

# THE YORK WATER COMPANY

## 2014 Annual Report



Spring near Baumgartner's woods, south of the city, which formed the source of York's original water supply.

ONE HUNDRED TWENTY-FIFTH YEAR

ANNUAL REPORT to the  
Stockholders for the  
Year ending December 31, 1940

THE YORK WATER COMPANY  
(Incorporated, 1816)  
YORK SUBURBAN WATER COMPANY  
YORK, PENNSYLVANIA



*Annual Report to the Stockholders*  
FOR THE YEAR ENDING DECEMBER 31, 1965

*The York Water Company*  
Incorporated 1816  
YORK, PENNSYLVANIA

The York Water Company



1990  
Annual  
Report



199<sup>th</sup> YEAR

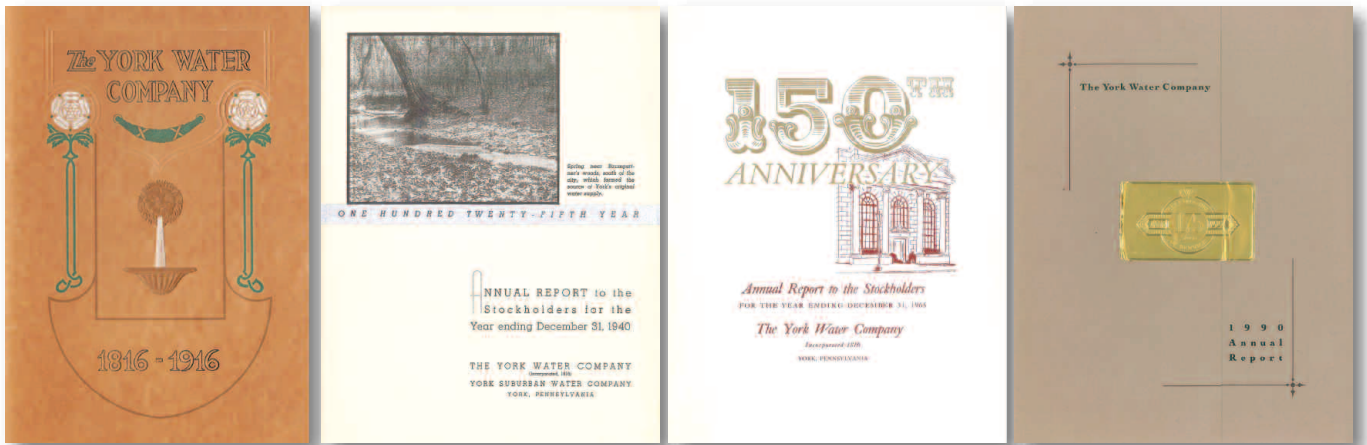
Our **TRADITION**

SERVICE, Growth & PERFORMANCE  
for **199 Years**

*Pumping Station Circa 1914*



*York Water's original pumping station was built in 1896 with steam pumps coming on line in 1897. The station provided reliable steam power to operate our water pumps until 1981 when they were fully replaced with electric and diesel pumps. Although the chimney, coal bins, and steam boilers have been removed over the years, the pumping station still provides uninterrupted service to our customers.*



100<sup>th</sup>

125<sup>th</sup>

150<sup>th</sup>

175<sup>th</sup> ...

“FOR ALMOST TWO CENTURIES,  
THE YORK WATER COMPANY TRADITION  
OF SERVICE, GROWTH AND PERFORMANCE  
HAS RESULTED IN SUCCESS - A TRADITION  
WORTH CELEBRATING!”

*Many companies celebrate milestones – and next year The York Water Company will celebrate the 200th Anniversary of uninterrupted service. There are only a handful of public companies in America that can make that claim. In fact the average American company seldom lasts more than 40 years.*

*Since we'll be celebrating 200 years in our next annual report, this year we've highlighted previous milestone annual reports. A look back into the past confirms that the determination, effort, and foresight that served our predecessors, our customers, and our shareholders, is propelling us forward to success – far beyond 200 years!*



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

*Dear Shareholders,*

I am pleased to report that 2014 was a record year which continues our 199-year tradition of service, growth, and performance.

**Record Financial Performance**

Due to our continued growth, an increase in rates, and some beneficial changes to tax regulations, 2014 results were the best in our history.

Operating revenues grew by 8.3% to \$45.9 million in 2014. Operating income increased 6.3% to \$22.1 million. Our net income increased by 19.0% to \$11.5 million in 2014. Earnings per share increased 18.7% to \$0.89.

The implementation of the 2014 IRS tangible property regulations caused a reduction of \$1.3 million in tax expense and contributed approximately \$0.10 to earnings per share. We will continue to experience reduced income tax expense under these regulations in the future, the amount depending on our investment in assets eligible for the deduction.

