FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

YORK WATER CO

CIK:**108985**| IRS No.: **231242500** | State of Incorp.:**PA** | Fiscal Year End: **1231**
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SIC: **4941** Water supply

Mailing Address
PO BOX 15089

Business Address
130 E MARKET ST
YORK PA 17405
7178453601

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1998
Commission file number 0-690

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

PENNSYLVANIA	23-1242500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

130 EAST MARKET STREET, YORK, PENNSYLVANIA	17405
(Address of principal executive offices)	(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	Name of Each Exchange on Which Registered
None	

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

COMMON STOCK, NO PAR VALUE
(Title of Class)

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 X 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.   X

The aggregate market value of the Common Stock, no par value, held by nonaffiliates of the registrant (based on the bid price of such stock) on February 11, 1999 was $56,242,253.

As of February 11, 1999 there were 2,979,722 shares of Common Stock, no par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1998 Annual Report to Shareholders are incorporated by reference into Part II.

Portions of the Proxy Statement for the Company's 1999 Annual Meeting of Shareholders are incorporated by reference into Part III.

PART I

Item 1.   Business.

FORWARD-LOOKING STATEMENTS

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. 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) general economic and business conditions which are less favorable than expected; and (vi) the Company's year 2000 issues plan. The Company does not intend to update these cautionary statements.

(a) General development of business.

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

(b) Financial information about industry segments.

The Company operates in only one segment, the impounding, purification and distribution of water.

(c) Narrative 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. The Company is regulated by the Pennsylvania Public Utility Commission (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, Shrewsbury, Spring Grove and portions of the Townships of Manchester, East Manchester, West Manchester, North Codorus, Shrewsbury, North Hopewell, Hopewell, Springettsbury, Spring Garden, Conewago, Newberry, Springfield, York, Hellam, Windsor, Lower Windsor, Codorus 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's present average daily consumption is 19,488,000 gallons, and its present safe daily yield is 29,900,000 gallons.

The Company's service territory has an estimated population of 142,000. Territory expansion during 1998 included: the completion of developer-financed water main to Southern York County, finalization of an agreement to sell bulk water to New Freedom Borough, preparation of plans for construction of water mains to Railroad Borough, and commencement of the approval process to add Conewago Township to our service territory. Industry of the Company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance, textile products, air conditioning, barbells, etc. In the area served by the Company under the supervision of the PPUC there are no competitors.

An internal evaluation of adding an additional source of supply was conducted during 1998. Available options were analyzed and turned over to an external source for further analysis and costing. A prior study indicated that no new source of supply would be required before the year 2020. The Company expects that one new tank site may be needed, but no new booster stations will be required within the next five years.

The Company's business is somewhat dependent on weather conditions, particularly the amount of rainfall; however, minimum customer charges are in place so the Company is able to cover fixed costs of operations.

New requirements under the Safe Drinking Water Act caused the Company to incur $22,752 and $44,520 in 1997 and 1998, respectively, for water analysis fees. Additional costs of $16,286 to provide an annual drinking water quality report required in 1999 by the Safe Drinking Water Act were incurred.

The Company's business does not require large amounts of working capital and is not dependent upon any single customer or a very few customers. Operating revenue is derived from the following sources and in the following percentages: residential, 58%; commercial and industrial, 31%; other, 11%. The Company presently has 89 employees.

During the last five years ended in 1998, the Company has maintained an increasing growth in number of customers and distribution facilities as shown by the following chart:

	1998	1997	1996	1995	1994
Average daily consumption (gallons per day)	19,488,000	19,405,000	18,593,000	19,657,000	19,660,000
Miles of mains at year end	671	655	641	622	597
Distribution mains installed (ft.)	85,431	77,274	78,619	84,515	91,087
Number of customers	47,173	46,458	45,800	44,879	43,830
Population served	142,000	140,700	143,000	140,000	136,000

During 1998, the per capita volume of water sold did not significantly change compared to 1997. The Company does not anticipate any change in the level of water usage which would have a material impact on future results of operations.

Item 2. Properties.

The accounting and executive offices of the Company are located in two two-story brick and masonry buildings, containing approximately 21,861 square feet of floor space, 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 to protect the area both from pollution and also from soil erosion which might otherwise fill the reservoir with silt. The upper dam 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 to 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 1998 of 19,488,000 gallons, 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 18,740,000 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 two one-story concrete block buildings having 26,680 square feet of area.

The distribution system of the Company has approximately 671 miles of main water lines.

All of the Company's properties listed above are held in fee by the Company. There are no encumbrances.

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.

York County has, in return, agreed not to erect a dam upstream on the east branch of the Codorus Creek and to waive flood damages to the County's Spring Valley Tract of park lands if, as planned, the Company builds a third dam around the year 2020. The Company and its customers are thereby assured of a future reservoir site at reasonable expense.

