

# THE YORK WATER COMPANY

*2017 Annual Report*



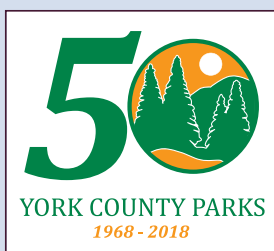
**PARTNERING** *with Our Community*  
*for Over* **200 YEARS**



1968-2018  
50<sup>th</sup> ANNIVERSARY OF YORK COUNTY PARKS



Lake Redman and Lake Williams Photos: Jon Bilous, Noir Gallery



*The York Water Company has been a partner with the parks since the very beginning. In 1912, York Water began planting over one million trees around Lake Williams. Then in 1967, Lake Redman was constructed and completed in 1968. In 1976, York Water entered into a long-term agreement that opened up the 1,600 acre forest and lakes for the use of all residents and visitors.*





**FIFTY YEARS AGO**, The York Water Company completed a monumental improvement for our customers. The **CONSTRUCTION OF LAKE REDMAN** in 1967 added over one billion gallons of water storage for a growing community. This planning and foresight ensured that our community would thrive, even in severe droughts, for many generations to come.

At the same time, the York County Parks Department was organized and eventually grew to 11 parks covering over 4,500 acres. The centerpiece of this public park system is **OVER 1,600 ACRES OF YORK WATER PROPERTY** surrounding Lake Redman and Lake Williams.

**1967-68** turned out to be **A TRANSFORMATIVE YEAR** for the York Community with two milestones that will continue to benefit residents for many generations to come.



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

*Dear Shareholders,*

## WELCOME TO THE ANNUAL REPORT FOR AMERICA'S OLDEST PUBLIC COMPANY!

**I am pleased to report** that 2017 continued our unsurpassed record of 202 years of service to our community.

### **Dividends and Shareholder Value: An American Record!**

Operating revenues grew by 2.1% to \$48.59 million in 2017. Operating income decreased 1.8% to \$22.47 million. Our net income increased by 9.5% to \$12.97 million in 2017. Earnings per share increased 9.8% to \$1.01.

In line with our objective to maintain regular dividend increases, we raised the quarterly dividend rate by 4.0% during the year. This is the 21st consecutive year we have raised our dividend and the 202nd consecutive year of dividend payments. We believe this to be the longest consecutive dividend record in America.

In 2013, we initiated a share repurchase program to add value to our shareholders. The Board of Directors authorized us to repurchase up to 1,200,000 shares of the Company's common stock from time to time. 37,229 shares were repurchased this year. As of December 31, 2017, 618,004 shares remain available for repurchase.

We are only including a summary of our financial results in this annual report. Please refer to our annual SEC 10K Report, which was delivered with this report, or can be downloaded from the investor relations section of our website at [www.yorkwater.com](http://www.yorkwater.com) for a more detailed review of our financial performance.

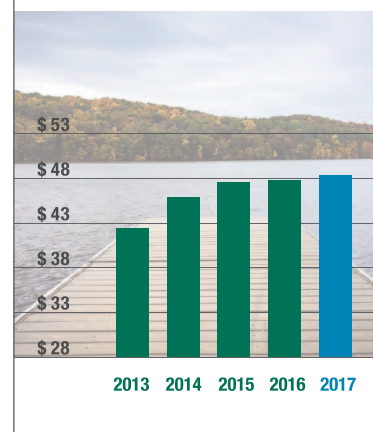
### **Continued Growth, Acquisitions, and Expansion**

The number of customers we served at the end of 2017 grew to 69,604 water and wastewater customers. This was an increase of 2,552 new customers. This 3.8% customer growth in 2017 was greater than our typical 1-3% growth. The Company is now authorized to serve in 48 municipalities in Adams and York Counties, and our population served grew in 2017 to approximately 198,000 people.

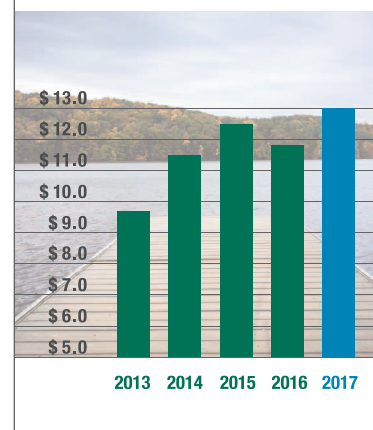
### **Lake Redman Pumping Station Complete**

We completed an additional pumping station at our Lake Redman reservoir. This station and a 3.5 mile transmission main to our Filter Plant will provide redundant capacity in the event of a contamination event, power outage, or flooding.