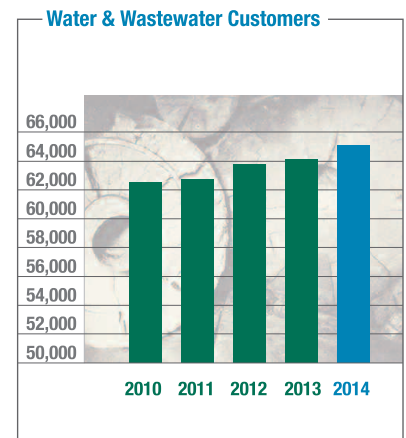
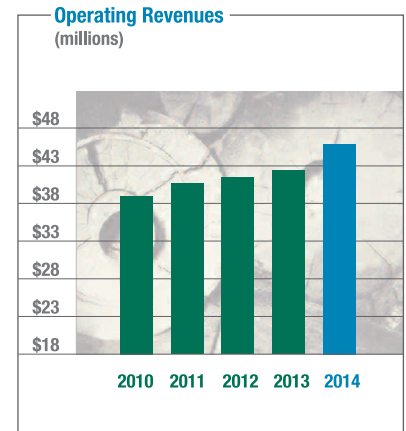
We are only including a summary of our financial results in this annual report. Please refer to our annual SEC 10-K Report, which was delivered with this report, or can be downloaded from the investor relations section of our website at [www.yorkwater.com](http://www.yorkwater.com) for a more detailed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

**Continued Growth, Acquisitions, and Expansion**

The number of customers we served at the end of 2014 grew to 65,102 water and wastewater customers. This was an increase of 984 new customers. This 1.5% customer growth in 2014 was almost triple the previous year's growth, but still below our pre-recession growth rate of 2-3%. We are now authorized to serve in 48 municipalities in Adams and York Counties, and our population served grew by about 1.1% in 2014 to approximately 192,000 people. In 2014 the Company announced three water acquisitions which will provide approximately 330 new customers upon completion in 2015.

**Growth in Wastewater Business**

In 2014, we completed the acquisition of the wastewater assets of the East Prospect Borough Authority and are currently working to finalize the acquisition of the SYC, Inc. wastewater system. The East Prospect Borough Authority asset acquisition added approximately 400 customers. When the SYC system



acquisition is complete, we will have a total of approximately 660 wastewater customers and three 80,000 gallon per day wastewater treatment plants.

**York Water Continues to Assist Communities in Need**

In 2014, we completed the first phase of a project to install water lines in York Haven Borough in York County. This project is providing domestic water and high quality fire protection for the first time in the Borough's history. Fire protection was the original reason that York Water was created in 1816. Now nearly 200 years later, it is still an integral part of our service to our community.

**Rate Increase Approved, Water Still Costs Less than One Cent per Gallon**

On January 9, 2014 the Pennsylvania Public Utility Commission approved a \$5.0 million per year increase in revenue. This increase in water and wastewater customer rates was effective February 28, 2014, and had a substantial impact on 2014 operating results. The rate filing will have much less of an impact on 2015 operating results, although still positive.

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

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

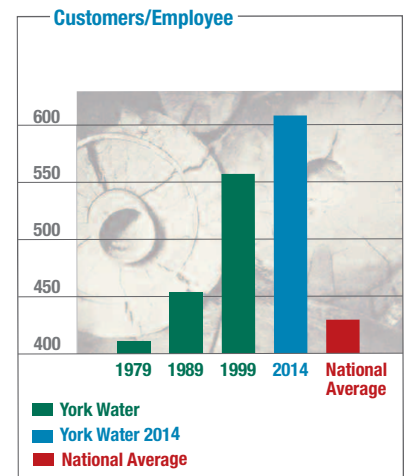
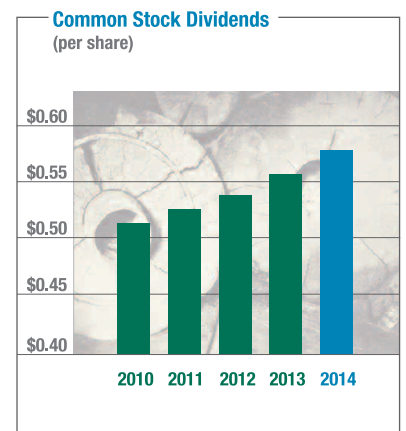
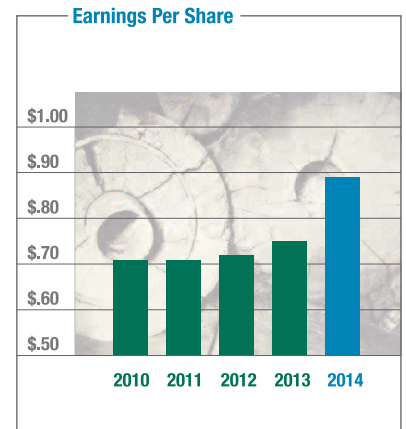
In line with our objective to maintain regular dividend increases, we raised the quarterly dividend rate by 4.5% during the year. This is the eighteenth consecutive year we have raised our dividend and the 199th consecutive year of dividend payments. We believe this to be the longest consecutive dividend record in America.

Shareholder value continued to improve in 2014. The market price of our common stock increased 10.9% from \$20.93 per share to \$23.21. Paid dividends increased in 2014 by 3.5% to \$0.5724 per share. The total increase in shareholder value for a share of stock purchased on January 1, 2014 was 13.6%.

In 2013, we initiated a share repurchase program to add value for 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. During 2014, the Company repurchased and retired 282,570 shares. As of December 31, 2014, 823,016 shares remain available for repurchase.

**Increasing Efficiency While Maintaining Personal Contact**

Although we are a 199-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 friendly customer service representatives will answer the phone and assist you. We continue to expand our initiatives in paperless billing and electronic bill pay. In 2014, we increased the number of paperless billing customers by 46%, and we are working to continue this trend going forward. 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.