Year 2000

This statement constitutes a year 2000 readiness disclosure by The York Water Company, under the Year 2000 Information and Readiness Disclosure Act.

The Company is aware of the issues associated with the programming code in existing computer systems as the millennium (year 2000) approaches. The "year 2000" issue is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

The Company has done an inventory of programs and has developed a plan, including a timetable, for solving and testing year 2000 issues.

The Company has identified three areas that do have year 2000 compliance issues: Accounting, communications and embedded technology.

As far as accounting, the Company will be replacing all of its current software. The software upgrade is approximately 50% complete and is expected to be completely installed by the end of second quarter 1999. This will allow for testing and adjustments to be made through the remainder of 1999. Current software will be used in the event something unanticipated occurs with the software upgrade.

The Company's electronic communications review has been completed and all necessary changes have been made. Only slight modifications were required.

In the area of embedded technology, the Company is working with the manufacturers of all our time-sensitive equipment to make sure the date field in the software has been located and updated to accept a four-digit date. The Company has identified filter plant control units, PC's, burglar alarms, and the check encoder as some of the items to be addressed for year 2000 problems. The Company expects to solve problems and test solutions in this area by the end of March 1999.

As of December 1998, the Company incurred costs of approximately $37,000, and estimates total costs of year 2000 remediation efforts to reach $80,000.

While the Company anticipates that critical vendors and suppliers will be year 2000 compliant, contingency plans will be put in place so that water service to customers will not be interrupted. In one of our most critical areas, energy, the Company already has emergency power generators installed as backups at most locations. Those locations which currently have no emergency backup, will have alternate energy sources by the year 2000.

Item 3. Legal Proceedings.

There are no material legal proceedings.

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 Stock and Related Security Holder Matters.

The information set forth under the caption "Security Market and Dividends" of the 1998 Annual Report to Shareholders is incorporated herein by reference.

Item 6. Selected Financial Data.

The information set forth under the caption "Highlights of Our 183rd Year" of the 1998 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 1998 Annual Report to Shareholders is incorporated herein by reference.

"Safe Harbor" Statements under the U. S. Private Securities Litigation Reform Act of 1995: Some statements in the 1998 Annual Report are forwardlooking and actual results may differ materially from those stated. In addition to the factors discussed, among the other factors that may affect actual results are water demand and supply, the effect of economic conditions, interest-rate movements, and technological difficulties and changes in governmental regulations, including those of the Pennsylvania Public Utilities Commission. Investors are also directed to consider other risks and uncertainties discussed in documents filed by the Company with the Securities and Exchange Commission.

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

The Company's 4.75% Industrial Development Authority Revenue Refunding Bonds Series 1994 have mandatory tender dates of May 15, 1999 and May 15, 2004. The 5% Series 1995 bonds have mandatory tender dates of June 1, 2000 and 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 1998 Annual Report to Shareholders are incorporated herein by reference:

Balance Sheets as of December 31, 1998 and 1997	Page 10
Statements of Income for Years Ended December 31, 1998, 1997 and 1996	Page 11
Statements of Shareholders' Investment for Years Ended December 31, 1998, 1997 and 1996	Page 11
Statements of Cash Flows for Years Ended December 31, 1998, 1997 and 1996	Page 12
Notes to Financial Statements	Page 13
Independent Auditors' Report	Page 19

Except for the above financial data and the information specified under Items 5, 6 and 7 of this report, the 1998 Annual Report to

Shareholders is not deemed to be filed as part of this report. Selected quarterly financial data are not presented because the Company does not meet the tests set forth in Item 302 (a)(5) of Regulation S-K.

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

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

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement issued pursuant to Regulation 14A for the Company's 1999 Annual Meeting of Shareholders to be held May 3, 1999 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 1999 Annual Meeting of Shareholders to be held May 3, 1999 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

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 1999 Annual Meeting of Shareholders to be held May 3, 1999 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information set forth under the caption "Compensation Committee Interlocks and Insider Participation" of the Proxy Statement issued pursuant to Regulation 14A for the Company's 1999 Annual Meeting of Shareholders to be held May 3, 1999 is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

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

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

Schedule Number	Schedule Description	Page Number
II	Valuation and Qualifying Accounts	8

The report of the Company's independent auditors with respect to the financial statement schedule appears on page 7.

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.

The exhibits are set forth in the Index to Exhibits shown on pages 10, 11 and 12.

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed during the last quarter of the period covered by this report.

