\$14,680	\$14,100	\$12,904	\$12,756	\$9,877	\$9,311	\$8,310	\$8,935
\$4,112	\$3,916	\$3,727	\$3,423	\$2,132	\$2,523	\$2,692	\$2,856
\$6,431	\$6,414	\$6,091	\$5,833	\$5,301	\$4,448	\$3,790	\$4,006
0.3%	5.3%	4.4%	10.0%	19.2%	17.4%	-5.4%	6.6%
\$5,526	\$5,332	\$4,820	\$4,392	\$3,930	\$3,512	\$3,323	\$3,126
86%	83%	79%	75%	74%	79%	88%	78%
11,298,215	11,225,822	10,475,173	10,359,374	9,937,836	9,579,690	9,495,591	9,229,875
\$0.57	\$0.57	\$0.58	\$0.56	\$0.53	\$0.46	\$0.40	\$0.43
11,367,248	11,264,923	11,201,119	10,399,995	10,330,571	9,628,845	9,547,205	9,462,996
9.2%	9.5%	9.3%	11.6%	11.0%	11.4%	10.2%	11.2%
\$0.4890	\$0.4750	\$0.4540	\$0.4240	\$0.3940	\$0.3667	\$0.3500	\$0.3367
\$11,527	\$10,040	\$7,116	\$8,451	\$7,670	\$6,772	\$6,172	\$6,734
\$69,766	\$67,272	\$65,361	\$50,415	\$48,037	\$39,056	\$37,216	\$35,892
\$86,353	\$70,505	\$62,335	\$51,874	\$51,913	\$32,652	\$32,690	\$32,728
\$156,119	\$137,777	\$127,696	\$102,289	\$99,950	\$71,708	\$69,906	\$68,620
45%	49%	51%	49%	48%	54%	53%	52%
55%	51%	49%	51%	52%	46%	47%	48%
\$210,820	\$191,046	\$173,800	\$154,774	\$139,454	\$115,724	\$106,217	\$101,753
\$20,572	\$19,722	\$17,972	\$16,737	\$13,789	\$12,574	\$11,527	\$11,571
\$9,671	\$9,290	\$8,497	\$8,009	\$6,893	\$6,598	\$6,385	\$6,265
\$2,595	\$2,421	\$2,189	\$2,059	\$1,822	\$1,717	\$1,641	\$1,567
\$32,838	\$31,433	\$28,658	\$26,805	\$22,504	\$20,889	\$19,553	\$19,403
\$24,438	\$18,154	\$20,678	\$15,562	\$25,689	\$10,252	\$6,310	\$7,096
61,527	58,890	57,578	55,731	53,134	51,916	51,023	50,079
110	109	106	97	95	92	89	90
1,485	1,443	1,463	1,449	1,459	1,392	1,353	1,327
\$6.14	\$5.97	\$5.84	\$4.85	\$4.65	\$4.05	\$3.90	\$3.79
\$12.10	\$15.50	\$17.88	\$17.23	\$12.93	\$12.13	\$9.47	\$9.75
197%	260%	306%	356%	278%	299%	243%	257%
21.2	27.2	30.8	30.8	24.3	26.0	23.7	22.5

Directors, Officers, & Key Employees

BOARD OF DIRECTORS



Cynthia A. Dotzel, CPA ^{(2) (3)}
Age 57
Director Since 2009



John L. Finlayson ^{(2) (4)}
Age 71
Director Since 1993



Michael W. Gang, Esq. ^{(1) (3)}
Age 61
Director Since 1996



Jeffrey R. Hines, P.E. ⁽¹⁾
Age 50, President and
Chief Executive Officer
Director Since 2008



George W. Hodges ⁽¹⁾
Age 61
Chairman
Director Since 2000



George Hay Kain, III ⁽⁴⁾
Age 62
Director Since 1986



Jeffrey S. Osman ⁽¹⁾
Age 69
Director Since 2001



Steven R. Rasmussen, CPA ⁽²⁾
Age 39
Director Since 2011



Ernest J. Waters ^{(3) (4)}
Age 62
Director Since 2007

- (1) Executive Committee
- (2) Audit Committee
- (3) Nomination and Corporate Governance Committee
- (4) Compensation Committee

Directors, Officers, & Key Employees

OFFICERS & KEY EMPLOYEES



Vernon L. Bracey

Age 50
Vice President-
Customer Service



Joseph T. Hand

Age 49
Chief Operating Officer



Bruce C. McIntosh

Age 59
Vice President-Human Resources
and Secretary



Kathleen M. Miller

Age 49
Chief Financial Officer
and Treasurer



Mark S. Snyder

Age 41
Vice President-Engineering



John H. Strine

Age 55
Vice President-Operations



Bonnie J. Rexroth

Age 51
Investor Relations Administrator

DIRECTORS EMERITI

Josephine S. Appell
Chloé R. Eichelberger
Horace E. Keesey, III
William T. Morris
Irvin S. Naylor
Thomas C. Norris

STOCK EXCHANGE
LISTING

The Company's common shares
trade on the NASDAQ Global
Select Market.