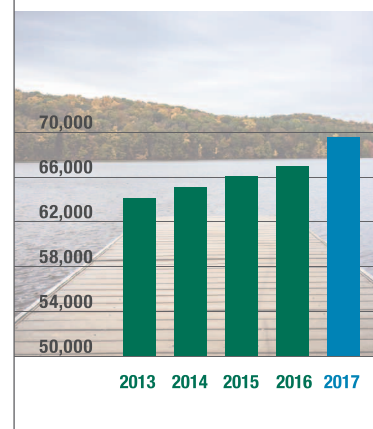
**Operating Revenues**  
(millions)



**Net Income**  
(millions)



**Water & Wastewater Customers**



### Growth in Wastewater Business

In 2017 we completed the acquisition of the West York Borough sewer collection system. This wastewater acquisition added approximately 1,700 customers representing 2,200 homes and businesses. After all previously announced acquisitions are complete, York Water will have approximately 2,300 wastewater customers and three 80,000-gallon-per-day wastewater treatment plants.

### Water Still Costs Less than One Cent per Gallon

Our customer complaint rate and water rates remain among the lowest in the state while still providing world class service to our customers. In addition to great customer service, these measurements help us to maintain a productive relationship with our regulators, which is paramount to running a successful company.

### Increasing Efficiency While Maintaining Personal Contact

Although we are a 202-year-old company, we continue to make technological advances to assist our customers while still providing that personal touch. When you call our office, one of our locally based and friendly customer service representatives will answer the phone and assist you. We continue to expand our initiatives in online applications and scheduling, paperless billing and electronic bill pay. We also continue to deploy a state-of-the-art radio frequency drive-by and fixed meter reading system. Of course, our historic office in downtown York remains open for walk-in or phone-in customer support.

### System Improvements for a Sustainable Future

We continue to replace almost 1% of our existing water pipe each year. This reduces main breaks, water leakage, potential property damage, and reduces costs. York Water continues to work with local governments and other utilities to coordinate water main replacements prior to road resurfacing projects. This saves our customers money and provides the motoring public with a new road and equally new utilities below.

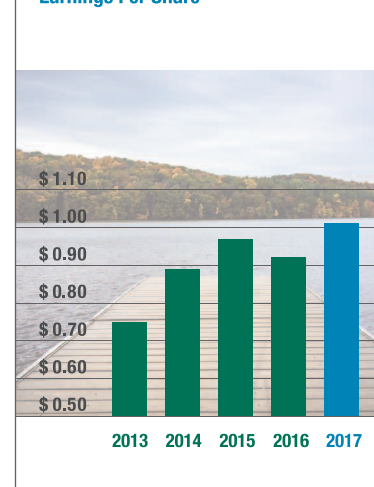
In 2016 the American Water Works Association recommended that all water systems should have a goal of eliminating lead service lines. In 2017, York Water replaced over 1,100 of the estimated 1,600 company-owned lead service lines and is on track to replace all of them by the end of 2018. Through a unique approval by the Pennsylvania Public Utility Commission, the Company is also committed to replacing all customer-owned lead services, at little or no cost to the customer, over the following years with a goal of the complete elimination of all lead service lines from our community.

### Dedicated and Experienced Employees and New Chief Financial Officer

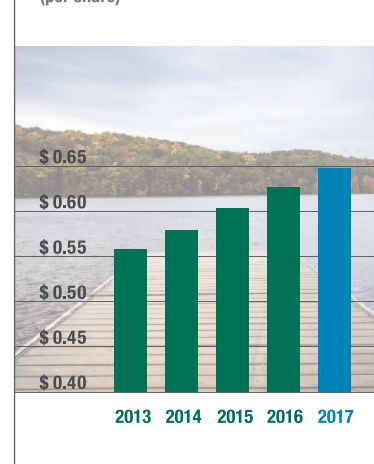
York Water's talented employees have an average of 13 years at the Company, which is indicative of the rewarding environment and collaborative corporate culture of The York Water Company. A Company that continues to thrive and grow, and improve service to its customers for 202 years, can only be possible due to the dedication, loyalty, and hard work of its employees. We thank all of the York Water family for their commitment to make this Company the most efficient water utility in the nation.

We also promoted Matthew Poff from Controller to CFO upon the retirement of Kathy Miller. Bruce McIntosh, our VP of Human Resources, also retired. We thank Kathy and Bruce for their 20 years of service.