INDEPENDENT AUDITORS' REPORT

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

Under date of February 12, 1999, we reported on the balance sheets of The York Water Company as of December 31, 1998 and 1997, and the related statements of income, shareholders' investment, and cash flows for each of the years in the three-year period ended December 31, 1998, as contained in the 1998 annual report to shareholders. These financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1998. In connection with our audits of the aforementioned financial statements, we also audited the related financial statement schedule as listed in Item 14(a). 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 on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Harrisburg, Pennsylvania
February 12, 1999

THE YORK WATER COMPANY

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE YEARS ENDED DECEMBER 31, 1998

	Balance at beginning of Year	Additions Charged to Costs and Expenses	Recoveries	Deductions	Balance at End of Year
FOR THE YEAR ENDED DECEMBER 31, 1998:					
Reserve for uncollectible accounts	$110,000	$103,957	$7,115	$101,072	$120,000
FOR THE YEAR ENDED DECEMBER 31, 1997:					
Reserve for uncollectible accounts	$90,000	$97,923	$5,043	$82,966	$110,000
FOR THE YEAR ENDED DECEMBER 31, 1996:					
Reserve for uncollectible accounts	$90,000	$73,201	$ -	$73,201	$ 90,000

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 26, 1999

By:/s/ William T. Morris
William T. Morris, President
and Chief Executive Officer

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

By: /s/ William T. Morris
William T. Morris
(Principal Executive and Financial Officer and Director)

Dated: March 26, 1999

By: /s/ Jeffrey S. Osman
Jeffrey S. Osman
(Principal Accounting Officer)

Dated: March 26, 1999

Directors:	Date
By: /s/ Irvin S. Naylor (Chairman)	
By: /s/ Horace Keesey III Horace Keesey III	March 26, 1999
By: /s/ Chloe Eichelberger	
By: /s/ Paul W. Ware Paul W. Ware	March 26, 1999
By: /s/ John L. Finlayson John L. Finlayson	March 26, 1999
By: /s/ Frank Motter	
By: /s/ George Hay Kain, III George Hay Kain, III	March 26, 1999

By: /s/ Michael W. Gang   March 26, 1999
Michael W. Gang

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Page Number of Incorporation By Reference
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).
4.6	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.
4.8	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.
4.11	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.
4.12	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.
4.13	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.
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 an Exhibit 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 an Exhibit to the Company's 1989 Form 10-K.
10.3	Articles of Agreement Between The York Water Company and Windsor Township, Yorkana	Incorporated herein by reference. Filed previously with the Securities and Exchange Commission as an

	Borough, Modern Trash Removal of York, Inc. and Lower Windsor Township Relative to Extension of Water Mains dated July 18, 1989	Exhibit to the Company's 1989 Form 10-K.
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	Page 13
13	1998 Annual Report to Shareholders	Page 14
23	Consent of Independent Auditors	Page 15
27	Financial Data Schedule	Page 16

EXHIBIT 11

THE YORK WATER COMPANY

COMMON SHARES USED IN COMPUTING EARNINGS PER SHARE

	1998	1997	1996	1995	1994
Common shares outstanding, beginning of the year	2,934,782	2,900,524	2,549,496	2,518,736	2,487,268
Weighted average					

shares issued in connection with 1996 stock subscription	-	-	66,432	-	-
Weighted average shares issued in connection with the Employee Stock Purchase Plan	1,565	1,569	1,744	1,720	1,624
Weighted average shares issued in connection with the Optional Dividend Reinvestment Plan	14,938	10,376	9,892	9,924	10,480
	2,951,285	2,912,469	2,627,564	2,530,380	2,499,372

All share data has been restated to reflect the June 1997 four-for-one stock split.

EXHIBIT 13

THE YORK WATER COMPANY

1998 ANNUAL REPORT TO SHAREHOLDERS

The York Water Company's 1998 Annual Report to Shareholders is attached hereto.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

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

We consent to incorporation by reference in the registration statements No. 2-80547 on Form S-3, No. 33-81246 on Form S-3 as amended, and No. 33-26180 on Form S-8, as amended, of The York Water Company of our report dated February 12, 1999, relating to the balance sheets of The York Water Company as of December 31, 1998 and 1997, and the related statements of income, shareholders' investment, and cash flows for each of the years in the three-year period ended December 31, 1998, which report appears in the December 31, 1998 annual report to shareholders and is incorporated by reference in the annual report on Form 10-K of The York Water Company.

We also consent to incorporation by reference in the registration statements No. 2-80547 on Form S-3, No. 33-81246 on Form S-3, as amended, and No. 33-26180 on Form S-8, as amended, of The York Water Company of our report dated February 12, 1999 relating to the financial statement schedule as listed in Item 14(a) of the Company's December 31, 1998 annual report on Form 10-K, which report appears in such annual report on Form 10-K.

