

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM ~~10-K~~ *AR/S*

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

Commission file number 0-690

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.)

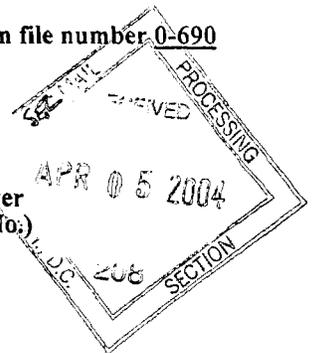
130 EAST MARKET STREET, YORK,
PENNSYLVANIA
(Address of principal executive offices)

17405

(Zip Code)

Registrant's telephone number, including area code

(717) 845-3601



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

Title of Each Class
None

Name of Each Exchange on
Which Registered

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

COMMON STOCK, NO PAR VALUE
(Title of Class)

PROCESSED

APR 07 2004

THOMSON
FINANCIAL

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer as defined by rule 12b-2 of the Securities Exchange Act.

YES

NO

The aggregate market value of the Common Stock, no par value, held by nonaffiliates of the registrant on June 30, 2003 was \$115,383,585.

As of March 12, 2004 there were 6,419,230 shares of Common Stock, no par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2003 Annual Report to Shareholders are incorporated by reference into Part II.

Portions of the Proxy Statement for the Company's 2004 Annual Meeting of Shareholders are incorporated by reference into Part III.

PART I

Item 1. Business

The Company is a corporation duly organized under the laws of the Commonwealth of Pennsylvania in 1816.

The business of the Company is to impound, purify and distribute water. The Company operates entirely within its franchised territory located in York County, Pennsylvania. The Company is regulated by the Pennsylvania Public Utility Commission, or PPUC, in the areas of billing, payment procedures, dispute processing, terminations, service territory, and rate setting. The Company must obtain PPUC approval before changing any of the aforementioned procedures. Water service is supplied through the Company's own distribution system to the City of York, the Boroughs of North York, West York, Manchester, Mount Wolf, New Salem, Hallam, Jacobus, Loganville, Yorkana, Seven Valleys, East Prospect, Jefferson, Glen Rock, New Freedom, Railroad, and portions of the Townships of Manchester, East Manchester, West Manchester, North Codorus, Shrewsbury, North Hopewell, Hopewell, Springettsbury, Spring Garden, Conewago, Springfield, York, Hellam, Windsor, Lower Windsor, Dover and Jackson. The Company obtains its water supply from the south branch and east branch of the Codorus Creek, which drains an area of approximately 117 square miles. The Company has two reservoirs, Lake Williams and Lake Redman, which together hold up to 2.75 billion gallons of water. The Company's present average daily consumption is 17,498,000 gallons, and its present safe daily yield is 23,000,000 gallons.

The Company's service territory has an estimated population of 156,000. Territory expansion during 2003 included: the commencement of main extensions for two new water districts in Conewago and Springfield Townships. The main extensions are expected to be completed in 2004. Industry within the Company's service territory is diversified, manufacturing such items as furniture, electrical machinery, food products, paper, ordnance, textile products, air conditioning equipment and weight training equipment. Within the area served by the Company, there are no competitors.

As an update to the Susquehanna River pipeline project, the Company received approval from the Environmental Protection Agency and the Department of Environmental Protection (DEP) to reclassify Lake Redman from a cold-water fishery to a warm water fishery. The Company is now awaiting DEP approval of a discharge permit, a GP-4 intake permit, and the amended construction permit to build the outfall at Lake Redman.

The Groundbreaking Ceremony for the project was held on August 21, 2003. Construction on both the pumping station and the pipeline began in mid-September. As of the end of January, approximately 24,500 feet, or 31%, of the pipeline has been completed. The pumping station is slightly behind schedule but is not expected to delay the project. The project is expected to be completed by November 2004 at an estimated cost of \$22 million. Susquehanna River pipeline construction expenditures and other capital expenditures are expected to be funded through tax-exempt bond issues and a follow-on common stock offering.

The Company's business is somewhat dependent on weather conditions, particularly the amount of rainfall; however, minimum customer charges are in place, and the Company expects to cover its 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. Operating revenue is derived from the following sources and in the following percentages: residential, 60%; commercial and industrial, 27%; other, 13%. The Company presently has 92 employees.

During the last five years ended in 2003, the Company has maintained an increasing growth in number of customers and distribution facilities as shown by the following chart:

	2003	2002	2001	2000	1999
Average daily consumption (gallons per day)	17,498,000	17,901,000	19,734,000	19,542,000	20,928,000
Miles of mains at year-end	746	731	717	703	696
Additional Distribution mains installed (ft.)	79,988	72,121	77,923	67,072	130,262
Number of Customers	51,916	51,023	50,079	49,195	48,144
Population served	156,000	153,000	149,000	146,000	144,000

During 2003, the per capita volume of water sold declined approximately 3.5%. Some of the decline resulted from continued conservation efforts on the part of our customers following the drought emergency during nine months of 2002. The remainder was due to an extremely wet year. 2003 was the second wettest year in history. Water consumption started to increase during the fourth quarter of 2003 and we anticipate a slow return to historical consumption levels.

Item 2. Properties.

The accounting and executive offices of the Company are located in two two-story brick and masonry buildings, containing a total of approximately 21,861 square feet, at 124 and 130 East Market Street, York, Pennsylvania.

The Company has two impounding dams located in York and Springfield Townships adjoining the Borough of Jacobus to the south. The lower dam is constructed of compacted earth with a concrete core wall and is 660 feet long and 50 feet high and creates a reservoir covering approximately 220 acres containing about 1,150,000,000 gallons of water. About 800 acres surrounding the reservoir are planted with more than 1,200,000 evergreen trees, which the Company believes will protect the area both from pollution and also from soil erosion, which might otherwise fill the reservoir with silt. The upper dam, Lake Redman, is constructed of compacted earth and is 1,000 feet long and 50 feet high and creates a reservoir covering approximately 290 acres containing about 1,600,000,000 gallons of water. About 600 acres surrounding the reservoir are planted with grass, which the Company believes will protect the area both from pollution and also from soil erosion, which might otherwise fill the reservoir with silt. The Company's main pumping station is located in Spring Garden Township on the south branch of the Codorus Creek about 1,500 feet upstream from its confluence with the west branch of the Codorus Creek and about four miles downstream from the Company's lower impounding dam. The pumping station presently houses pumping equipment consisting of three electrically driven centrifugal pumps and two diesel-engine driven centrifugal pumps with a combined pumping capacity of 75,000,000 gallons per day. From here, raw water is pumped approximately two miles to the filtration plant through pipes located on a right-of-way owned by the Company.

The Company's filtration plant is located in Spring Garden Township about one-half mile south of the City of York. Water at this plant is filtered through 12 dual media filters having a stated capacity of 31,000,000 gallons per day and being capable of filtering 46,500,000 gallons per day for short periods if necessary. Based on an average daily consumption in 2003 of 17,498,000 gallons, the Company believes the pumping and filtering facilities are adequate to meet present and anticipated demands.

Clear water reservoirs of the Company, which are located in Spring Garden Township adjacent to the filtration plant, are capable of storing up to 32,000,000 gallons of water, and there are standpipes located throughout the Company's service area capable of storing another 20,890,000 gallons of clear water.

The Company's distribution center and material and supplies warehouse are located at 1801 Mt. Rose Avenue, Springettsbury Township. There are three one-story concrete block buildings aggregating 30,680 square feet of area.

The distribution system of the Company has approximately 746 miles of main water lines. In 2004, the Company plans to construct an addition to the southern repump booster station and construct new booster stations in York Township and at the Susquehanna River.

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

In addition, the Company has entered into a "Joint Use and Park Management Agreement" dated December 29, 1976, with the County of York, Pennsylvania, whereby the Company has licensed its present reservoir lands and waters, comprised of approximately 1,175 acres and including two lakes, to the County of York for fifty (50) years for county park purposes.

Item 3. Legal Proceedings.

There are no material legal proceedings involving the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of the security holders during the fourth quarter of the fiscal year covered by this report.

PART II

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

The information set forth under the caption "Market for Common Stock and Dividends" on page 4 of the 2003 Annual Report to Shareholders is incorporated herein by reference.

The Company did not purchase any shares of its common stock during the fourth quarter of 2003.

Item 6. Selected Financial Data.

The information set forth under the caption "Highlights of Our 188th Year" of the 2003 Annual Report to Shareholders is incorporated herein by reference.

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

The information set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2003 Annual Report to Shareholders is incorporated herein by reference.

This annual report on Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements made with respect to the results of operations and businesses of the Company. Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include certain information relating to the Company's business strategy, including the markets in which it operates, the services it provides, its plans for construction, its expansion of its service territories, the Company's pipeline project to the Susquehanna River, water usage by its customers and its plans to invest in new technologies. These forward-looking statements are based upon management's current plans, expectations, estimates and assumptions and are subject to a number of risks and uncertainties that could significantly affect current plans, anticipated actions and the Company's financial condition and results of operations. Factors that may cause actual results to differ materially from those discussed in such forward-looking statements include, among others, the following possibilities: (i) weather conditions, particularly the amount of rainfall; (ii) the level of commercial and industrial business activity within the Company's service territory; (iii) construction of new housing within the Company's service territory; (iv) governmental regulations affecting the Company's rates and service obligations; (v) obtaining permits for expansion projects; and (vi) general economic and business conditions, including interest rates, which are less favorable than expected. The Company does not intend to update these cautionary statements.

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

The Company's liquidity as well as its mix and relative cost of capital resources will change in 2004 due to a switch from short-term financing to long-term financing. The Company plans to have two long-term tax-free debt issues and one follow-on stock offering, which will replace short-term debt used to finance the construction of the pipeline from the Susquehanna River to Lake Redman.

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. The Company does not engage in trading or risk management activities, has no lease obligations, and does not have material transactions involving related parties.

The Company does not use derivative financial instruments for speculative trading purposes. The Company's operations are exposed to market risks primarily as a result of changes in interest rates. This exposure to these market risks relates to the Company's debt obligations under its lines of credit. Loans granted under these lines bear interest based upon the LIBOR rate plus 1 to 1.25 percent. The Company has not entered into financial instruments such as interest rate swaps or interest rate lock agreements.

The Company's 4.40% Industrial Development Authority Revenue Refunding Bonds Series 1994 have a mandatory tender date of May 15, 2004. The Company intends to remarket this debt issue at interest rates in effect on May 15, 2004. The 6% Series 1995 bonds have a mandatory tender date of June 1, 2005. The Company is required to purchase any unremarketed 1994 and 1995 bonds, despite the rate.

Item 8. Financial Statements and Supplementary Data.

The following financial statements set forth in the 2003 Annual Report to Shareholders are incorporated herein by reference:

Balance Sheets as of December 31, 2003 and 2002	Page 9
Statements of Income for Years Ended December 31, 2003, 2002 and 2001	Page 10
Statements of Shareholders' Investment for Years Ended December 31, 2003, 2002 and 2001	Page 10
Statements of Cash Flows for Years Ended December 31, 2003, 2002 and 2001	Page 11
Notes to Financial Statements	Page 12
Independent Auditor's Report	Page 21

Except for the above financial data and the information specified under Items 5, 6 and 7 of this report, the 2003 Annual Report to Shareholders is not deemed to be filed as part of this report.