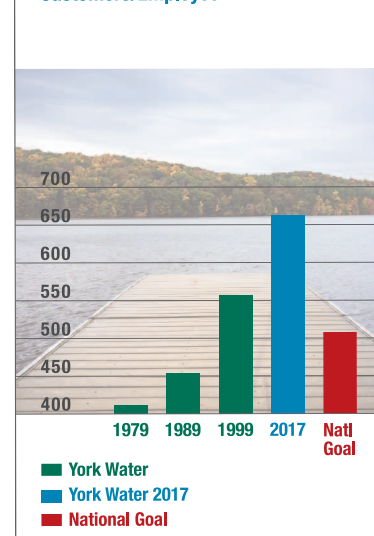
Earnings Per Share



Common Stock Dividends  
(per share)



Customers/Employee



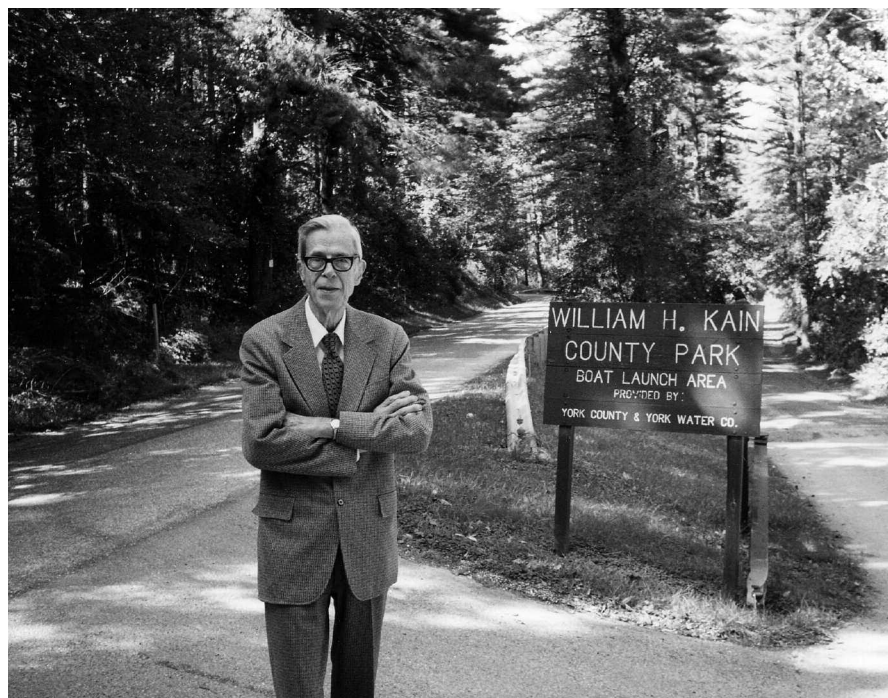


**The York Water Company congratulates York County on the 50th Anniversary of its successful parks and recreation program!** Founded in 1968 with the donation of land for Rocky Ridge Park, York County now includes a system of 11 parks with holdings in excess of 4,500 acres.

**The York Water Company has been a partner with York County Parks** since 1977, when the Company and York County entered into a cooperative arrangement that incorporated Lake Williams and Lake Redman into William H. Kain County Park. It is named for the company's 17th President and includes 1,675 acres of beautiful land, along with the two lakes, for the recreational enjoyment of thousands of York County residents and visitors each year. York Water has also made substantial contributions to the wildlife center at Nixon Park, and to various projects throughout the park.

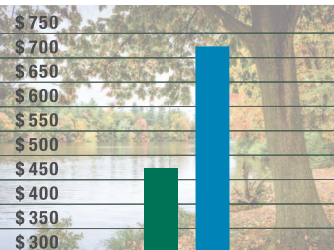
Many events to commemorate the 50th Anniversary are being held throughout the year. For a complete list of events, contact the York County Department of Parks and Recreation at (717) 840-7440, or visit [www.yorkcountypa.gov](http://www.yorkcountypa.gov) and click on "Parks and Recreation."

**York County Parks are a vital part of the high quality of life enjoyed by county residents.** We also invite visitors to come to York and enjoy year-round recreational activities such as fishing, boating, hunting, picnicking, hiking, biking, running, horseback riding, etc. Take advantage of this wonderful resource during this 50th Anniversary year!