**One of America's Most Trustworthy Companies!**

York Water was selected by Forbes as One of America's Top 100 Most Trustworthy Companies in 2014! Forbes based their ratings on our honesty, transparency, governance, and corporate responsibility.

**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, and potential property damage. 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. At our Grantley Road Filter Plant we have nearly finished rebuilding all twelve water filters. This will increase our capacity and provide redundancy during emergencies and routine maintenance. The past two winters have demonstrated that our investments in back-up generators and infrastructure replacement ensure that our customers have a reliable and uninterrupted supply of water.

**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 employees. York Water's talented employees have an average of 14 years at the Company, which is indicative of the rewarding environment and collaborative corporate culture of The York Water Company. We thank all of the York Water family for their commitment to make this Company the most efficient water utility in the nation.

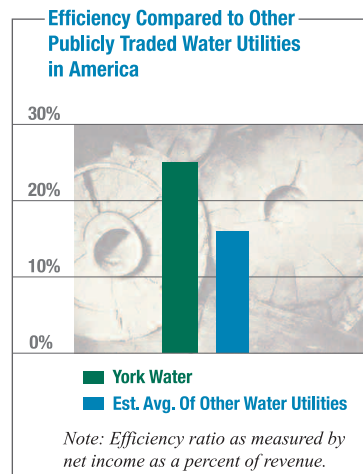
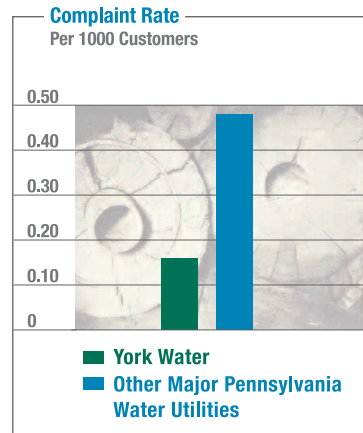
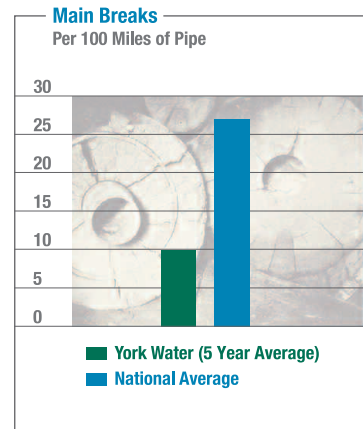
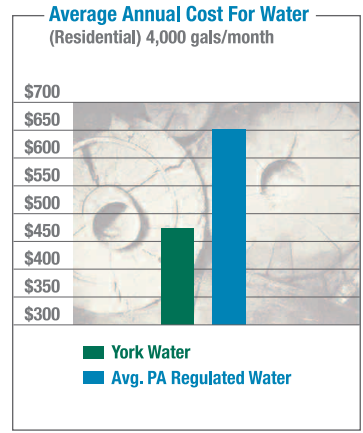
**Outlook for our 200th Year**

As we begin our 200th year in business, we continue our efforts to grow and serve our communities. We monitor our operating region for opportunities to acquire new franchise territories in both water and wastewater and enter into non-regulated business activities so that we may provide our extensive 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. We will do all of this while managing our natural resources and the environment so that we are fully sustainable for the communities we serve for the next 200 years and beyond.

We will continue to anticipate our communities' growth so that wherever and whenever "That good York water" supply and service is needed, we will be there.

**200th Celebration!**

We will have much to celebrate in 2016: America's oldest publicly traded utility, 200 years of service, 200 years of consecutive dividends, America's longest consecutive dividend record, York City and York County's oldest business, and our 15th anniversary on NASDAQ. We will have a number of events throughout the year which will be posted on our website, and we hope you'll be able to join us for the celebration!



Highlights of Our 199th Year

(In thousands of dollars, except per share amounts)

For the Year	Summary of Operations				
	2014	2013	2012	2011	2010
Operating revenues .....	\$ 45,900	\$ 42,383	\$ 41,447	\$ 40,629	\$ 39,005
Operating expenses .....	<u>23,823</u>	<u>21,622</u>	<u>20,874</u>	<u>20,754</u>	<u>19,238</u>
Operating income .....	22,077	20,761	20,573	19,875	19,767
Interest expense .....	4,877	5,162	5,144	5,155	4,795
Gain on sale of land .....	316	-	-	-	-
Other income (expenses), net .....	<u>(1,155)</u>	<u>(133)</u>	<u>(520)</u>	<u>(677)</u>	<u>(465)</u>
Income before income taxes .....	16,361	15,466	14,909	14,043	14,507
Income taxes .....	<u>4,877</u>	<u>5,812</u>	<u>5,606</u>	<u>4,959</u>	<u>5,578</u>
Net income .....	\$ 11,484	\$ 9,654	\$ 9,303	\$ 9,084	\$ 8,929
<b>Per Share of Common Stock</b>					
Book value .....	\$ 8.15	\$ 7.98	\$ 7.73	\$ 7.45	\$ 7.19
Basic earnings per share .....	0.89	0.75	0.72	0.71	0.71
Cash dividends declared per share.....	0.5788	0.5580	0.5391	0.5266	0.5150
Weighted average number of shares outstanding during the year .....	12,879,912	12,928,040	12,847,160	12,734,420	12,626,660
<b>Utility Plant</b>					
Original cost, net of acquisition adjustments.....	\$ 313,003	\$ 298,670	\$ 289,579	\$ 278,344	\$ 269,856
Construction expenditures .....	14,139	9,852	11,543	9,472	10,541
<b>Other</b>					
Total assets.....	\$ 304,339	\$ 282,529	\$ 282,490	\$ 274,219	\$ 259,931
Long-term debt including current portion .....	84,885	84,928	84,975	85,017	85,173