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

Stambaugh Ness, PC was previously the principal accountants for The York Water Company. On November 17, 2003 that firm's appointment as principal accountants was terminated and Beard Miller Company LLP was engaged as principal accountants. The decision to change accountants and the selection of the new accountants was made by the Audit Committee of the Registrant's Board of Directors following Stambaugh Ness' decision not to stand for re-election in 2004.

In connection with the audits of the two fiscal years ended December 31, 2002 and the subsequent interim period through November 17, 2003, there were no disagreements with Stambaugh Ness, PC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement.

The audit reports of Stambaugh Ness, PC on the financial statements of The York Water Company as of and for the years ended December 31, 2002 and 2001, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

There were no disagreements with accountants on accounting and financial disclosure.

During the years ended December 31, 2002 and 2001 and the subsequent interim periods through November 17, 2003, neither the registrant nor anyone on its behalf consulted Beard Miller Company LLP on any matters of reportable events listed in Item 304 (a)(2)(i) and (ii).

Item 9A. 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 Company's disclosure controls and procedures as of the end of the period covered by this annual 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 have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed,

summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance 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 year or subsequent to 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information set forth under the captions "Voting Securities and Principal Holders Thereof" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement issued pursuant to Regulation 14A for the Company's 2004 Annual Meeting of Shareholders to be held May 3, 2004 is incorporated herein by reference.

Item 11. Executive Compensation.

The information set forth under the caption "Compensation of Directors and Executive Officers" of the Proxy Statement issued pursuant to Regulation 14A for the Company's 2004 Annual Meeting of Shareholders to be held May 3, 2004 is incorporated herein by reference.

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

The information set forth under the caption "Voting Securities and Principal Holders Thereof" of the Proxy Statement issued pursuant to Regulation 14A for the Company's 2004 Annual Meeting of Shareholders to be held May 3, 2004 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The Company had no transactions with management and others, no business relationships regarding directors or nominees, no indebtedness of management, and no transactions with promoters required to be disclosed under Item 404 of the regulations.

Item 14. Principal Accountant Fees and Services.

The information set forth under the caption, "Shareholder Approval of Appointment of Independent Public Accountants" of the Proxy Statement issued pursuant to Regulation 14A for the Company's 2004 Annual Meeting of Shareholders to be held May 3, 2004 is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a)(1) Certain documents filed as a part of the Form 10-K.

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

(a)(2) Financial Statement schedules.

<u>Schedule Number</u>	<u>Schedule Description</u>	<u>Page Number</u>
II	Valuation and Qualifying Accounts	10

The report of the Company's independent auditors with respect to the financial statement schedule appears on page 9.

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.

(a)(3) The exhibits are set forth in the Index to Exhibits shown on pages 12, 13, 14 and 15.

(b) Reports on Form 8-k

The Company filed various Form 8-K's during the fourth quarter of 2003.

On October 9, 2003, the Company filed an 8-K reporting that its certified public accountant, Stambaugh Ness, PC, would not be standing for re-appointment following the 2003 audit.

On November 10, 2003, the Company filed an 8-K announcing third quarter and nine months earnings for 2003.

On November 17, 2003, the Company announced its seventh consecutive annual dividend increase.

On November 19, 2003, the Company filed an 8-K announcing changes in its certifying accountant.

On February 24, 2004, the Company filed an 8-K announcing fourth quarter and annual earnings for 2003.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors
The York Water Company
York, Pennsylvania

The audit referred to in our report dated February 6, 2004 relating to the financial statements of The York Water Company as of and for the year ended December 31, 2003 incorporated in Item 8 of the Form 10-K by reference to the annual report to shareholders for the year ended December 31, 2003 included the audit of the financial statement schedule listed in Item 15(a)(2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based upon our audit. The financial statement schedule of The York Water Company for the years ended December 31, 2002 and 2001 was audited by other auditors, which report dated March 4, 2003, expressed an unqualified opinion on that schedule.

In our opinion, the 2003 financial statement schedule presents fairly, in all material respects, the information set forth therein.

Beard Miller Company LLP

York, Pennsylvania
February 6, 2004

THE YORK WATER COMPANY

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE YEARS ENDED DECEMBER 31, 2003

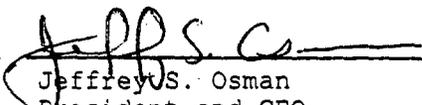
<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Charged to Cost and Expenses</u>	<u>Additions Recoveries</u>	<u>Deductions</u>	<u>Balance At End of Year</u>
FOR THE YEAR ENDED DECEMBER 31, 2003					
Reserve for uncollectible accounts	<u>\$130,000</u>	<u>\$97,297</u>	<u>\$13,793</u>	<u>\$111,090</u>	<u>\$130,000</u>
FOR THE YEAR ENDED DECEMBER 31, 2002					
Reserve for uncollectible accounts	<u>\$130,000</u>	<u>\$90,481</u>	<u>\$13,148</u>	<u>\$103,629</u>	<u>\$130,000</u>
FOR THE YEAR ENDED DECEMBER 31, 2001					
Reserve for uncollectible accounts	<u>\$130,000</u>	<u>\$89,265</u>	<u>\$11,098</u>	<u>\$100,363</u>	<u>\$130,000</u>

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.

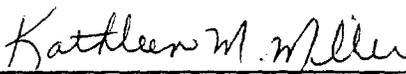
THE YORK WATER COMPANY
(Registrant)

Dated: March 8, 2004

By: 
Jeffrey S. Osman
President and CEO

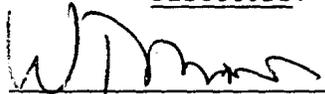
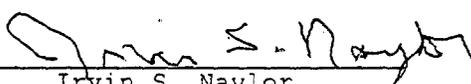
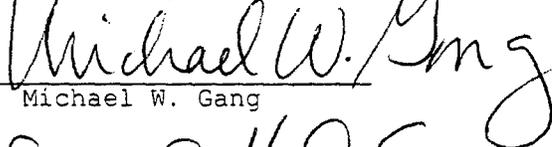
Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: 
Jeffrey S. Osman
(Principal Executive Officer and Director)

By: 
Kathleen M. Miller
(Principal Financial Officer)

Dated: March 8, 2004

Dated: March 8, 2004

<u>Directors:</u>	<u>Date</u>
By: <u></u> William T. Morris	<u>March 8, 2004</u>
By: <u></u> Irvin S. Naylor	<u>March 8, 2004</u>
By: <u></u> Jeffrey S. Osman	<u>March 8, 2004</u>
By: <u></u> Chloe Eichelberger	<u>March 8, 2004</u>
By: <u></u> John L. Finlaysch	<u>March 8, 2004</u>
By: <u></u> George Hay Kain, III	<u>March 8, 2004</u>
By: <u></u> Michael W. Gang	<u>March 8, 2004</u>
By: <u></u> George W. Hodges	<u>March 8, 2004</u>
By: <u></u> Thomas C. Norris	<u>March 8, 2004</u>

INDEX TO EXHIBITS

<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 4.1 to Amendment No. 1 to Form S-3 dated June 12, 1997 (File No. 33-81246).
3.1	By-Laws	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.2 to Form S-3 dated July 1, 1996 (File No. 333-7307).
4.1	Optional Dividend Reinvestment Plan	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as the Prospectus included in Amendment No. 1 to Form S-3 dated June 12, 1997 (File No. 33-81246).
4.2	Loan Agreement between The York Water Company and the Pennsylvania Infrastructure Investment Authority for \$800,000 at 1.00% dated August 24, 1999	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.2 to the Company's 2000 Form 10-K.
4.3	Note Agreement Relative to the \$6,000,000 10.17% Senior Notes, Series A and \$5,000,000 9.60% Senior Notes, Series B dated January 2, 1989	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.5 to the Company's 1989 Form 10-K.
4.4	Note Agreement Relative to the \$6,500,000 10.05% Senior Notes, Series C dated August 15, 1990	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.6 to the Company's 1990 Form 10-K.

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Page Number of Incorporation By Reference</u>
4.5	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.
4.6	Fourth Supplemental Acquisition, Financing and Sale Agreement Relative to the \$2,700,000 4.75% Water Facilities Revenue Refunding Bonds dated February 1, 1994	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.8 to the Company's Quarterly Report Form 10-Q for the quarter ended June 30, 1994.
4.7	Fifth Supplemental Acquisition, Financing and Sale Agreement Relative to the \$4,300,000 5% Water Facilities Revenue Refunding Bonds dated October 1, 1995	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 4.9 to the Company's Quarterly Report Form 10-Q for the quarter ended September 30, 1995.
4.8	Shareholder Rights Agreement	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 1 to Form 8-A dated January 26, 1999.
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	Articles of Agreement Between The York Water Company and Windsor Township Relative to Extension of Water Mains dated February 9, 1989	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.2 to the Company's 1989 Form 10-K.
10.3	Articles of Agreement Between The York Water Company and Windsor Township, Yorkana Borough, Modern Trash Removal of York, Inc. and Lower Windsor Township Relative to Extension of Water Mains dated July 18, 1989	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.3 to the Company's 1989 Form 10-K.

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Page Number of Incorporation By Reference</u>
10.4	Articles of Agreement Between The York Water Company and North Codorus Township Relative to Extension of Water Mains dated September 20, 1989	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.4 to the Company's 1990 Form 10-K.
10.5	Articles of Agreement Between The York Water Company and York Township Relative to Extension of Water Mains dated December 29, 1989	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 10.5 to the Company's 1990 Form 10-K.
11	Common Shares Used in Computing Earnings Per Share	Filed herewith.
13	2003 Annual Report to Shareholders	Filed herewith.
14	Company Code of Conduct	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 14 to the Company's 2002 Form 10-K.
16	Letter re Change in Certifying Accountant	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as Exhibit 16.1 to the Company's 8-K filed on November 19, 2003.
23	Consent of Independent Auditors Beard Miller Company LLP	Filed herewith.
23.1	Consent of Independent Auditors Stambaugh Ness, PC	Filed herewith.

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Page Number of Incorporation By Reference</u>
31.1	Certification pursuant to Rule 13-14(a)/15d-14(a)	Filed herewith.
31.2	Certification pursuant to Rule 13-14(a)/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.
99.1	Report of Independent Auditors Stambaugh Ness, PC	Filed herewith.