*William H. Kain for whom the park was named in recognition of his leadership and contributions in establishing Kain Park. Obtaining approval for the incorporation of the reservoirs into the York County Parks' system was regarded by Kain as one of his most worthwhile accomplishments.*

**Average Annual Cost for Water**  
(Residential) 4,000 gals/month



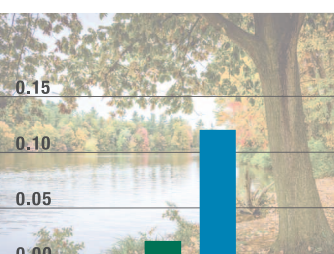
**Main Breaks**

Per 100 Miles of Pipe

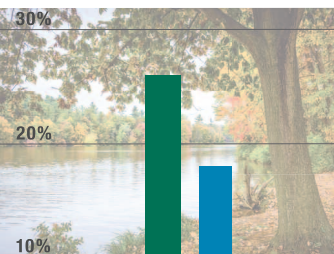


**Justified Complaint Rate**

Per 1000 Customers



**Efficiency Compared to Other Publicly Traded Water Utilities in America**



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

## Highlights of Our 202nd Year

(In thousands of dollars, except per share amounts)

For the Year	Summary of Operations				
	2017	2016	2015	2014	2013
Operating revenues .....	\$ 48,589	\$ 47,584	\$ 47,089	\$ 45,900	\$ 42,383
Operating expenses .....	26,116	24,696	24,428	23,823	21,622
Operating income .....	22,473	22,888	22,661	22,077	20,761
Interest expense.....	4,484	5,037	4,976	4,996	5,267
Gain on sale of land.....	-	36	-	316	-
Other income (expenses), net .....	(472)	(632)	(456)	(1,036)	(28)
Income before income taxes .....	17,517	17,255	17,229	16,361	15,466
Income taxes .....	4,543	5,409	4,740	4,877	5,812
Net income .....	\$ 12,974	\$ 11,846	\$ 12,489	\$ 11,484	\$ 9,654
Per Share of Common Stock					
Book value .....	\$ 9.28	\$ 8.87	\$ 8.51	\$ 8.15	\$ 7.98
Earning per share					
Basic .....	1.01	0.92	0.97	0.89	0.75
Diluted.....	1.01	0.92	0.97	0.89	0.75
Weighted average number of shares outstanding during the year:					
Basic .....	12,849,123	12,845,955	12,831,687	12,879,912	12,928,040
Diluted.....	12,849,171	12,845,973	12,831,687	12,879,912	12,928,040
Cash dividends declared per share ....	0.6472	0.6267	0.6040	0.5788	0.5580
Utility Plant					
Original cost, net of acquisition adjustments .....	\$ 362,533	\$ 339,745	\$ 325,691	\$ 313,003	\$ 298,670
Construction expenditures .....	24,602	13,158	13,844	14,139	9,852
Other					
Total assets.....	\$ 332,030	\$ 320,494	\$ 310,533	\$ 300,708	\$ 280,123
Long-term debt including current portion.....	90,142	84,653	84,562	82,312	82,741

For Management's Discussion and Analysis of Financial Condition and Results of Operations, please refer to Item 7 in the Company's Annual Report on Form 10-K.

## 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:

	2017			2016		
	High	Low	Dividend*	High	Low	Dividend*
1st Quarter	\$39.00	\$33.10	\$0.1602	\$30.99	\$23.79	\$0.1555
2nd Quarter	39.86	31.70	0.1602	33.40	26.54	0.1555
3rd Quarter	36.77	31.90	0.1602	32.24	27.68	0.1555
4th Quarter	39.00	33.25	0.1666	39.85	28.61	0.1602

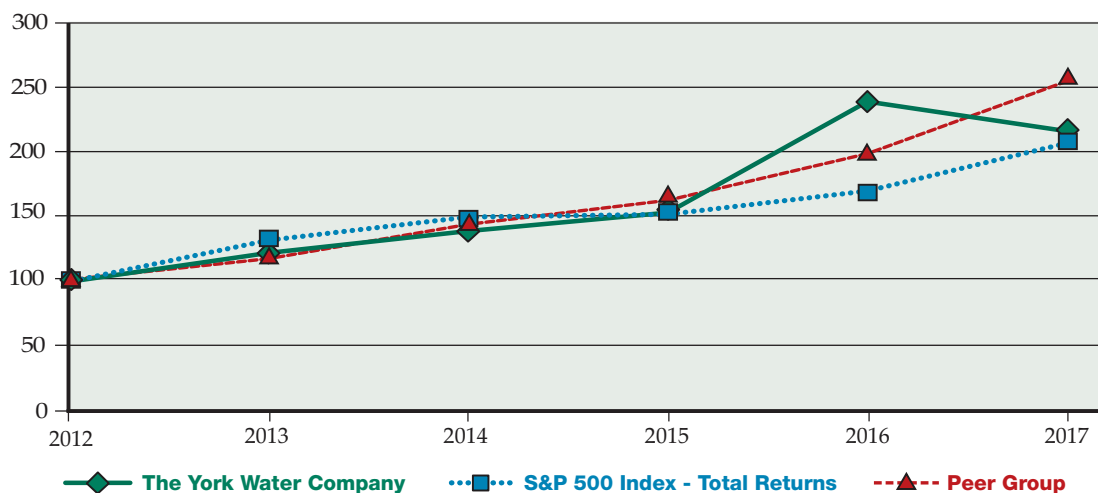
\*Cash dividends per share reflect dividends declared at each dividend date.