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:

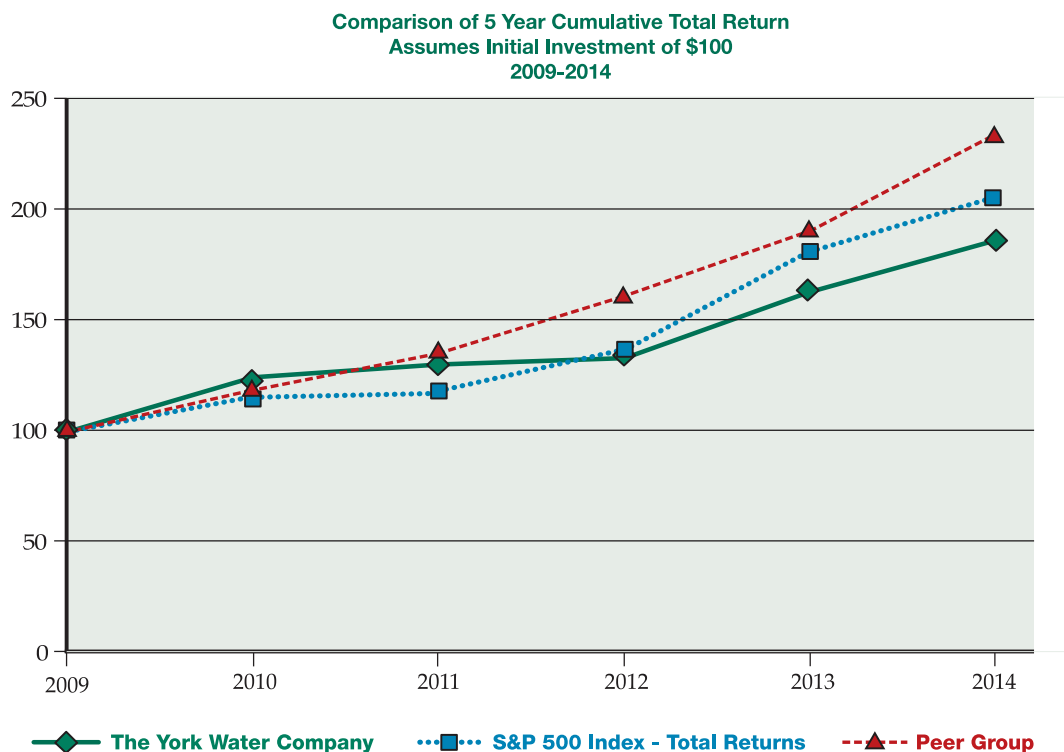
	2014			2013		
	High	Low	Dividend*	High	Low	Dividend*
1st Quarter	\$21.50	\$19.45	\$0.1431	\$19.24	\$17.62	\$0.1383
2nd Quarter	20.98	19.00	0.1431	19.64	17.86	0.1383
3rd Quarter	21.20	18.85	0.1431	21.99	18.92	0.1383
4th Quarter	24.25	19.75	0.1495	22.00	19.70	0.1431

\*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, 2014 numbered approximately 2,002.

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 2009 through 2014, 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.





## 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 15, 2015 was the 576th 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 eighteen consecutive years. The Company's Board of Directors declared dividend number 577 in the amount of \$0.1495 per share at its January 2015 meeting. The dividend is payable on April 15, 2015 to shareholders of record as of February 27, 2015. 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 Company's SEC Form 10-K for restrictions on dividend payments.

### Financial Reports and Investor Relations

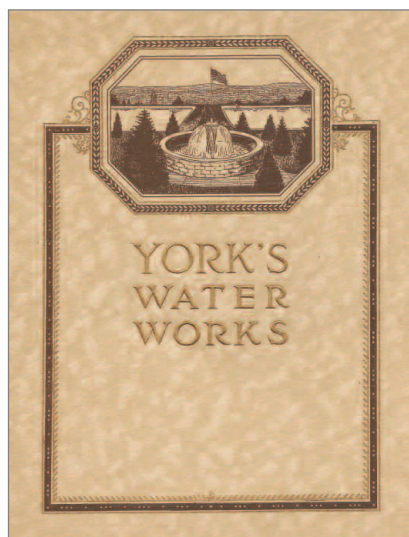
The Company makes available free of charge, on or through its website ([www.yorkwater.com](http://www.yorkwater.com)), its annual report on Form 10-K, its quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) 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:

Bonnie J. Rexroth — Investor Relations  
Administrator

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

(717) 845-3601  
(800) 750-5561  
[bonnier@yorkwater.com](mailto:bonnier@yorkwater.com)



*In 1927 York Water issued this special booklet to commemorate York City's 150th anniversary. Next year York Water will be celebrating its 200th Anniversary.*

### STOCK EXCHANGE LISTING

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

The trading symbol is "YORW".