EXHIBIT 11

THE YORK WATER COMPANY

**COMMON SHARES USED IN
COMPUTING EARNINGS
PER SHARE**

	2003	2002	2001	2000	1999
Common shares Outstanding, beginning of the year	6,364,803	6,308,663	6,085,466	5,978,182	5,959,444
Weighted average shares issued in connection with 2001 stock subscription	-	-	39,202	-	-
Weighted average shares repurchased in 1999	-	-	-	-	(14,784)
Weighted average shares issued in connection with the Employee Stock Purchase Plan	1,917	1,607	2,650	4,312	3,402
Weighted average shares issued in connection with the Optional Dividend Reinvestment Plan	<u>19,740</u>	<u>20,124</u>	<u>25,932</u>	<u>38,856</u>	<u>32,472</u>
	<u>6,386,460</u>	<u>6,330,394</u>	<u>6,153,250</u>	<u>6,021,350</u>	<u>5,980,534</u>

EXHIBIT 13

**THE YORK WATER COMPANY
2003 ANNUAL REPORT TO SHAREHOLDERS**

The York Water Company's 2003 Annual Report to Shareholders is attached hereto.



"That good York water"
SINCE 1816

2003 Summary Annual Report
Notice of 2004 Annual Meeting
and Proxy Statement

Letter from the CEO

2003 Overview

Dear Shareholders,

We are pleased to report to you a very successful year. 2003 was a year of record financial performance, and a productive and promising year for growth and expansion. The following milestones were achieved during 2003:

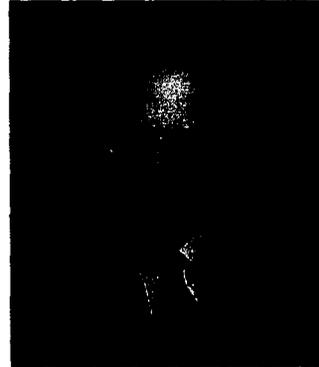
- **Revenue from water operations surpassed the \$20 million mark for the first time.**
- **Earnings, solely from operations, reached a record \$4.4 million, or \$0.70 per share.**
- **The Company's stock price increased to \$18.20 per share on December 31 from \$14.20 on January 1, an increase of over 28%.**
- **Construction of the Company's Susquehanna River intake, pumping station and pipeline is underway.**

Financial Performance

The Company's 2003 financial performance reflects the tremendous efforts of the entire "York Water" team. Record sales, operating income, net income and earnings per share were attained. Sales grew by 6.8 percent to over \$20.8 million, operating income increased 12.0 percent to \$9.3 million. Our earnings rose by 17.4 percent to \$4.4 million and earnings per share rose by 16.7 percent to \$0.70.

The Company believes in the importance of dividends to our shareholders. We have paid dividends consecutively for the Company's entire history, since 1816, a period of 188 years. In November, the Company's Board of Directors increased our quarterly cash dividend by 7.4 percent. 2003 marked the seventh consecutive year the Company increased its cash dividend.

Included in our annual report is a comprehensive view and discussion of the Company's financial results and position.



Jeffrey S. Osman
President and Chief Executive Officer

Susquehanna River Source of Supply

In September, the Company began the largest construction project in its history. The Company is constructing and installing an intake, pumping station and a 15-mile transmission pipeline to connect the Susquehanna River to the Company's Lake Redman impounding reservoir. The Company has received rights to withdraw twelve (12) million gallons per day from the Susquehanna River. The project will provide the Company's customers with an additional water source to be used during periods of high usage, drought or other emergency and future growth.

Summary

For 188 years, your Company has achieved success, which has resulted in rewards to shareholders, a challenging and fulfilling environment for employees, and meeting our customers' expectations for service. We are confident that we will continue to be successful in meeting the challenges and opportunities ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Osman".

Jeffrey S. Osman
President and Chief Executive Officer

Highlights of Our 188th Year

THE YORK WATER COMPANY 2003 Annual Report

Summary of Operations

For the Year	2003	2002	2001	2000	1999
Water operating revenue.....	\$20,888,536	\$19,553,211	\$19,402,542	\$18,481,163	\$17,511,251
Operating expenses	11,554,957	11,219,992	10,467,905	10,008,624	10,255,553
Operating income	9,333,579	8,333,219	8,934,637	8,472,539	7,255,698
Interest expense.....	2,523,132	2,691,857	2,855,565	2,797,705	2,643,579
Other income, net.....	12,499	182,570	159,536	166,003	252,058
Income taxes	2,374,650	2,033,585	2,232,541	2,083,050	1,710,104
Net income.....	\$ 4,448,296	\$ 3,790,347	\$ 4,006,067	\$ 3,757,787	\$ 3,154,073

Per Share of Common Stock

Book value	\$ 6.08	\$ 5.85	\$ 5.69	\$ 5.33	\$ 5.16
Net income.....	.70	.60	.65	.63	.53
Dividends ⁽¹⁾55	.53	.51	.49	.47
Number of shares outstanding at year-end	6,419,230	6,364,803	6,308,664	6,085,466	5,978,182

Utility Plant

Original cost	\$138,314,291	\$127,117,248	\$121,109,335	\$114,748,545	\$108,804,699
Construction expenditures.....	11,526,563	6,309,906	7,095,827	6,413,721	7,050,376

Other

Total assets	\$127,508,458	\$118,408,387	\$113,351,492	\$107,626,319	\$108,600,110
Long-term debt	32,852,086	32,690,344	32,728,220	32,765,720	32,800,000

⁽¹⁾ Cash dividends per share reflect dividends declared on shares outstanding at each dividend date.

For Management's Discussion and Analysis of Financial Condition and Results of Operations, Please Refer to Page 5.

Description of Business

The business of the Company is to impound, purify and distribute water. The Company operates entirely within its franchised territory located in York County, Pennsylvania, and is subject to regulation by the Pennsylvania Public Utility Commission, or PPUC. Water service is supplied through the Company's own distribution system to the City of York, the Boroughs of North York, West York, Manchester, Mount Wolf, New Salem, Hallam, Jacobus, Loganville, Yorkana, Seven Valleys, East Prospect, Jefferson, Glen Rock, New Freedom, Railroad, and portions of the Townships of Manchester, East Manchester, West Manchester, North Codorus, Shrewsbury, North Hopewell, Hopewell, Springettsbury, Spring Garden, Conewago, Springfield, York, Hellam, Windsor, Lower

Windsor, Dover and Jackson. The Company's service territory has an estimated population of 156,000. Industry of the area served is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance, textile products, air conditioning, barbells, etc. The Company's present average daily consumption is 17,498,000 gallons, and its present safe daily yield is 23,000,000 gallons.

In the area served by the Company, under the regulation of the PPUC, there are no competitors. During the five years ended in 2003, the Company has maintained an increasing growth in number of customers and distribution facilities as shown by the following chart:

	2003	2002	2001	2000	1999
Average daily consumption (gallons per day)	17,498,000	17,901,000	19,734,000	19,542,000	20,928,000
Miles of mains at year-end	746	731	717	703	696
Additional distribution mains installed (ft.)	79,988	72,121	77,923	67,072	130,262
Number of customers	51,916	51,023	50,079	49,195	48,144
Population served	156,000	153,000	149,000	146,000	144,000

Operating revenue in 2003 is derived from the following sources and in the following percentages: Residential, 60%; Commercial and Industrial, 27%; Other, 13%.

Market for Common Stock and Dividends

The common stock of The York Water Company is traded on the Nasdaq National Market.

Quarterly price ranges and cash dividends per share for the last two years follow:

	2003			2002		
	High	Low	Dividend*	High	Low	Dividend*
1st Quarter	\$16.90	\$14.40	\$0.135	\$16.25	\$ 13.02	\$0.130
2nd Quarter	19.95	15.90	0.135	19.50	15.27	0.130
3rd Quarter	18.28	16.24	0.135	17.90	14.05	0.130
4th Quarter	18.55	17.00	0.145	17.24	12.68	0.135

* Cash dividends per share reflect dividends declared on shares actually outstanding at each dividend date. (Refer to Note 4 to the Financial Statements for a description of the restriction on the declaration and payment of cash dividends.)

Prices are closing prices listed on Nasdaq.

Shareholders of record as of December 31, 2003 numbered approximately 1,392.

Financial Reports and Investor Relations

Shareholders may request, without charge, copies of the Company's financial reports including Annual Reports and Forms 10-K and 10-Q. Such requests, as well as other investor relations inquiries, should be addressed to:

Kathleen M. Miller - Chief Financial Officer

The York Water Company
Box 15089, York, PA 17405-7089

or visit our web page at:
www.yorkwater.com

Management's Discussion & Analysis

of Financial Condition & Results of Operations

Financials

This Annual Report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements made with respect to the results of operations and businesses of the Company. Words such as "may," "should," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include certain information relating to the Company's business strategy, including the markets in which it operates, the services it provides, its plans for construction, its expansion of its service territories, water usage by its customers and its plans to invest in new technologies. These forward-looking statements are based upon management's current plans, expectations, estimates and assumptions and are subject to a number of risks and uncertainties that could significantly affect current plans, anticipated actions and the Company's financial condition and results of operations. Factors that may cause actual results to differ materially from those discussed in such forward-looking statements include, among others, the following possibilities: (i) weather conditions, particularly the amount of rainfall; (ii) the level of commercial and industrial business activity within the Company's service territory; (iii) construction of new housing within the Company's service territory; (iv) governmental regulation affecting the Company's rates and service obligations; and (v) general economic and business conditions, including interest rates, which are less favorable than expected. The Company does not intend to update these cautionary statements.

Results of Operations

2003 COMPARED WITH 2002

Net income for 2003 was \$4,448,296, an increase of \$657,949, or 17.4%, compared to 2002.

Water operating revenues for 2003 increased \$1,335,325, or 6.8%, compared to 2002. The increase resulted primarily from the 8.5% rate increase effective June 26, 2003. Additional revenues came from the distribution surcharge, which was collected from all customers during the first half of 2003 for infrastructure improvements, and an increase in the average number of customers of 853.

Operating expenses for 2003 increased \$334,965, or 3.0%, compared to 2002. The increase was due to higher depreciation, insurance, and rate case expense, along with higher contractual and directors' fees amounting to \$362,000. Reduced source of supply expenses, pumping, station maintenance, main maintenance, and lower realty taxes partially offset the increase by \$115,000.

Interest on short-term debt increased \$11,984, or 16.7%, in 2003 compared to 2002 due to an increase in short-term debt outstanding throughout the year, which was partially offset by a decrease in rates paid on outstanding debt. The average short-term debt outstanding in 2003 and 2002 was \$3,672,010 and \$2,432,512, respectively.

Allowance for funds used during construction for 2003 increased \$180,328, or 129.3%, when compared to 2002. Capitalized interest on the costs associated with the Susquehanna River Pipeline project accounts for the majority of the increase.

Other income, net decreased \$170,071, or 93.2%, when compared to 2002 due largely to a \$197,000 increase in supplemental retirement expenses caused by a decrease in the discount rate provided by our pension actuary and used in the present value calculations. An \$85,000 increase in interest income on water district notes receivable partially offset the decrease.

Federal and state income taxes increased by \$341,065, or 16.8%, due to an increase in taxable income. The effective tax rates for 2003 and 2002 were 34.8% and 34.9%, respectively.

2002 COMPARED WITH 2001

Net income for 2002 was \$3,790,347, a decrease of \$215,720, or 5.4%, compared to 2001.