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, 2017 numbered approximately 2,011.

### 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 2012 through 2017, 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, American Water, Aqua America, Artesian Resources, California Water Service, Connecticut Water, Middlesex Water and San Jose Water.

Comparison of 5 Year Cumulative Total Return  
Assumes Initial Investment of \$100  
2012-2017



	2012	2013	2014	2015	2016	2017
The York Water Company	100.00	122.52	139.56	153.90	240.54	217.44
S&P 500 Index - Total Returns	100.00	132.39	150.51	152.59	170.84	208.14
Peer Group	100.00	118.03	144.80	163.55	199.92	256.47



## 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 16, 2018 was the 588th 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 twenty-one consecutive years. The Company's Board of Directors declared dividend number 589 in the amount of \$0.1666 per share at its January 2018 meeting. The dividend is payable on April 16, 2018 to shareholders of record as of February 28, 2018. 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 included in the Annual Report on 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](http://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:

Molly E. Norton  
Investor Relations and  
Communications Administrator

The York Water Company  
130 East Market Street  
York, PA 17401

(717) 718-2942  
(800) 750-5561  
[mollyn@yorkwater.com](mailto:mollyn@yorkwater.com)



### STOCK EXCHANGE LISTING

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

The trading symbol is **YORW**.

### TRANSFER AGENT & REGISTRAR

**Broadridge Corporate Issuer Solutions, Inc.**

P.O. Box 1342

Brentwood, NY 11717

(844) 317-3311 (toll free)

Internet:

<http://shareholder.broadridge.com/YORW>

### INDEPENDENT AUDITORS

**Baker Tilly Virchow Krause LLP**

Suite 200

221 West Philadelphia Street

York, PA 17401

### ANNUAL MEETING INFORMATION

Monday, May 7, 2018

1:00 p.m. – Lunch 12:00 p.m.

(reservation required)

Appell Center for the Performing Arts

50 North George Street

York, PA 17401

## Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

Year Ended December 31	2017	2016	2015
<b>Selected Financial Data</b>			
<b>Income</b>			
Operating Revenues.....	\$48,589	\$47,584	\$47,089
Operating Expenses .....	\$26,116	\$24,696	\$24,428
Operating Income.....	\$22,473	\$22,888	\$22,661
Interest Expense.....	\$4,484	\$5,037	\$4,976
Net Income .....	\$12,974	\$11,846	\$12,489
Percent Change in Net Income Compared to Prior Year .....	9.5%	-5.1%	8.8%
Common Stock Dividends .....	\$8,318	\$8,051	\$7,743
Dividend Payout Ratio .....	64.1%	68.0%	62.0%
Weighted Average Common Shares Outstanding, Basic .....	12,849,123	12,845,955	12,831,687
Basic & Diluted Earnings Per Weighted Average Common Share .....	\$1.01	\$0.92	\$0.97
Number of Common Shares Outstanding.....	12,872,742	12,852,295	12,812,377
ROE on Year End Common Equity .....	10.9%	10.4%	11.5%
Common Stock Dividends Per Share .....	\$0.6472	\$0.6267	\$0.6040
Net Cash Flows From Operating Activities .....	\$20,111	\$19,365	\$20,710
<b>Balance Sheet</b>			
Common Stockholders' Equity .....	\$119,405	\$114,061	\$109,070
Long-Term Debt Including Current Maturities .....	\$90,142	\$84,653	\$84,562
Total Capitalization .....	\$209,547	\$198,714	\$193,632
Percent Common Stockholders' Equity .....	57%	57%	56%
Percent Long-Term Debt .....	43%	43%	44%
Net Utility Plant .....	\$288,787	\$270,907	\$261,420
<b>Operating Data</b>			
<b>Revenue Class</b>			
Residential .....	\$31,184	\$30,142	\$29,682
Commercial and Industrial.....	\$13,729	\$13,760	\$13,822
Other.....	\$3,676	\$3,682	\$3,585
Total Operating Revenues.....	\$48,589	\$47,584	\$47,089
<b>Construction Expenditures</b> .....	\$24,602	\$13,158	\$13,844
<b>Other Operating Data</b>			
Number of Customers .....	69,604	67,052	66,087
Number of Employees.....	102	103	107
Common Shareholders .....	2,011	2,052	2,007
Book Value Per Common Share .....	\$9.28	\$8.87	\$8.51
Market Value at Year End .....	\$33.90	\$38.20	\$24.94
Market Value to Book Value .....	365%	431%	293%
P/E Ratio .....	33.6	41.5	25.7



## Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

2014	2013	2012	2011	2010	2009	2008	2007
\$45,900	\$42,383	\$41,447	\$40,629	\$39,005	\$37,043	\$32,838	\$31,433
\$23,823	\$21,622	\$20,874	\$20,754	\$19,238	\$19,655	\$18,158	\$17,333
\$22,077	\$20,761	\$20,573	\$19,875	\$19,767	\$17,388	\$14,680	\$14,100
\$4,996	\$5,267	\$5,249	\$5,260	\$4,894	\$4,896	\$4,219	\$4,009
\$11,484	\$9,654	\$9,303	\$9,084	\$8,929	\$7,512	\$6,431	\$6,414
19.0%	3.8%	2.4%	1.7%	18.9%	16.8%	0.3%	5.3%
\$7,443	\$7,214	\$6,929	\$6,708	\$6,506	\$6,050	\$5,526	\$5,332
64.8%	74.7%	74.5%	73.8%	72.9%	80.5%	85.9%	83.1%
12,879,912	12,928,040	12,847,160	12,734,420	12,626,660	11,695,155	11,298,215	11,225,822
\$0.89	\$0.75	\$0.72	\$0.71	\$0.71	\$0.64	\$0.57	\$0.57
12,830,521	12,979,281	12,918,633	12,791,671	12,692,054	12,558,724	11,367,248	11,264,923
11.0%	9.3%	9.3%	9.5%	9.8%	8.6%	9.2%	9.5%
\$0.5788	\$0.5580	\$0.5391	\$0.5266	\$0.5150	\$0.5060	\$0.4890	\$0.4750
\$18,766	\$18,438	\$16,422	\$17,474	\$14,755	\$15,801	\$11,527	\$10,040
\$104,563	\$103,511	\$99,825	\$95,265	\$91,257	\$86,922	\$69,766	\$67,272
\$82,312	\$82,741	\$82,684	\$82,621	\$82,672	\$75,662	\$84,340	\$69,335
\$186,875	\$186,252	\$182,509	\$177,886	\$173,929	\$162,584	\$154,106	\$136,607
56%	56%	55%	54%	52%	53%	45%	49%
44%	44%	45%	46%	48%	47%	55%	51%
\$253,194	\$244,237	\$239,539	\$232,277	\$227,677	\$221,475	\$210,820	\$191,046
\$29,079	\$26,796	\$26,114	\$25,693	\$24,478	\$23,299	\$20,572	\$19,722
\$13,267	\$12,299	\$12,114	\$11,820	\$11,440	\$10,734	\$9,671	\$9,290
\$3,554	\$3,288	\$3,219	\$3,116	\$3,087	\$3,010	\$2,595	\$2,421
\$45,900	\$42,383	\$41,447	\$40,629	\$39,005	\$37,043	\$32,838	\$31,433
\$14,139	\$9,852	\$11,543	\$9,472	\$10,541	\$12,535	\$24,438	\$18,154
65,102	64,118	63,779	62,738	62,505	62,186	61,527	58,890
107	104	105	106	111	111	110	109
2,002	2,023	1,786	1,658	1,649	1,516	1,485	1,443
\$8.15	\$7.98	\$7.73	\$7.45	\$7.19	\$6.92	\$6.14	\$5.97
\$23.21	\$20.93	\$17.57	\$17.64	\$17.29	\$14.51	\$12.10	\$15.50
285%	262%	227%	237%	240%	210%	197%	260%
26.1	27.9	24.4	24.8	24.4	22.7	21.2	27.2