### INDEPENDENT AUDITORS

**Baker Tilly Virchow Krause LLP**  
Suite 200  
221 West Philadelphia Street  
York, PA 17401

### TRANSFER AGENT & REGISTRAR

**American Stock Transfer & Trust Company LLC**  
6201 15th Avenue  
Brooklyn, NY 11219  
(877) 739-9990  
[www.amstock.com](http://www.amstock.com)

### ANNUAL MEETING INFORMATION

Monday, May 4, 2015  
1:00 p.m. - Lunch 12:00 p.m.  
(reservation required)  
Strand-Capitol Performing Arts Center  
50 North George Street  
York, PA 17401

Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

Year Ended December 31	2014	2013	2012
<b>Selected Financial Data</b>			
<b>Income</b>			
Operating Revenues.....	\$45,900	\$42,383	\$41,447
Operating Expenses .....	\$23,823	\$21,622	\$20,874
Operating Income.....	\$22,077	\$20,761	\$20,573
Interest Expense.....	\$4,877	\$5,162	\$5,144
Net Income .....	\$11,484	\$9,654	\$9,303
Percent Change in Net Income Compared to Prior Year .....	19.0%	3.8%	2.4%
Common Stock Dividends .....	\$7,443	\$7,214	\$6,929
Dividend Payout Ratio.....	64.8%	74.7%	74.5%
Weighted Average Common Shares Outstanding.....	12,879,912	12,928,040	12,847,160
Basic Earnings Per Weighted Average Common Share.....	\$0.89	\$0.75	\$0.72
Number of Common Shares Outstanding.....	12,830,521	12,979,281	12,918,633
ROE on Year End Common Equity .....	11.0%	9.3%	9.3%
Common Stock Dividends Per Share .....	\$0.5788	\$0.5580	\$0.5391
Net Cash Flows From Operating Activities .....	\$18,766	\$18,438	\$16,422
<b>Balance Sheet</b>			
Common Stockholders' Equity .....	\$104,563	\$103,511	\$99,825
Long-Term Debt Including Current Maturities.....	\$84,885	\$84,928	\$84,975
Total Capitalization.....	\$189,448	\$188,439	\$184,800
Percent Common Stockholders' Equity .....	55%	55%	54%
Percent Long-Term Debt .....	45%	45%	46%
Net Utility Plant .....	\$253,194	\$244,237	\$239,539
<b>Operating Data</b>			
<b>Revenue Class</b>			
Residential .....	\$29,079	\$26,796	\$26,114
Commercial and Industrial.....	\$13,267	\$12,299	\$12,114
Other.....	\$3,554	\$3,288	\$3,219
Total Operating Revenues.....	\$45,900	\$42,383	\$41,447
<b>Construction Expenditures</b> .....	\$14,139	\$9,852	\$11,543
<b>Other Operating Data</b>			
Number of Customers.....	65,102	64,118	63,779
Number of Employees.....	107	104	105
Common Shareholders .....	2,002	2,023	1,786
Book Value Per Common Share.....	\$8.15	\$7.98	\$7.73
Market Value at Year End .....	\$23.21	\$20.93	\$17.57
Market Value to Book Value .....	285%	262%	227%
P/E Ratio .....	26.1	27.9	24.4

Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

2011	2010	2009	2008	2007	2006	2005	2004
\$40,629	\$39,005	\$37,043	\$32,838	\$31,433	\$28,658	\$26,805	\$22,504
\$20,754	\$19,238	\$19,655	\$18,158	\$17,333	\$15,754	\$14,049	\$12,627
\$19,875	\$19,767	\$17,388	\$14,680	\$14,100	\$12,904	\$12,756	\$9,877
\$5,155	\$4,795	\$4,780	\$4,112	\$3,916	\$3,727	\$3,423	\$2,132
\$9,084	\$8,929	\$7,512	\$6,431	\$6,414	\$6,091	\$5,833	\$5,301
1.7%	18.9%	16.8%	0.3%	5.3%	4.4%	10.0%	19.2%
\$6,708	\$6,506	\$6,050	\$5,526	\$5,332	\$4,820	\$4,392	\$3,930
73.8%	72.9%	80.5%	85.9%	83.1%	79.1%	75.3%	74.1%
12,734,420	12,626,660	11,695,155	11,298,215	11,225,822	10,475,173	10,359,374	9,937,836
\$0.71	\$0.71	\$0.64	\$0.57	\$0.57	\$0.58	\$0.56	\$0.53
12,791,671	12,692,054	12,558,724	11,367,248	11,264,923	11,201,119	10,399,995	10,330,571
9.5%	9.8%	8.6%	9.2%	9.5%	9.3%	11.6%	11.0%
\$0.5266	\$0.5150	\$0.5060	\$0.4890	\$0.4750	\$0.4540	\$0.4240	\$0.3940
\$17,474	\$14,755	\$15,801	\$11,527	\$10,040	\$7,116	\$8,451	\$7,670
\$95,265	\$91,257	\$86,922	\$69,766	\$67,272	\$65,361	\$50,415	\$48,037
\$85,017	\$85,173	\$77,568	\$86,353	\$70,505	\$62,335	\$51,874	\$51,913
\$180,282	\$176,430	\$164,490	\$156,119	\$137,777	\$127,696	\$102,289	\$99,950
53%	52%	53%	45%	49%	51%	49%	48%
47%	48%	47%	55%	51%	49%	51%	52%
\$232,277	\$227,677	\$221,475	\$210,820	\$191,046	\$173,800	\$154,774	\$139,454
\$25,693	\$24,478	\$23,299	\$20,572	\$19,722	\$17,972	\$16,737	\$13,789
\$11,820	\$11,440	\$10,734	\$9,671	\$9,290	\$8,497	\$8,009	\$6,893
\$3,116	\$3,087	\$3,010	\$2,595	\$2,421	\$2,189	\$2,059	\$1,822
\$40,629	\$39,005	\$37,043	\$32,838	\$31,433	\$28,658	\$26,805	\$22,504
\$9,472	\$10,541	\$12,535	\$24,438	\$18,154	\$20,678	\$15,562	\$25,689
62,738	62,505	62,186	61,527	58,890	57,578	55,731	53,134
106	111	111	110	109	106	97	95
1,658	1,649	1,516	1,485	1,443	1,463	1,449	1,459
\$7.45	\$7.19	\$6.92	\$6.14	\$5.97	\$5.84	\$4.85	\$4.65
\$17.64	\$17.29	\$14.51	\$12.10	\$15.50	\$17.88	\$17.23	\$12.93
237%	240%	210%	197%	260%	306%	356%	278%
24.8	24.4	22.7	21.2	27.2	30.8	30.8	24.3