Water operating revenues for 2002 increased \$150,669, or .8%, compared to 2001. The increase resulted primarily from the 4.2% rate increase approved by the PPUC, effective September 1, 2001. Despite an increase in customers, per capita consumption was down significantly due to the drought.

Operating expenses for 2002 increased \$752,087, or 7.2%, compared to 2001. The increase was due to a number of factors including: increased public utility realty taxes, increased pension costs, increased health insurance premiums, and increased depreciation expenses. Reduced main and service line maintenance costs due to the completion of highway relocation in 2001 partially offset the increase in operating expenses.

Management's Discussion & Analysis

of Financial Condition & Results of Operations

Results of Operations (CONTINUED)

Interest on short-term debt decreased \$111,758 in 2002 compared to 2001 due to lower interest rates and a decline in short-term debt outstanding throughout the year. The average short-term debt outstanding in 2002 and 2001 was \$2,432,512 and \$3,298,887, respectively.

Allowance for funds used during construction for 2002 increased \$51,574, or 58.7%, when compared to 2001. Capitalized interest on the pipeline to the river project accounts for the majority of the increase.

Federal and state income taxes declined by \$198,956, or 8.9%, due to a decrease in taxable income. The effective tax rates for 2002 and 2001 were 34.9% and 35.8%, respectively.

RATE DEVELOPMENTS

Within the last several years the Company has filed applications for rate increases with the PPUC and has been granted rate relief as a result of such requests. The most recent rate request was filed by the Company on January 24, 2003, seeking an increase of \$2,808,000, or 13.7%, increase in rates. Effective June 26, 2003, the PPUC authorized an increase in rates designed to produce approximately \$1,725,000 in additional operating revenues, an increase of 8.5%. The Company plans to file its next rate increase request in April 2004.

LIQUIDITY AND CAPITAL RESOURCES

During 2003, the revenue mix changed somewhat. Less revenue was earned in the commercial and industrial category, in favor of increased residential, public and fire service revenues. During 2003, the per capita volume of water sold declined approximately 3.5%. Some of the decline resulted from continued conservation efforts on the part of our customers following the drought of 2002, when our service territory was in a state of drought emergency for nine months. The remainder was due to an extremely wet year. 2003 was the second wettest year in history. Water consumption began to increase during the fourth quarter of 2003, and we anticipate a slow return to historical consumption levels.

As of December 31, 2003, current liabilities exceeded current assets by \$9,939,950. As of December 31, 2002, current liabilities exceeded current assets by \$1,846,284. The increase in net current liabilities was due to increased

payables and short-term borrowings primarily related to the pipeline project (see Susquehanna River Pipeline Project Update), and the reclassification of \$2.7 million of long-term debt to current maturities due to its re-marketing in 2004. Short-term borrowings from lines of credit as of December 31, 2003 and 2002 were \$7,153,119 and \$2,737,976, respectively. The Company maintains lines of credit aggregating \$26,500,000. Loans granted under these lines of credit bear interest at the LIBOR (London Interbank Offered Rates) rate plus 1 to 1.25%. All lines of credit are unsecured and payable upon demand. The Company is not required to maintain compensating balances on its lines of credit.

During 2003, net cash used in investing and financing activities equaled net cash provided by operating activities. The Company anticipates that during 2004 the same situation will occur. Borrowings against the Company's lines of credit, proceeds from the issuance of common stock under its dividend reinvestment plan (stock issued in lieu of cash dividends) and employee stock purchase plan, customer advances, and long-term debt and stock issues will be used to satisfy the need for additional cash.

During 2003, the Company's dividend payout ratios relative to net income and cash provided by operating activities were 79.0% and 49.5% respectively. The current dividend rate is 14.5 cents per share per quarter. The Company expects to maintain this rate throughout 2004 as long as earnings allow it.

During 2003, the Company had \$10,320,952 of construction expenditures. The Company financed such expenditures through internally generated funds, customers' advances, short-term borrowings, and proceeds from the issuance of common stock under its dividend reinvestment plan, and employee stock purchase plan.

The Company anticipates construction expenditures for 2004 and 2005 of approximately \$28,614,000 and \$5,623,000, respectively. A large portion of the 2004 expenditures is for the Susquehanna River pipeline project. The Company plans to finance these future expenditures using the same sources as 2003 and additional debt and stock issues. The Company has received approval from both the Pennsylvania Economic Development Financing Authority and the PPUC to issue tax-exempt bonds. The Company plans to issue \$7.3 million in tax-exempt bonds in April of 2004. Proceeds will be used to pay down short-term debt incurred to finance the project.

Management's Discussion & Analysis of Financial Condition & Results of Operations

During the second quarter of 2004, the Company is planning a follow-on common stock offering to raise approximately \$7.5 million. The proceeds will be used to pay down short-term debt. Then in the fourth quarter of 2004, the Company plans to issue \$12 million in tax-free bonds to pay off the remaining short-term debt incurred to finance the project.

Shareholders' investment as a percent of the total capitalization was 54.5% as of December 31, 2003 compared with 53.3% as of December 31, 2002. Following the tax-free

debt issues and the follow-on common stock offering in 2004, the company expects to be weighted higher in debt.

The Company, like all other businesses, 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 revenue increases, which are subject to approval by the PPUC.

Contractual Obligations

Payments Due by Period

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations	\$32,652,086	\$2,738,641	\$4,378,451	\$80,036	\$25,454,958
Purchase Obligations	17,503,417	17,503,417	0	0	0
Deferred Employee Benefits	<u>4,084,055</u>	<u>187,519</u>	<u>375,994</u>	<u>366,629</u>	<u>3,153,913</u>
Total	\$54,239,558	\$20,429,577	\$4,754,445	\$446,665	\$28,608,871

SUSQUEHANNA RIVER PIPELINE PROJECT UPDATE

The Company received approval from the Environmental Protection Agency and the Department of Environmental Protection (DEP) to reclassify Lake Redman from a cold water fishery to a warm water fishery. The Company is now awaiting DEP approval of a discharge permit, a GP-4 intake permit, and the amended construction permit to build the outfall at Lake Redman.

The Groundbreaking Ceremony for the Project was held on August 21, 2003. Construction on both the pumping station and the pipeline began in mid-September. As of the end of January, approximately 24,500 feet, or 31%, of the pipeline has been completed. The pumping station is slightly behind schedule but is not expected to delay the Project. The Project is expected to be completed by November 2004 at an estimated cost of \$22 million. Susquehanna River pipeline construction expenditures and other capital expenditures are expected to be funded through tax-exempt bond issues and a follow-on common stock offering as previously disclosed.

CRITICAL ACCOUNTING ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements. Our accounting policies require us to make subjective judgments because of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates include: the determination of the useful life of our assets, and the discount rate used in our pension plan calculations.

In connection with the determination of the useful life of the Company's assets, the Company is required to estimate the book depreciation reserve and annual depreciation accruals related to its utility plant. The Company performs service life studies by assembling and compiling historical data related to utility plant, analyzing such data to obtain historical trends of survivor characteristics, and interpreting the data to form judgments of service life characteristics. The Pennsylvania Public Utility Commission reviews and approves the Company's determination of the useful life of the Company's assets.

Management's Discussion & Analysis

of Financial Condition & Results of Operations

CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

In connection with the discount rate used in our pension disclosure, the Company selected the 6.25% discount rate as of December 31, 2003 based on the Moody's AA bond rate. This rate was selected to approximate the rate that would be used if the obligations were to be settled by purchasing annuities from an insurance carrier. This is consistent with the methodology used to select discount rates in the past.

Other critical accounting estimates are discussed in the Accounting Policies Section.

EFFECT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This Interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under certain specified guarantees. Under FIN 45, the Company does not issue any guarantees that would require liability recognition or disclosure.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 was revised in December 2003. This Interpretation provides new guidance for the consolidation of variable interest entities (VIEs) and requires such entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risk among parties involved. The Interpretation also adds disclosure requirements for investors that are involved with unconsolidated VIEs. The disclosure requirements apply to all financial statements issued after December 31, 2003. The consolidation requirements apply to companies that have interests in special-purpose entities for periods ending after December 15, 2003. Consolidation of other types of VIEs is required in financial statements for periods ending after March 15, 2004. The adoption of this Interpretation did not have and is not expected to have an impact on the Company's financial condition or results of operations.

In April 2003, the Financial Accounting Standards Board issued Statement No. 149, "Amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities." This statement clarifies the definition of a derivative and incorporates certain decisions made by the Board as part of the Derivatives Implementation Group process. This Statement is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003 and should be applied prospectively. The provisions of the Statement that relate to implementation issues addressed by the Derivatives Implementation Group that have been effective should continue to be applied in accordance with their respective dates. Adoption of this standard did not have an impact on the Company's financial condition or results of operations.

In May 2003, the Financial Accounting Standards Board issued Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement requires that an issuer classify a financial instrument that is within its scope as a liability. Many of these instruments were previously classified as equity. This Statement was effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective beginning July 1, 2003. The adoption of this standard did not have an impact on the Company's financial condition or results of operations.

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. The Company does not engage in trading or risk management activities, has no lease obligations, and does not have material transactions involving related parties.

Balance Sheets

THE YORK WATER COMPANY 2003 Annual Report

Assets	DECEMBER 31	
	2003	2002
Utility Plant , at original cost.....	\$138,314,291	\$127,117,248
Less-Reserve for depreciation	22,512,047	20,899,987
	115,802,244	106,217,261
Other Physical Property:		
Less-Reserve for depreciation of \$104,571 in 2003 and \$95,820 in 2002.....	664,982	508,297
Current Assets:		
Receivables, less reserves of \$130,000 in 2003 and 2002.....	3,163,285	2,838,501
Materials and supplies, at cost	592,376	480,573
Prepaid expenses	262,980	293,874
Deferred income taxes	88,655	88,655
Total Current Assets	4,107,296	3,701,603
Other Long-Term Assets:		
Prepaid pension cost.....	1,836,228	2,184,108
Deferred debt expense.....	294,612	314,269
Deferred rate case expense	143,390	92,852
Notes receivable	658,878	835,153
Deferred regulatory assets	1,847,406	2,556,709
Other	2,153,422	1,998,135
	6,933,936	7,981,226
	\$127,508,458	\$118,408,387

Financials

Capitalization and Liabilities

Capitalization:

Common stock, no par value, authorized 31,000,000 shares, issued and outstanding 6,419,230 shares in 2003 and 6,364,803 shares in 2002	\$33,234,985	\$32,331,176
Preferred stock, authorized 500,000 shares, no shares issued	-	-
Earnings retained in the business	5,821,544	4,885,532
	39,056,529	37,216,708
Long-term debt	29,913,445	32,652,087
	68,969,974	69,868,795

Commitments and Contingent Liabilities

Current Liabilities:

Short-term borrowings	7,153,119	2,737,976
Current portion of long-term debt.....	2,738,641	38,257
Accounts payable	1,743,094	738,723
Dividends payable.....	718,540	653,082
Accrued taxes	361,936	28,736
Advance water revenues	26,435	28,030
Accrued interest	678,164	678,164
Deferred regulatory liabilities	88,655	88,655
Other accrued expenses	538,662	556,264
Total Current Liabilities	14,047,246	5,547,887

Deferred Credits:

Customers' advances for construction	18,445,063	17,684,840
Contributions in aid of construction	12,776,288	12,193,101
Deferred income taxes	9,412,313	9,285,773
Deferred investment tax credits	1,165,892	1,203,014
Deferred regulatory liabilities	830,523	853,464
Deferred employee benefits	1,861,159	1,771,513
	44,491,238	42,991,705
	\$127,508,458	\$118,408,387

The accompanying notes are an integral part of these statements.