Directors, Officers, & Key Employees

BOARD OF DIRECTORS



**James H. Cawley** <sup>(1) (3)</sup>  
Age 72  
Director Since 2016



**Michael W. Gang, Esq.** <sup>(1)</sup>  
Age 67  
Director Since 1996



**Jeffrey R. Hines, P.E.** <sup>(1)</sup>  
Age 56  
Director Since 2008



**George W. Hodges** <sup>(1)</sup>  
Age 67  
Chairman  
Director Since 2000



**George Hay Kain, III** <sup>(4)</sup>  
Age 69  
Director Since 1986



**Jody L. Keller** <sup>(4)</sup>  
Age 64  
Director Since 2015



**Erin C. McGlaughlin** <sup>(2) (3)</sup>  
Age 44  
Director Since 2016



**Robert P. Newcomer** <sup>(1) (2) (4)</sup>  
Age 69  
Director Since 2013



**Steven R. Rasmussen, CPA** <sup>(2) (3)</sup>  
Age 45  
Director Since 2011



**Ernest J. Waters** <sup>(1) (2) (4)</sup>  
Age 68  
Director Since 2007

DIRECTORS EMERITI

Josephine S. Appell  
Cynthia A. Dotzel  
Chloé R. Eichelberger  
John L. Finlayson  
Horace E. Keeseey, III  
William T. Morris  
Irvin S. Naylor  
Thomas C. Norris  
Jeffrey S. Osman

KEY

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





Photo: Mike Mihalo Photography

*In 1967, Lake Redman was built to help protect the community from drought. Fifty years later, in 2017, the 20-million-gallon-per-day Lake Redman Pump Station was constructed to further provide a reliable and redundant water supply in the event of floods, power outages, and contamination events. This pump station continues the over 200-year history of York Water preparing for the future and protecting our water supplies.*