Directors, Officers, & Key Employees

BOARD OF DIRECTORS



**Cynthia A. Dotzel, CPA** <sup>(1) (2) (3)</sup>  
Age 60  
Director Since 2009



**Michael W. Gang, Esq.** <sup>(1) (3)</sup>  
Age 64  
Director Since 1996



**Jeffrey R. Hines, P.E.** <sup>(1)</sup>  
Age 53  
Director Since 2008



**George W. Hodges** <sup>(1)</sup>  
Age 64  
Chairman  
Director Since 2000



**George Hay Kain, III** <sup>(4)</sup>  
Age 66  
Director Since 1986



**Robert P. Newcomer** <sup>(4)</sup>  
Age 66  
Director Since 2013



**Jeffrey S. Osman** <sup>(1)</sup>  
Age 72  
Director Since 2001



**Steven R. Rasmussen, CPA** <sup>(2) (3)</sup>  
Age 42  
Director Since 2011



**Ernest J. Waters** <sup>(2) (4)</sup>  
Age 65  
Director Since 2007

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

Directors, Officers, & Key Employees

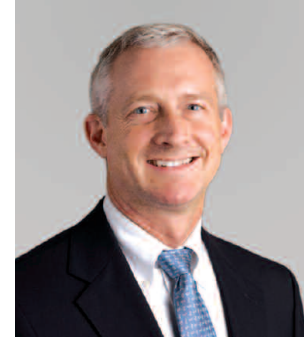
OFFICERS & KEY EMPLOYEES



**Vernon L. Bracey**  
Age 53  
Vice President-  
Customer Service



**Joseph T. Hand**  
Age 52  
Chief Operating Officer



**Jeffrey R. Hines, P.E.**  
Age 53, President and  
Chief Executive Officer



**Bruce C. McIntosh**  
Age 62  
Vice President-Human Resources  
and Secretary



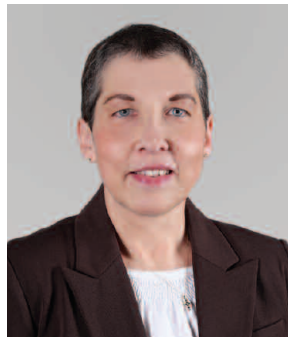
**Kathleen M. Miller**  
Age 52  
Chief Financial Officer  
and Treasurer