Statements of Income and Shareholders' Investment

THE YORK WATER COMPANY 2003 Annual Report

Statements of Income

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
Water Operating Revenues:			
Residential	\$12,574,219	\$11,527,695	\$11,570,453
Commercial and industrial	5,671,566	5,494,359	5,472,782
Other	2,642,751	2,531,157	2,359,307
	<u>20,888,536</u>	<u>19,553,211</u>	<u>19,402,542</u>
Operating Expenses:			
Operation and maintenance	4,659,419	4,630,187	4,565,022
Administrative and general	4,253,106	4,049,496	3,921,598
Depreciation and amortization	1,778,672	1,663,494	1,571,441
Taxes other than income taxes	863,760	876,815	409,844
	<u>11,554,957</u>	<u>11,219,992</u>	<u>10,467,905</u>
Operating income	<u>9,333,579</u>	<u>8,333,219</u>	<u>8,934,637</u>
Interest Expense and Other Income:			
Interest on long-term debt	2,759,228	2,759,609	2,759,985
Interest on short-term debt	83,655	71,671	183,429
Allowance for funds used during construction	(319,751)	(139,423)	(87,849)
Other income, net	(12,499)	(182,570)	(159,536)
	<u>2,510,633</u>	<u>2,509,287</u>	<u>2,696,029</u>
Income before income taxes	6,822,946	5,823,932	6,238,608
Federal and state income taxes	2,374,650	2,033,585	2,232,541
Net income	<u>\$ 4,448,296</u>	<u>\$ 3,790,347</u>	<u>\$ 4,006,067</u>
Basic Earnings Per Share	<u>\$ 0.70</u>	<u>\$ 0.60</u>	<u>\$ 0.65</u>

Statements of Shareholders' Investment

	COMMON STOCK	EARNINGS RETAINED IN THE BUSINESS	TREASURY STOCK
Balance, January 1, 2001	\$28,899,504	\$ 4,226,051	\$ (687,800)
Net income	-	4,006,067	-
Cash dividends (\$.51 per share)	-	(3,126,038)	-
Issuance of 153,860 shares of common stock	1,783,726	-	-
Issuance of common stock under dividend reinvestment plan	715,023	-	-
Issuance of common stock under employee stock purchase plan	74,941	-	-
Retirement of treasury stock	-	(687,800)	687,800
Balance, December 31, 2001	<u>31,473,194</u>	<u>4,418,280</u>	-
Net income	-	3,790,347	-
Dividends (\$.53 per share)	-	(3,323,095)	-
Issuance of common stock under dividend reinvestment plan	786,392	-	-
Issuance of common stock under employee stock purchase plan	71,590	-	-
Balance, December 31, 2002	<u>32,331,176</u>	<u>4,885,532</u>	-
Net income	-	4,448,296	-
Dividends (\$.55 per share)	-	(3,512,284)	-
Issuance of common stock under dividend reinvestment plan	820,742	-	-
Issuance of common stock under employee stock purchase plan	83,067	-	-
Balance, December 31, 2003	<u>\$33,234,985</u>	<u>\$ 5,821,544</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

THE YORK WATER COMPANY 2003 Annual Report

	YEAR ENDED DECEMBER 31		
	2003	2002	2001
Cash Flows from Operating Activities:			
Net income.....	\$4,448,296	\$3,790,347	\$4,006,067
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	1,778,672	1,663,494	1,571,441
Provision for losses on accounts receivable.....	97,297	90,481	89,265
Increase in deferred income taxes (including regulatory assets and liabilities).....	775,780	1,270,931	1,035,136
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable.....	(422,081)	66,018	(229,672)
Increase in materials and supplies.....	(111,803)	(30,796)	(47,007)
Decrease (increase) in prepaid expenses and prepaid pension costs.....	378,774	(45,739)	4,416
(Decrease) increase in accounts payable, accrued expenses, other liabilities and deferred employee benefits.....	(130,791)	171,029	(522,044)
Increase (decrease) in accrued interest and taxes.....	333,200	(498,937)	362,671
(Increase) decrease in other assets.....	(179,945)	(204,606)	502,018
Net Cash Provided by Operating Activities.....	6,967,399	6,272,222	6,772,291
Cash Flows from Investing Activities:			
Acquisitions of temporary investments.....	(366,238)	(3,290,488)	(2,940,152)
Maturities of temporary investments.....	366,238	3,290,488	2,940,152
Construction expenditures.....	(10,320,952)	(6,237,116)	(7,004,037)
Customers' advances for construction and contributions in aid of construction.....	1,343,410	1,316,113	1,658,525
Decrease (increase) in notes receivable.....	176,275	286,763	(136,122)
Net Cash Used in Investing Activities.....	(8,801,267)	(4,634,240)	(5,481,634)
Cash Flows from Financing Activities:			
Repayments of long-term debt.....	(38,258)	(37,876)	(37,500)
Net borrowings (repayments) under line-of-credit agreements.....	4,415,143	737,976	(648,946)
Issuance of 153,860 shares of common stock.....	-	-	1,783,726
Issuance of common stock under dividend reinvestment plan.....	820,742	786,392	715,023
Issuance of common stock under employee stock purchase plan.....	83,067	71,590	74,941
Dividends paid.....	(3,446,826)	(3,293,511)	(3,080,454)
Net Cash provided by (used in) Financing Activities.....	1,833,868	(1,735,429)	(1,193,210)
Net (decrease) increase in cash and cash equivalents.....	-	(97,447)	97,447
Cash and cash equivalents at beginning of year.....	-	97,447	-
Cash and cash equivalents at end of year.....	\$ -	\$ -	\$ 97,447
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest, net of amounts capitalized.....	\$2,521,995	\$2,683,248	\$2,851,378
Income taxes.....	838,658	1,204,172	757,162

Supplementary schedule of non cash investing and financing activities: accounts payable includes \$1,205,611 in 2003, \$72,790 in 2002, and \$91,790 in 2001 for the construction of utility plant.

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

1. ACCOUNTING POLICIES

The business of The York Water Company is to impound, purify and distribute water. The Company operates entirely within its franchised territory located in York County, Pennsylvania, and is subject to regulation by the PPUC.

The Company is subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," and, therefore, certain of the accounting principles followed may differ from enterprises in general to reflect the economic effect of rate decisions by regulatory authorities.

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. Water 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 is recorded as an acquisition adjustment within utility plant. At December 31, 2003 and 2002, utility plant includes a credit acquisition adjustment of \$1,380,798 and \$1,414,383, respectively, which is being amortized over the remaining life of the respective assets. Amortization amounted to \$33,585 in 2003 and in 2002.

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, is charged to the reserve for depreciation. Gains or losses from abnormal retirements are reflected in income currently.

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 therefrom 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 straight-line remaining life method is used to compute depreciation on utility plant cost, exclusive of land and land rights. The effective rate of depreciation

was 1.81% in 2003, 1.76% in 2002, and 1.74% in 2001 on average utility plant, net of customers' advances and contributions. Larger depreciation provisions are deducted for tax purposes.

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.

Deferred Charges

Deferred debt expense is amortized on a straight-line basis over the term of the related debt.

Deferred rate case expense is amortized as specified by the PPUC for rate-making purposes.

Revenues

Revenues include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the latest meter reading to the end of the accounting period.

Customers' Advances for Construction

Advances are received from customers for construction of utility plant and are refundable as operating revenues are earned and any notes receivable have been paid after the completion of construction. 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 include direct contributions and the portion of customers' advances for construction, which become nonrefundable. Transfers to other accounts may not be made without approval of the PPUC.

Income Taxes and Deferred Regulatory Assets and Liabilities

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

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

Notes to Financial Statements

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.

As a result of the Company's recently approved rate case on June 26, 2003, and in accordance with SFAS No. 71, pension expenses in excess of the pension contribution have been classified as regulatory assets. This regulatory asset will be expensed in the income statement in the same period that it is reflected in rates charged for water service.

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, 2003 and 2002, deferred investment tax credits amounted to \$1,165,892 and \$1,203,014, respectively.

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 maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the reserve is based on past experience, agings of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

Notes Receivable

Notes receivable are recorded at cost, less the related allowance for impaired notes receivable. 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 amount of the impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate.

Pension Plans

The Company has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the employee's compensation before retirement. The Company also has a savings plan pursuant to the provisions of Section 401(k) of the Internal Revenue Code. The plan covers substantially all of its employees.

Allowance for Funds Used During Construction

Allowance for funds used during construction (AFUDC) represents the 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. The PPUC approved AFUDC rate was 10.04% for 2003, 2002, and 2001.

Statements of Cash Flows

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Reclassification

Certain 2001 and 2002 amounts have been reclassified to conform to the 2003 presentation. Such reclassifications had no effect on net income.

Notes to Financial Statements

2. RATE INCREASES

The Company increased rates as approved by the PPUC in August 2001 (4.2%). The rates became effective September 1, 2001 and were designed to produce approximately \$800,000 in additional annual operating revenues. The Company subsequently increased rates as approved by the PPUC in June 2003 (8.5%). The new rates became effective June 26, 2003 and are designed to produce approximately \$1,725,000 in additional annual operating revenues. The next increase request is projected to be filed in April 2004.