Directors, Officers, & Key Employees

OFFICERS & KEY EMPLOYEES



**Vernon L. Bracey**

Age 56  
Vice President-  
Customer Service



**Natalee Colón, SHRM-CP**

Age 30  
Human Resources Manager



**Joseph T. Hand**

Age 55  
Chief Operating Officer



**Jeffrey R. Hines, P.E.**

Age 56  
President and  
Chief Executive Officer



**Matthew E. Poff, CPA**

Age 46  
Chief Financial Officer  
and Treasurer



**Mark S. Snyder, P.E.**

Age 47  
Vice President-Engineering



**John H. Strine**

Age 61  
Vice President-Operations



**Molly E. Norton**

Investor Relations and  
Communications Administrator

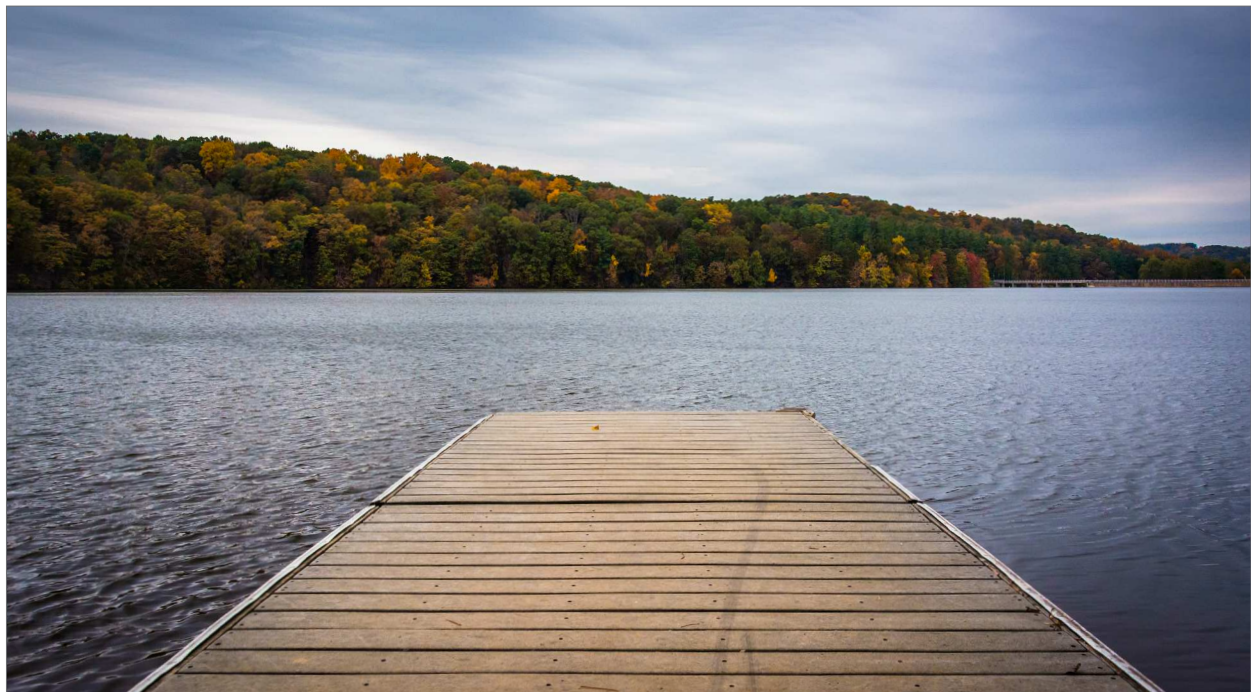
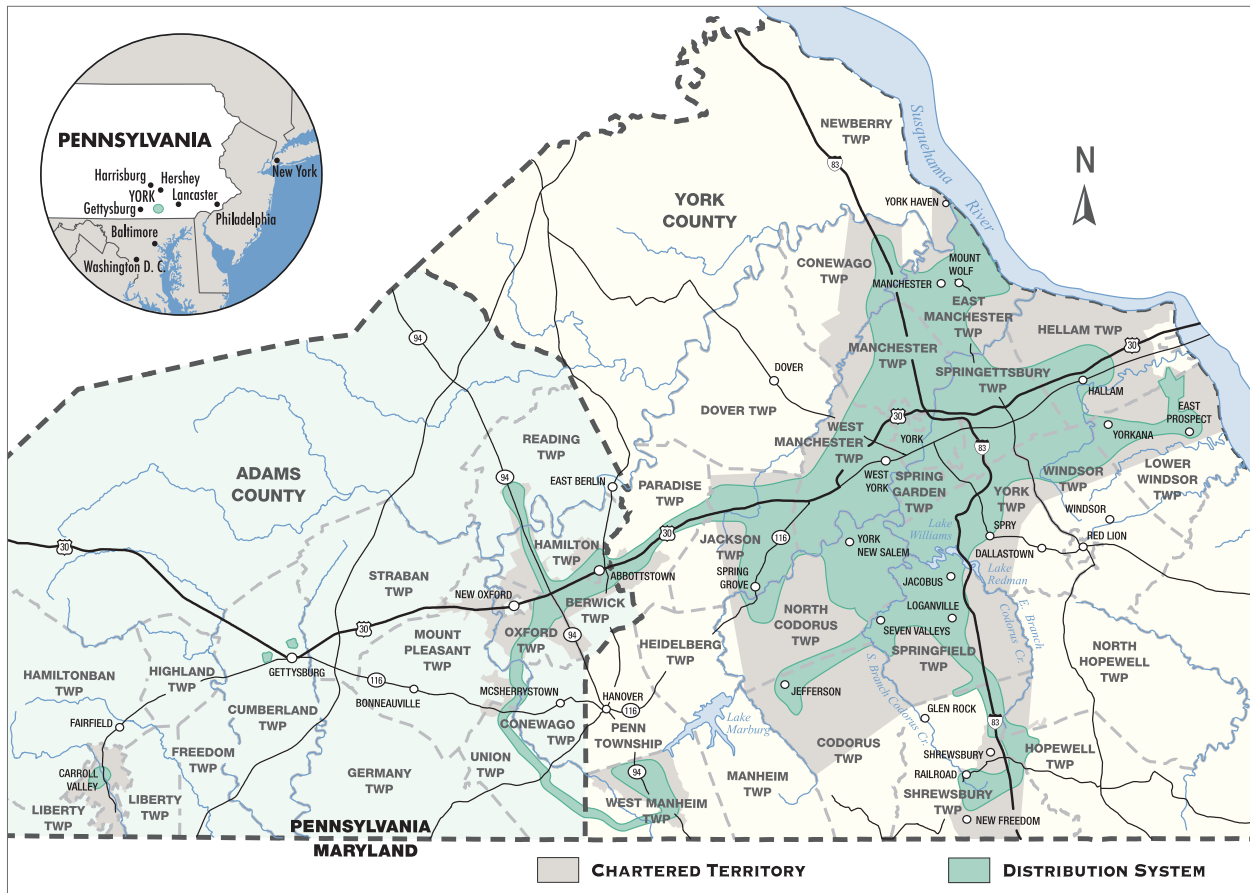


**Kathleen M. Miller**

Chief Financial Officer  
and Treasurer  
Retired 2017



## Chartered Territory Distribution and Supply System



A map of York Water's 2017 chartered territory and service area, and photo of Lake Williams looking from one of its boat docks.



**The York Water Company**

130 East Market Street  
York, Pennsylvania 17401  
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