**Mark S. Snyder, P.E.**  
Age 44  
Vice President-Engineering



**John H. Strine**  
Age 58  
Vice President-Operations

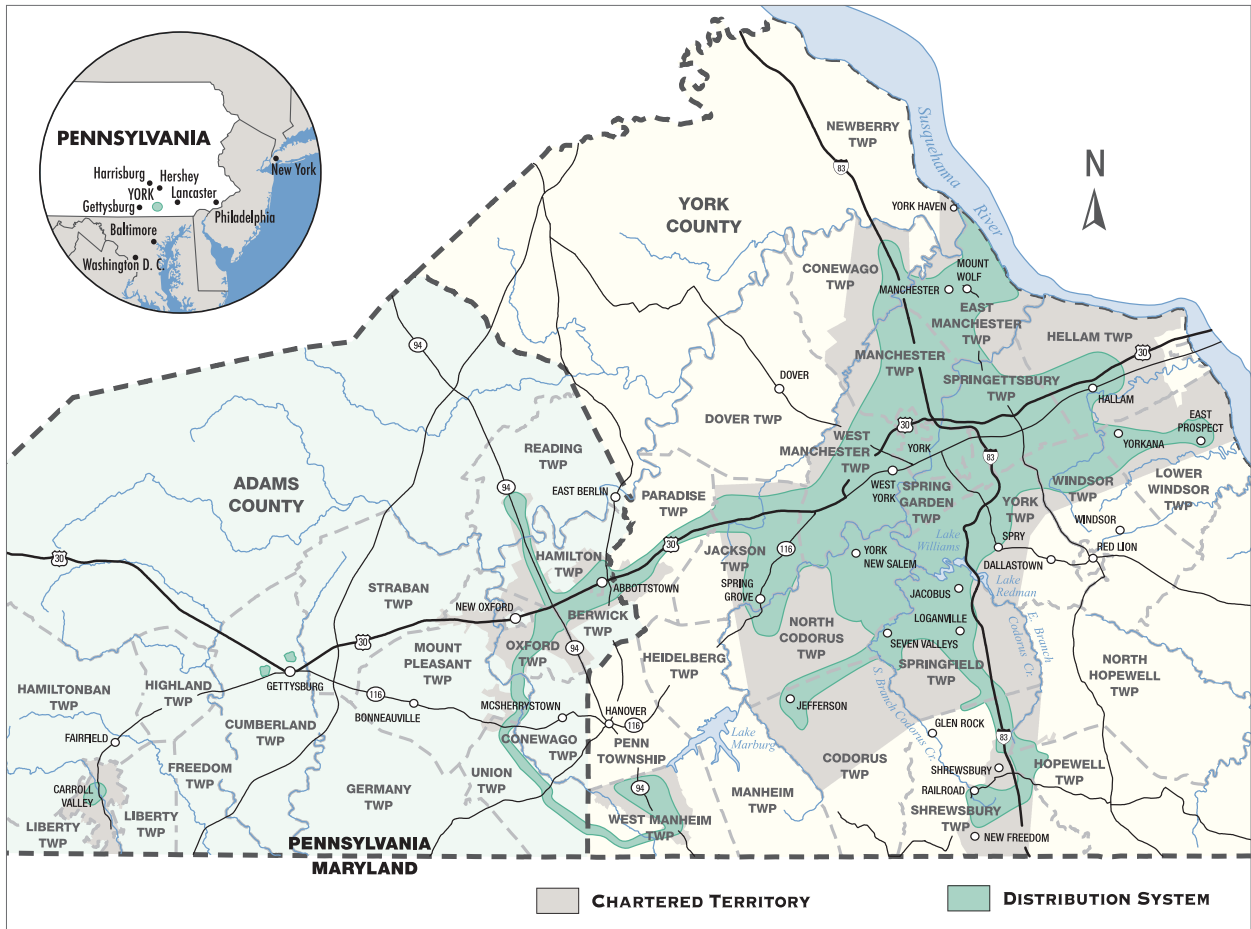


**Bonnie J. Rexroth**  
Age 54  
Investor Relations Administrator

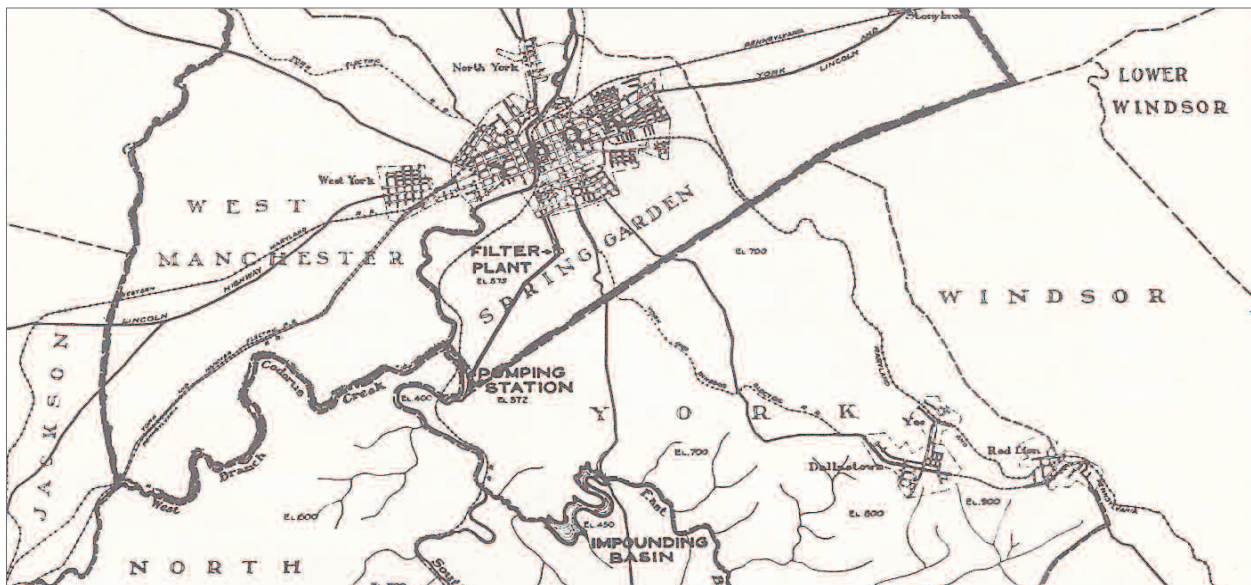
DIRECTORS EMERITI

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

Chartered Territory Distribution and Supply System



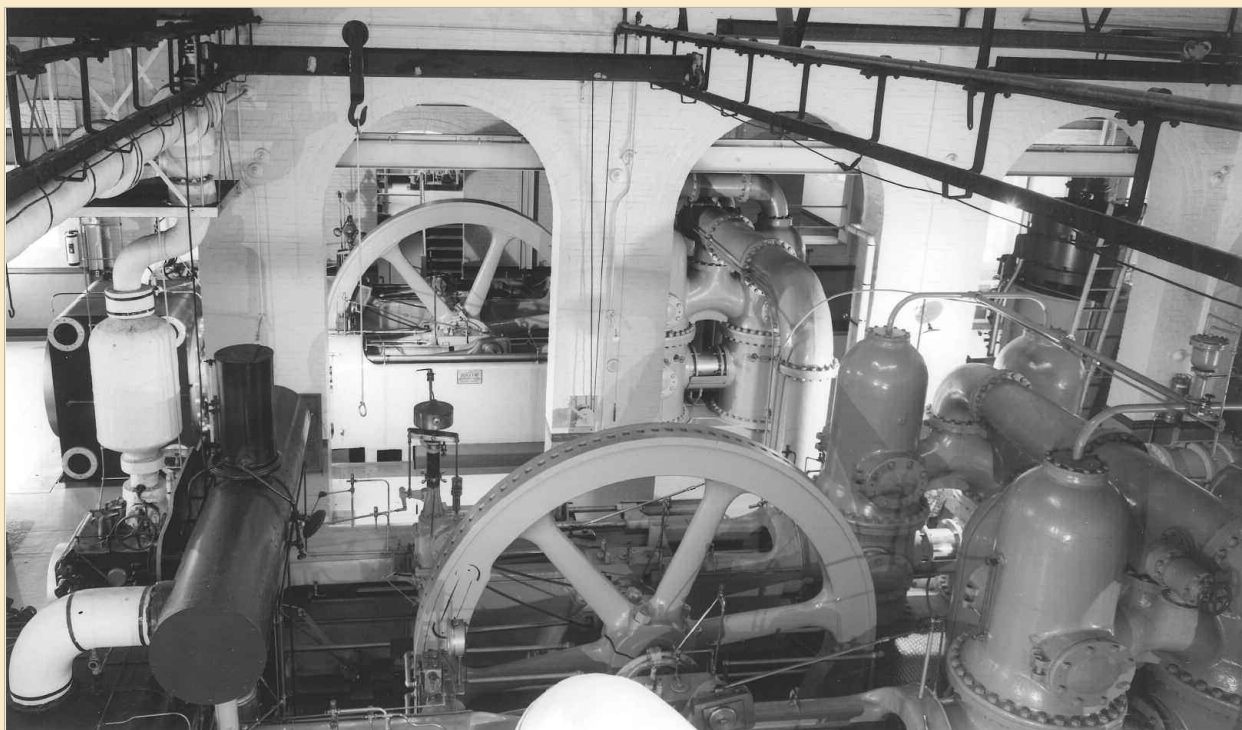
A map of York Water's 2014 chartered territory and service area.



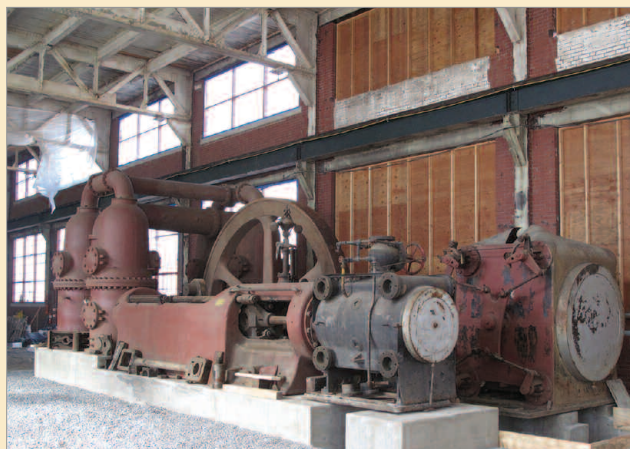
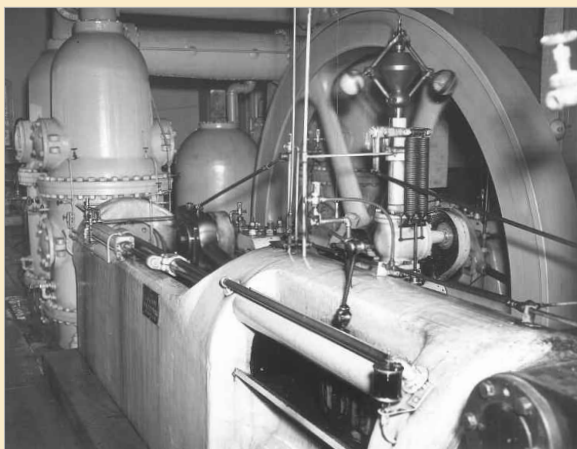
In 1927 we served 7 municipalities. Today we provide "that good York water" to 48 municipalities.

1914 - 2014

## *A Century in the Life of a Steam Pump*



*York's Brillhart Pumping Station circa 1956*



*In 1914, York Water installed a Snow Cross Compound steam driven pump (Pump #3). This coal powered pump provided the residents of York with 8 million gallons of water per day. It operated for 67 years and was converted from coal to oil. Even though it was instrumental in recovering from Hurricane Agnes in 1972, it was finally replaced by diesel and electric pumps in 1981.*

*The Snow pump has been moved and has now found a "retirement home" as one of the main attractions at the National Museum of Industrial History in Bethlehem, PA. The museum is expected to open in 2016.*

*To learn more about this museum, go to their website: <http://www.nmih.org/>*



# The York Water Company

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# THE YORK WATER COMPANY



"That good York water"  
SINCE 1816