3. INCOME TAXES

The provisions for income taxes consist of:

	2003	2002	2001
Federal current	\$ 724,838	\$ 425,397	\$ 710,573
State current	443,070	330,172	348,373
Federal deferred ...	1,249,914	1,301,525	1,217,628
State deferred	(6,050)	12,467	(6,427)
Federal investment tax credit, net of current utilization	(37,122)	(35,976)	(37,606)
Total income taxes	<u>\$2,374,650</u>	<u>\$2,033,585</u>	<u>\$2,232,541</u>

A reconciliation of the statutory Federal tax provision (34%) to the total provision follows:

	2003	2002	2001
Statutory Federal tax provision	\$2,319,802	\$1,980,137	\$2,121,127
Tax-exempt interest	(81,265)	(57,073)	(54,145)
Amortization of investment tax credit	(38,321)	(38,211)	(38,332)
State income taxes, net of Federal benefit ...	288,433	226,142	225,684
Other, net	(113,999)	(77,410)	(21,793)
Total income taxes	<u>\$2,374,650</u>	<u>\$2,033,585</u>	<u>\$2,232,541</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2003 and 2002 are summarized in the following table:

	2003	2002
Deferred tax assets:		
Reserve for doubtful accounts	\$ 52,771	\$ 52,771
Deferred compensation	804,101	781,150
Customers' advances and contributions	406,453	459,475
Alternative minimum tax credit carryforward	396,057	453,918
Regulatory liabilities	372,993	422,922
Investment tax credit	473,275	488,344
Other	20,139	18,699
Total deferred tax assets	<u>2,525,789</u>	<u>2,677,279</u>
Deferred tax liabilities:		
Accelerated depreciation	10,107,437	9,695,977
Prepaid pension	745,325	886,604
Regulatory assets	749,936	1,037,768
Other	246,749	254,048
Total deferred tax liabilities	<u>11,849,447</u>	<u>11,874,397</u>
Net deferred tax liability	<u>\$ 9,323,658</u>	<u>\$ 9,197,118</u>
Reflected on balance sheets as:		
Current deferred tax asset	\$ (88,655)	\$ (88,655)
Noncurrent deferred tax liability	<u>9,412,313</u>	<u>9,285,773</u>
Net deferred tax liability	<u>\$ 9,323,658</u>	<u>\$ 9,197,118</u>

No valuation allowance is required for deferred tax assets as of December 31, 2003 and 2002. In assessing the soundness 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 the level of historical taxable income and the current regulatory environment, management believes it is more likely than not the Company will realize the benefits of these deductible differences.

Notes to Financial Statements

4. BORROWINGS

Long-term debt as of December 31, 2003 and 2002 is summarized in the following table.

	2003	2002			
10.17% Senior Notes, Series A, due 2019	\$ 6,000,000	\$ 6,000,000			
9.60% Senior Notes, Series B, due 2019	5,000,000	5,000,000			
10.05% Senior Notes, Series C, due 2020	6,500,000	6,500,000			
8.43% Senior Notes, Series D, due 2022	7,500,000	7,500,000			
4.40% Industrial Development Authority Revenue Refunding Bonds, Series 1994, due 2009	2,700,000	2,700,000			
1% Pennvest Note, due 2019	652,086	690,344			
6% Industrial Development Authority Revenue Refunding Bonds, Series 1995, due 2010	4,300,000	4,300,000			
Total long-term debt.....	\$32,652,086	\$32,690,344			
Less current maturities.....	2,738,641	38,257			
Long-term portion.....	<u>\$29,913,445</u>	<u>\$32,652,087</u>			
Payments due by period:					
	2004	2005	2006	2007	2008
	\$2,738,641	\$4,339,029	\$39,422	\$39,818	\$40,218

The 4.40% Industrial Development Authority Revenue Refunding Bonds, Series 1994, have a mandatory tender date of May 15, 2004. The Company is required to repurchase any unremarketed bonds. The face value of the bonds of \$2,700,000 has therefore been classified as current until the bonds have been remarketed. The bonds will then become long term.

The 6.0% Industrial Development Authority Revenue Refunding Bonds, Series 1995, have a mandatory tender date of June 1, 2005. The Company is required to repurchase any unremarketed bonds.

The terms of the debt agreements limit in some cases the Company's ability to prepay its borrowings and include certain restrictions with respect to declaration and payment of cash dividends and acquisition of the

Company's stock. Under the terms of the most restrictive agreements, cumulative payments for dividends and acquisition of stock since December 31, 1982 may not exceed \$1,500,000 plus net income since that date. As of December 31, 2003, none of the earnings retained in the business are restricted under these provisions. One of the notes also requires a pledge of \$800,000 of receivables as security for the loan.

The Company maintains unsecured lines of credit aggregating \$26,500,000. Loans granted under these lines as of December 31, 2003 bear interest based on the LIBOR rate plus 1 to 1.25%. There were \$7,153,119 of short-term borrowings as of December 31, 2003 and \$2,737,976 as of December 31, 2002. The weighted average interest rate on short-term borrowings outstanding as of December 31, 2003 was 2.19%. All of the lines of credit are payable upon demand. The Company is not required to maintain compensating balances on its lines of credit.

5. COMMON STOCK AND EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding of 6,386,460 in 2003, 6,330,394 in 2002 and 6,153,250 in 2001. The Company does not have dilutive securities.

Under the employee stock purchase plan, all full-time employees who have been employed at least six consecutive months may purchase shares of the Company's common stock through payroll deductions limited to 10% of gross compensation. The purchase price is 95% of the fair market value (as defined). Shares issued during 2003, 2002 and 2001 were 5,000, 4,607 and 6,341, respectively. As of December 31, 2003, 55,820 authorized shares remain unissued under the plan.

Under the optional dividend reinvestment plan, holders of the Company's common stock may purchase additional shares. The purchase price is 95% of the fair market value (as defined). Shares issued during 2003, 2002, and 2001 were 49,427, 51,532 and 62,997, respectively. As of December 31, 2003, 809,544 authorized shares remain unissued under the plan.

On October 22, 1999, the Company purchased 76,000 shares of its common stock in a private transaction. These shares were retired in 2001.

Notes to Financial Statements

5. COMMON STOCK AND EARNINGS PER SHARE (CONTINUED)

On July 23, 2001, the Company offered to holders of its common stock non-transferable subscription rights to purchase up to an aggregate of 120,000 shares of common stock. All shareholders were granted one subscription right for every 25 shares of common stock held of record as of June 30, 2001. Each subscription right entitled the holder to purchase one share at a purchase price of \$11.81 per share. On September 10, 2001, subscription rights to purchase 153,860 shares were exercised. The net proceeds, \$1,783,726, were used to repay short-term borrowings.

During the second quarter of 2002, the Company distributed a two-for-one stock split. On May 20, 2002, shareholders of record as of May 10, 2002, received one additional share of common stock for each share held as of the record date. The transaction had no effect on total capitalization.

6. EMPLOYEE BENEFIT PLANS

The Company maintains two defined benefit pension plans covering substantially all of its employees. The benefits are based upon years of service times the sum of \$18.00 plus 1.5% of final average monthly earnings in excess of \$400. The Company's funding policy is to contribute annually the amount permitted by the PPUC to be collected from customers in rates.

The following table sets forth the plans' funded status and amounts recognized in the Company's balance sheets as of December 31, 2003 and 2002. The measurement of assets and obligations of the plans is as of December 31, 2003 and 2002.

Obligations and Funded Status At December 31

	2003	2002
Change in Benefit Obligation		
Pension benefit obligation beginning of year	\$13,242,693	\$11,954,086
Service cost	382,379	340,834
Interest cost	881,204	835,276
Actuarial loss	1,134,617	702,549
Benefit payments	(751,823)	(590,052)
Pension benefit obligation end of year	<u>\$14,889,070</u>	<u>\$13,242,693</u>
Change in Plan Assets		
Fair value of plan assets beginning of year	\$11,971,595	\$13,327,027
Actual return on plan assets	1,890,987	(1,007,496)
Employer contributions	242,116	242,116
Benefits paid	(751,823)	(590,052)
Fair value of plan assets end of year	<u>\$13,352,875</u>	<u>\$11,971,595</u>
Funded status	<u>\$ (1,536,195)</u>	<u>\$ (1,271,098)</u>
Unrecognized net prior service cost	173,736	205,072
Unrecognized net loss	<u>3,198,687</u>	<u>3,250,134</u>
Prepaid pension cost	<u>\$ 1,836,228</u>	<u>\$ 2,184,108</u>

The accumulated benefit obligation was \$12,312,297 and \$11,051,411 at December 31, 2003 and 2002, respectively.

Net periodic pension expense (income) for 2003, 2002 and 2001 included the following components:

	2003	2002	2001
Service cost-benefits ..	\$ 382,379	\$ 340,834	\$ 384,287
Interest cost	881,204	835,276	795,934
Expected return on plan assets	(832,846)	(910,110)	(1,030,129)
Amortization of loss (gain)	127,923	(36,333)	(206,000)
Amortization of prior service cost	31,336	31,336	31,336
Increase in deferred regulatory assets	(347,880)	-	-
Net periodic pension expense (income)	<u>\$ 242,116</u>	<u>\$ 261,003</u>	<u>\$ (24,572)</u>

Notes to Financial Statements

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

	2003	2002
Discount rate	6.25%	6.75%
Rate of compensation increase	5.00%	5.00%

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

	2003	2002	2001
Discount rate	6.75%	7.25%	6.75%
Expected long-term return on plan assets	7.00%	7.00%	7.00%
Rate of compensation increase	5.00%	5.00%	5.00%

The selected long-term rate of return on plan assets (7.0%) was primarily based on the asset allocation of the plans' assets (approximately 50% to 60% equities and 40% to 50% fixed income investments). 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. Review of the plans' assets actual performance for the past 10 years was also made and the average return over this period was approximately 100 basis points higher than the rate selected.

The Company's pension plans' weighted-average asset allocations at December 31, 2003 and 2002, by asset category are as follows:

Asset Category	Plan Assets at December 31	
	2003	2002
Equity securities	56%	49%
Debt securities	43%	49%
Other	1%	2%
Total	<u>100%</u>	<u>100%</u>

The investment objective of the Company's defined benefit pension plans is that of Balanced Income. Our weighted-average target asset allocations are 53% equity and 47% debt. Our investment performance objectives are to exceed the annual rate of inflation as measured by the Consumer Price Index by 3%, and to exceed the annualized total return of specified benchmarks applicable to the funds within the asset categories.

Further guidelines within equity securities include:
(1) holdings in any one company cannot exceed 5% of the

portfolio; (2) a minimum of 20 individual stocks must be included in the domestic stock portfolio; (3) a minimum of 30 individual stocks must be included in the international stock portfolio; (4) equity holdings in any one industry cannot exceed 20-25% of the portfolio; and (5) only U.S.-denominated currency securities are permitted.

As far as debt securities are concerned, the following must be adhered to: (1) fixed income holdings in a single issuer are limited to 5% of the portfolio; (2) acceptable investments include money market securities, U.S. Government and its agencies and sponsored entities' securities, (3) mortgage-backed and asset backed securities, and corporate securities; (4) purchases must be limited to investment grade or higher; (5) non-U.S. dollar denominated securities are not permissible; and (6) high risk derivatives are prohibited.

Equity securities include The York Water Company common stock in the amounts of \$232,378 (1.7% of total plan assets) and \$181,293 (1.5% of total plan assets) at December 31, 2003 and 2002, respectively.

The Company expects to contribute \$327,000 to its pension plans in 2004.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2004	\$ 749,376
2005	766,268
2006	783,321
2007	821,235
2008	870,921
2009-2013	4,735,932

The Company has a savings plan pursuant to the provisions of section 401(k) of the Internal Revenue Code. The plan provides for elective employee contributions of up to 15% of compensation and Company matching contributions of 65% of the participant's contribution, up to a maximum annual Company contribution of \$1,950 for each employee. The Company's contributions to the plan amounted to \$93,619 in 2003, \$76,149 in 2002, and \$61,584 in 2001.