The trading symbol is "YORW".

TRANSFER AGENT
& REGISTRAR

**American Stock Transfer &
Trust Company**

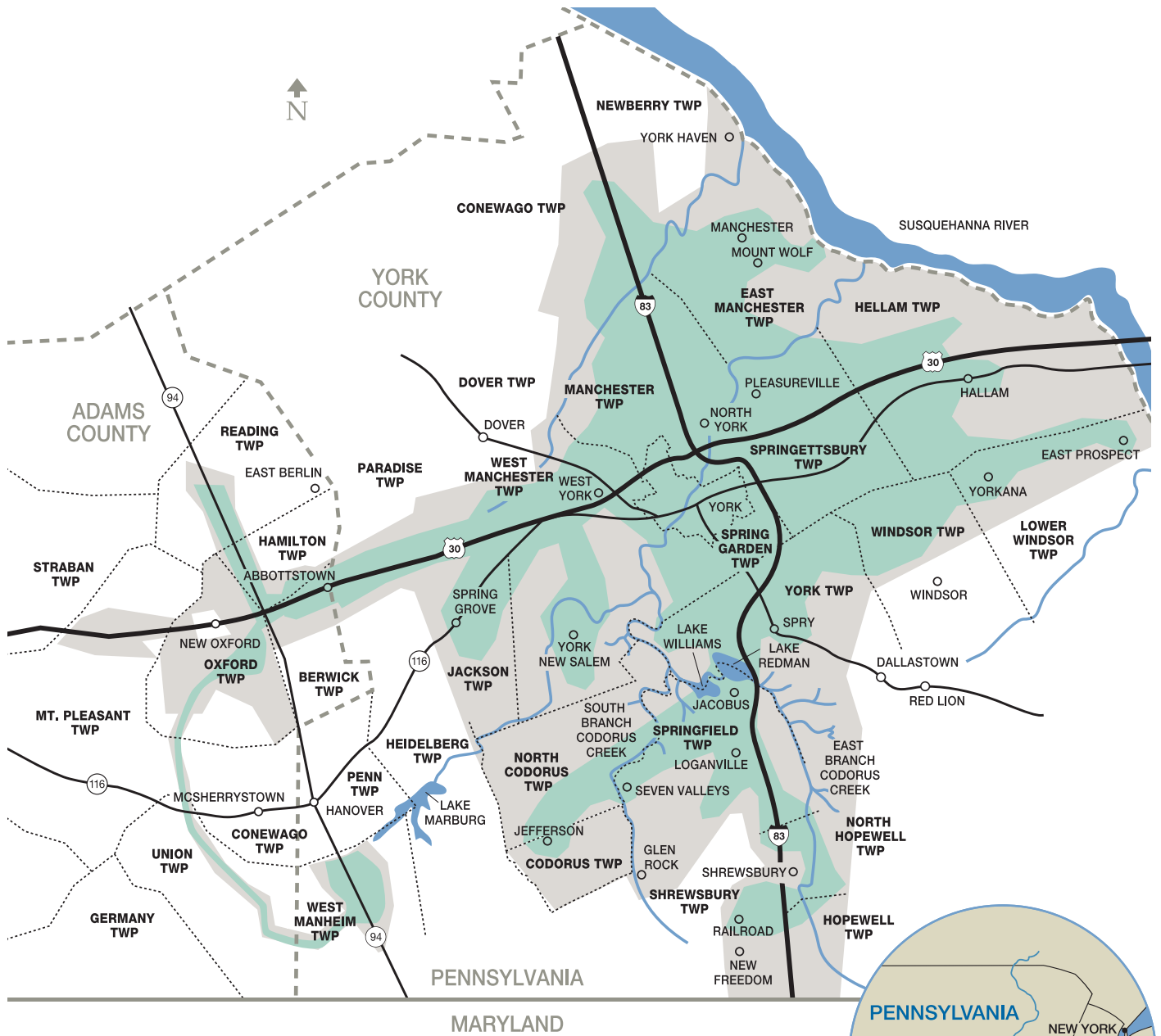
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"That good York water"
SINCE 1816