The Company has non-qualified deferred compensation agreements with certain members of senior management. The future commitments under these arrangements have been funded through corporate-owned life insurance policies. At December 31, 2003 and 2002, the present value of the future obligations was \$2,002,677 and \$1,924,327 respectively. The insurance policies included in other assets had a total cash value of \$2,051,879 and \$1,890,805, respectively, at December 31, 2003 and 2002.

Notes to Financial Statements

7. NOTES RECEIVABLE AND CUSTOMERS' ADVANCES FOR CONSTRUCTION

The Company has entered into agreements with four municipalities to extend water service into newly formed water districts. The Company loaned funds to the municipalities to cover the costs related to the projects. The municipalities concurrently advanced these funds back to the Company in the form of customers' advances for construction. The municipalities are 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 are reduced periodically as operating revenues are earned by the Company from customers connected to the system and refunds of advances are made. There is no due date for the notes nor expiration date for the advances.

The Company has recorded interest income of \$236,433 in 2003, \$151,922 in 2002, and \$142,560 in 2001.

Included in the accompanying balance sheets at December 31, 2003 and 2002 were the following amounts related to these projects.

	2003	2002
Notes receivable, including interest.....	\$ 658,878	\$ 669,265
Customers' advances for construction.....	2,731,962	2,758,130

The Company had other notes receivable totaling \$165,888 at December 31, 2002. During 2003, the property represented by the note receivable was deeded back to the Company and now appears in other physical property.

The Company has other customers' advances for construction totaling \$15,713,101 and \$14,926,710 at December 31, 2003 and 2002, respectively.

During the second quarter of 2002, the Company offset notes receivable in the amount of \$388,078 against the related advances for construction based on its determination that the principal recoverable from note holders was less than the recorded amount, and the fact that advances are not fully refundable to the extent that payments are not received on the notes.

8. CAPITAL COMMITMENTS

The Company plans to finance ongoing capital expenditures with internally generated funds, customers' advances, short-term borrowings and proceeds from the issuance of common stock under its dividend reinvestment plan (stock issued in lieu of cash dividends) and employee stock purchase plan. As additional funds are needed for the pipeline to the river, various debt and equity financing will be used.

The Company has capital commitments with regard to the Susquehanna River pipeline project to its pipe supplier, subcontractor and engineer on the project. Of the total committed of approximately \$20.7 million, \$17.5 million remains to be spent as of December 31, 2003.

9. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2003, the Company employed 92 people, 35 under union contract. The current union contract was ratified during 2003 and expires in 2007.

The Company is involved in certain legal and administrative proceedings before various courts and governmental agencies concerning rates 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.

Notes to Financial Statements

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined based on available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company might realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

The carrying amount of current assets and liabilities that are considered financial instruments approximates their fair value as of the dates presented. The Company's long-term debt, with a carrying value of \$32,652,086 at December 31, 2003, and \$32,690,344 at December 31, 2002 had an estimated fair value of approximately \$42,000,000 in 2003 and 2002. The weighted average rates used to calculate the carrying value were based on a multiple of the 30-year Treasury bond yield. The 2003 and 2002 rates were 5.81% and 5.99%, respectively.

The Company's customers' advances for construction and notes receivable have carrying values at December 31, 2003 of \$18,445,063 and \$658,878, 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.

11. SHAREHOLDER RIGHTS PLAN

On January 25, 1999, the Company's Board of Directors approved a Shareholder Rights Plan designed to protect the Company's shareholders in the event of an unsolicited, unfair offer to acquire the Company. Each outstanding common share is entitled to one Right, which is evidenced by the common share certificate. In the event any person acquires 15% or more of the outstanding common shares or commences a tender or exchange offer which, if consummated, would result in a person owning 15% or more of the outstanding common shares, the Rights will begin to trade independently from the common shares, and would entitle the holder to purchase a number of common shares having approximately twice the value of the exercise price of the Rights. If the Company is involved in a merger or other business combination at any time after the Rights become exercisable, the Rights will entitle the holder to acquire a number of shares of the acquiring company having approximately twice the value of the exercise price of the Rights. The Rights are redeemable by the Company at a redemption price of \$0.01 per Right at any time before the Rights become exercisable. The Rights will expire on January 24, 2009, unless previously redeemed.

Notes to Financial Statements

12. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

2003	FIRST	SECOND	THIRD	FOURTH	YEAR
Water operating revenue	\$4,757,940	\$5,047,674	\$5,786,066	\$5,296,856	\$20,888,536
Utility operating income	1,866,795	2,214,089	2,856,034	2,396,661	9,333,579
Net income	757,570	1,049,621	1,494,211	1,146,894	4,448,296
Basic earnings per share	.12	.16	.24	.18	.70
Dividends per share	.135	.135	.135	.145	.550
2002					
Water operating revenue	\$4,679,634	\$4,876,305	\$5,276,135	\$4,721,137	\$19,553,211
Utility operating income	2,074,943	1,982,195	2,384,386	1,891,695	8,333,219
Net income	875,447	920,934	1,115,543	878,423	3,790,347
Basic earnings per share	.14	.15	.18	.13	.60
Dividends per share	.130	.130	.130	.135	.525

Independent Auditor's Report

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS THE YORK WATER COMPANY YORK, PENNSYLVANIA

We have audited the accompanying balance sheet of The York Water Company as of December 31, 2003, and the related statements of income, shareholders' investment, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The York Water Company for the years ended December 31, 2002 and 2001 were audited by other auditors, whose report dated March 4, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the financial position of The York Water Company as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Beard Miller Company LLP

York, Pennsylvania
February 6, 2004

Financials

Supplemental Information (Unaudited)

THE YORK WATER COMPANY 2003 Annual Report

YEARS ENDED DECEMBER 31

Selected Financial Data

	2003	2002	2001
Income			
Operating Revenues.....	\$20,888,536	\$19,553,211	\$19,402,542
Operating Expenses.....	\$11,554,957	\$11,219,992	\$10,467,905
Operating Income.....	\$9,333,579	\$8,333,219	\$8,934,637
Interest and Debt Expense.....	\$2,523,132	\$2,691,857	\$2,855,565
Net Income.....	\$4,448,296	\$3,790,347	\$4,006,067
Percent Change in Net Income Compared to Prior Year.....	17.4%	-5.4%	6.6%
Common Stock Dividends	\$3,512,284	\$3,323,095	\$3,126,038
Dividend Payout Ratio.....	79%	88%	78%
Weighted Average Common Shares Outstanding	6,386,460	6,330,394	6,153,250
Basic Earnings Per Weighted Average Common Share.....	\$.70	\$.60	\$.65
Number of Common Shares Outstanding	6,419,230	6,364,803	6,308,664
ROE on Year End Common Equity	11.4%	10.2%	11.2%
Common Stock Dividends Per Share	\$.55	\$.53	\$.51
Net Cash Flows From Operating Activities.....	\$6,967,399	\$6,272,222	\$6,772,291
Balance Sheet			
Common Shareholders' Equity	\$39,056,529	\$37,216,708	\$35,891,474
Long-Term Debt	\$32,652,086	\$32,690,344	\$32,728,220
Total Capitalization	\$71,708,615	\$69,907,052	\$68,619,694
Percent Common Shareholders' Equity.....	54%	53%	52%
Percent Long-Term Debt.....	46%	47%	48%
Net Utility Plant.....	\$115,802,244	\$106,217,261	\$101,752,782
Operating Data			
Revenue Class			
Residential.....	\$12,574,219	\$11,527,695	\$11,570,453
Commercial and Industrial	\$5,671,566	\$5,494,359	\$5,472,782
Other.....	\$2,642,751	\$2,531,157	\$2,359,307
Total Operating Revenues.....	\$20,888,536	\$19,553,211	\$19,402,542
Other Operating Data			
Number of Customers.....	51,916	51,023	50,079
Number of Employees.....	92	89	90
Capital Additions	\$11,526,563	\$6,309,906	\$7,095,827
Common Shareholders	1,392	1,353	1,327
Book Value Per Common Share	\$6.08	\$5.85	\$5.69
Market Value at Year End.....	\$18.29	\$14.20	\$14.63
Market Value to Book Value.....	301%	243%	257%
P/E Ratio	26.13	23.67	22.5

THE YORK WATER COMPANY 2003 Annual Report

2000	1999	1998	1997	1996	1995	1994	1993
\$18,481,163	\$17,511,251	\$17,137,029	\$16,996,706	\$15,721,462	\$15,449,296	\$14,755,707	\$14,201,756
\$10,008,624	\$10,255,553	\$9,721,428	\$9,678,694	\$9,223,227	\$10,539,739	\$9,936,947	\$9,877,114
\$8,472,539	\$7,255,698	\$7,415,601	\$7,318,012	\$6,498,235	\$4,909,557	\$4,818,760	\$4,324,642
\$2,797,705	\$2,643,579	\$2,673,614	\$2,707,310	\$2,893,123	\$2,738,846	\$2,720,535	\$3,045,872
\$3,757,787	\$3,154,073	\$3,135,389	\$3,120,061	\$2,759,756	\$2,312,247	\$2,444,678	\$2,550,883
19.1%	0.6%	0.5%	13.1%	19.4%	-5.4%	-4.2%	17.7%
\$2,949,993	\$2,823,526	\$2,744,592	\$2,650,266	\$2,376,620	\$2,277,190	\$2,249,279	\$2,220,683
79%	90%	88%	85%	86%	98%	92%	87%
6,021,350	5,980,534	5,902,570	5,824,938	5,255,128	5,060,760	4,998,744	4,935,232
\$.63	\$.53	\$.53	\$.54	\$.53	\$.46	\$.49	\$.52
6,085,466	5,978,182	5,959,444	5,869,564	5,801,048	5,098,992	5,037,472	4,974,536
11.6%	10.2%	10.3%	10.7%	9.9%	10.6%	11.5%	12.4%
\$.49	\$.48	\$.47	\$.46	\$.45	\$.45	\$.45	\$.45
\$6,395,341	\$5,495,744	\$6,207,018	\$5,092,022	\$4,310,222	\$3,000,025	\$3,754,202	\$3,672,970
\$32,437,755	\$30,829,654	\$30,380,436	\$29,150,786	\$28,002,757	\$21,771,767	\$21,251,914	\$20,597,440
\$32,765,720	\$32,800,000	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000
\$65,203,475	\$63,629,654	\$62,380,436	\$61,150,786	\$60,002,757	\$53,771,767	\$53,251,914	\$52,597,440
50%	48%	49%	48%	47%	40%	40%	39%
50%	52%	51%	52%	53%	60%	60%	61%
\$96,433,665	\$91,725,068	\$86,401,217	\$83,155,036	\$80,334,138	\$76,819,549	\$73,107,138	\$67,937,662
\$10,979,596	\$10,198,707	\$10,015,871	\$9,975,226	\$9,273,216	\$8,895,601	\$8,271,510	\$8,080,582
\$5,301,362	\$5,368,833	\$5,303,237	\$5,293,730	\$4,925,781	\$5,292,109	\$5,313,765	\$4,990,704
\$2,200,205	\$1,943,711	\$1,817,921	\$1,727,750	\$1,522,465	\$1,261,586	\$1,170,432	\$1,130,470
\$18,481,163	\$17,511,251	\$17,137,029	\$16,996,706	\$15,721,462	\$15,449,296	\$14,755,707	\$14,201,756
49,195	48,144	47,173	46,458	45,800	44,879	43,830	42,844
90	90	91	90	91	90	91	90
\$6,413,721	\$7,050,376	\$4,989,967	\$4,500,517	\$4,936,816	\$5,256,959	\$6,629,903	\$6,040,584
1,307	1,364	1,325	1,334	1,281	1,217	1,208	1,190
\$5.33	\$5.16	\$5.10	\$4.97	\$4.83	\$4.27	\$4.22	\$4.14
\$9.00	\$8.38	\$9.63	\$10.38	\$8.41	\$8.47	\$7.88	\$7.25
169%	162%	189%	209%	174%	198%	187%	175%
14.3	16.0	18.2	19.4	16.0	18.4	16.1	14.1

Financials



Directors, Officers & Key Employees

Board of Directors

William T. Morris, P.E.* (66)
Chairman of the Board
The York Water Company

Chloé R. Eichelberger (69)
President/Chief Executive Officer
Chloé Eichelberger Textiles, Inc.

Thomas C. Norris (65)
Chairman-Retired
P. H. Glatfelter Company

Irvin S. Naylor* (68)
Vice Chairman of the Board
President
Snow Time, Inc.

John L. Finlayson* (62)
Vice President-Finance and
Administration
Susquehanna Pfaltzgraff Co.

George W. Hodges (52)
Office of the President
The Wolf Organization, Inc.

George Hay Kain, III (55)
Attorney at Law

Michael W. Gang* (53)
Partner
Morgan, Lewis & Bockius LLP

Jeffrey S. Osman* (61)
President and Chief
Executive Officer
The York Water Company

Directors Emeriti

Robert E. Skold
Josephine S. Appell

Frank Motter
Horace Keesey III

Staff

Jeffrey S. Osman (61)
President and Chief
Executive Officer

Duane R. Close (57)
Vice President-Operations

Bruce C. McIntosh (50)
Vice President-
Human Resources

Vernon L. Bracey (42)
Vice President-
Customer Service

Jeffrey R. Hines, P.E. (42)
Vice President-Engineering
Secretary

Kathleen M. Miller (41)
Chief Financial Officer
Treasurer

Transfer Agent & Registrar

**American Stock Transfer &
Trust Company**
59 Maiden Lane
New York, NY 10273-0923
(800) 937-5449
www.amstock.com

Stock Exchange Listing

The Company's common shares trade
on the Nasdaq National Market.

The trading symbol is "YORW."

Photo: The Board of Directors of The York Water Company in front of our main office.

(From left) Irvin S. Naylor; George Hay Kain, III; Chloé R. Eichelberger; William T. Morris, P.E.;
Thomas C. Norris; Jeffrey S. Osman; Michael W. Gang; George W. Hodges; John L. Finlayson.

* Members of the Executive Committee

Additional Information

Health and Safety

The Company strives to provide a healthy and safe work environment. During 2003, employees achieved significant levels of success in these areas. Many departments continue to extend multiple year records of no lost time injuries. The Company's accident rate continues to be about one-half the national water industry rate. The Company and employees were recognized by the Susan P. Byrnes Health Education Center as "York County Healthy Company of the Year". This Award recognizes the high level of participation by employees in the Company Wellness Program.

Diversity

The Company also strives to provide a diverse work environment and diversity in our work force. We continue to seek out and employ qualified employees reflective of the demographics of the geographic area we serve. The Company believes that diversity in the procurement process is a vital necessity in providing for the long-term needs of our operations and our customers. Diversity maximizes the number of vendors available to support our operations, and provides us with needed services.

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.

The dividend paid on the common stock on January 15, 2004 was the 532nd consecutive dividend paid by the

Company. The Company has paid consecutive dividends for its entire history, since 1816. The dividend rate has been increased annually for seven consecutive years.

Independent Auditors

Beard Miller Company LLP
221 West Philadelphia Street
York, PA 17404

Investor Relations Contact

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

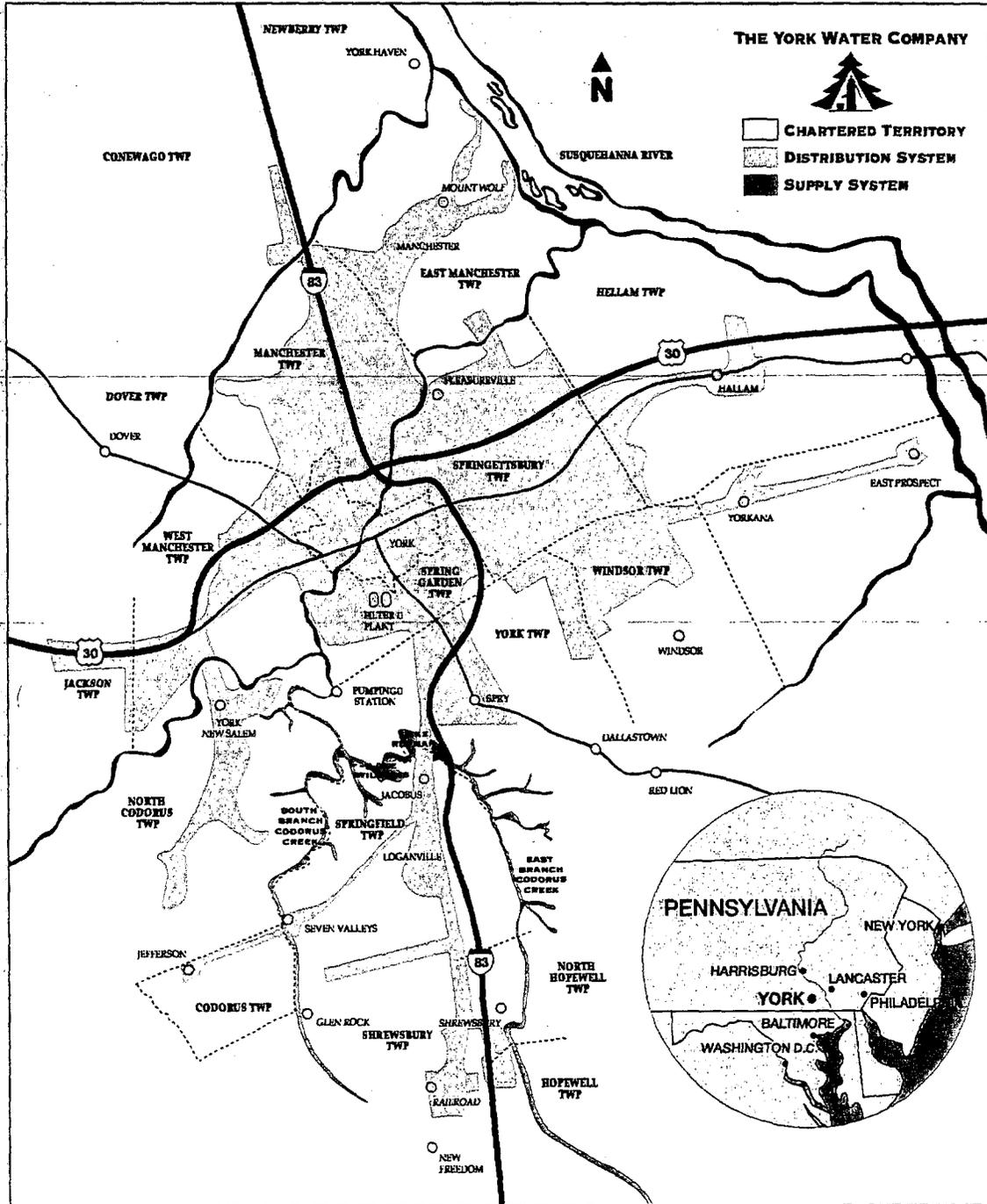
YORW on the Internet

For information about the Company, please visit us at: www.yorkwater.com.

The Annual Report and Proxy Statement can be found on the Company's website at: www.yorkwater.com

Chartered Territory

Distribution & Supply System





The York Water Company

130 East Market Street, York, Pennsylvania 17401
717-845-3601 www.yorkwater.com

EXHIBIT 23
CONSENT OF BEARD MILLER COMPANY LLP, INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements (Form S-3, Nos. 2-80547 and 33-81246, and Form S-8, No. 33-26180) of The York Water Company of our report dated February 6, 2004, relating to the financial statements of The York Water Company as of and for the year ended December 31, 2003, which appears in the Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the inclusion of our report dated February 6, 2004 relating to the financial statement schedule as of and for the year ended December 31, 2003, which appears in this Form 10-K.

Beard Miller Company LLP

York, Pennsylvania
March 10, 2004

EXHIBIT 23.1

CONSENT OF STAMBAUGH NESS, PC, INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
The York Water Company
York, Pennsylvania

We hereby consent to the incorporation by reference in the Registration Statements (Form S-3, Nos. 2-80547 and 33-81246, on Form S-8, No. 33-26180) of The York Water Company of our report dated March 4, 2003, relating to the financial statements as of and for the years ended December 31, 2002 and 2001, which appears in the 2003 Annual Report to Shareholders, which is ~~incorporated by reference in the Annual Report on Form 10-K. We also consent~~ to incorporation by reference of our report dated March 4, 2003 relating to the financial statement schedule as listed in Item 15 (a) (2) as of and for the years ended December 31, 2002 and 2001, which appears in this Form 10-K.

Stambaugh Ness, PC

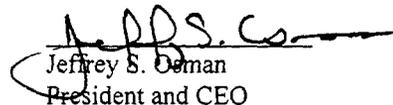
York, Pennsylvania
March 10, 2004

**EXHIBIT 31.1
CERTIFICATIONS**

I, Jeffrey S. Osman, certify that:

1. I have reviewed this annual report on Form 10-K of The York Water Company;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and we 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 annual report is being prepared;
 - b) {Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986};
 - 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 annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 12, 2004


Jeffrey S. Osman
President and CEO

**EXHIBIT 31.2
CERTIFICATIONS**

I, Kathleen M. Miller, certify that:

1. I have reviewed this annual report on Form 10-K of The York Water Company;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and we 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 annual report is being prepared;
 - b) {Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986};
 - 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 annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 12, 2004


Kathleen M. Miller
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 period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey S. Osman, 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 (15 U.S.C. 78m(a)); 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


Jeffrey S. Osman
Chief Executive Officer

Date: March 12, 2004

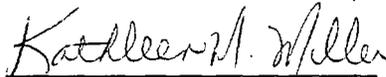
EXHIBIT 32.2

**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 period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kathleen M. Miller, 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 (15 U.S.C. 78m(a)); 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



Kathleen M. Miller
Chief Financial Officer

Date: March 12, 2004

EXHIBIT 99.1

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of The York Water Company as of December 31, 2002, and the related statements of income, shareholders' investment, and cash flows for each of the years in the two-year period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of The York Water Company as of December 31, 2002, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.



York, Pennsylvania
March 4, 2003