KPMG LLP

Harrisburg, Pennsylvania
March 26, 1999

The York Water Company
Highlights of Our 183rd Year
<TABLE>
<CAPTION>

Summary of Operations For The Year	1998	1997	1996
<S>	<C>	<C>	<C>
Water operating revenue	$17,137,029	$16,996,706	$15,721,462
Operating expenses	9,721,428	9,678,694	9,223,227
Income taxes	1,764,927	1,641,229	1,258,704
Operating income	5,650,674	5,676,783	5,239,531
Interest expense	2,673,614	2,707,310	2,893,123
Gain on sale of land	-	-	134,117
Other income, net	158,329	150,588	279,231
Net income	3,135,389	3,120,061	2,759,756

Summary of Operations For The Year	1995	1994
<S>	<C>	<C>
Water operating revenue	$15,449,296	$14,755,707
Operating expenses	9,119,832	8,881,499
Income taxes	1,419,907	1,055,448
Operating income	4,909,557	4,818,760
Interest expense	2,738,846	2,720,535
Gain on sale of land	-	215,417
Other income, net	141,536	131,036
Net income	2,312,247	2,444,678

Per Share of Common Stock	1998	1997	1996
Book value	$10.20	$9.93	$9.65
Net income	1.06	1.07	1.05
Dividends <F1>	.93	.91	.90
Number of shares outstanding at year-end	2,979,722	2,934,782	2,900,524

Per Share of Common Stock	1996	1994
Book value	$8.54	$8.44
Net income	.92	.98
Dividends <F1>	.90	.90
Number of shares outstanding at year-end	2,549,496	2,518,736

Utility Plant	1998	1997	1996
Original cost	$102,088,220	$97,487,926	$93,492,775
Construction expenditures	4,989,967	4,500,517	4,936,816

Utility Plant	1995	1994
Original cost	$88,710,279	$83,642,650
Construction expenditures	5,256,959	6,629,903

Other	1998	1997	1996
Total assets	$102,479,091	$98,854,074	$96,736,434
Long-term debt	32,000,000	32,000,000	32,000,000

Other	1995	1994
Total assets	$90,459,706	$86,967,330
Long-term debt	32,000,000	32,000,000

</TABLE>

<F1> Cash dividends per share reflect dividends declared on shares outstanding at each dividend date.
All per share data has been restated to reflect the June 1997 four-for-one stock split.
For Management's Discussion and Analysis of Financial Condition and Results of Operations, Please Refer to Page 3.

Directors, Officers and Key Employees

Irvin S. Naylor<F1>
Chairman of the Board
Vice Chairman of Board
Cor-Box, Incorporated

William T. Morris, P.E.<F1>
President and
Chief Executive Officer
The York Water Company

Horace Keesey III<F1>
Vice Chairman of the Board
Consultant

George Hay Kain, III
Attorney at Law

Frank Motter<F1>
President
Motter Printing Press Co.

Chloe R. Eichelberger
President/Chief Executive
Officer
Chloe Eichelberger Textiles,
Inc.

Paul W. Ware<F1>
Chairman-Retired

Penn Fuel Gas, Inc.

John L. Finlayson<F2>
Vice President-Finance and
Administration
Susquehanna Pfaltzgraff Co.

Michael W. Gang<F2>
Partner
Morgan, Lewis & Bockius LLP

Directors Emeriti
Robert E. Skold
Josephine S. Appell

<F1>Members of the
Executive Committee
<F2>Alternate Members of
the Executive Committee

Staff
William T. Morris, P.E.
President and
Chief Executive Officer

Jeffrey S. Osman
Vice President-Finance
Secretary-Treasurer

Duane R. Close
Vice President-Operations

Jeffrey R. Hines, P.E.
Vice President-Engineering

Bruce C. McIntosh
Vice President-
Human Resources

Lois L. Shultz
Customer Service Manager
Assistant Secretary/
Assistant Treasurer

To Our Shareholders:

Activities in 1998 are a continuation of previous years - interesting, busy and productive. Each year when I look back, I'm always impressed with the projects and services that our talented staff and employees bring to successful conclusions.

Operating revenue for 1998 of $17,137,029 was a slight increase over 1997. Net income also increased slightly to a record high of $3,135,389. 1998 activities included: installation of a one million gallon standpipe at Shrewsbury; a final agreement to purchase the Railroad Borough water system; an agreement to sell bulk water to New Freedom Borough; the negotiation and acquisition of an $800,000 one percent PENNVEST loan for the Railroad and New Freedom Boroughs work; and numerous routine projects such as leak detection and water quality testing.

An-going project since 1997 has been the review and preparation for the year 2000 problem. Currently, close to 85% of required changes have been made. Remaining work is to be completed before June 30, 1999. Additionally, we have developed comprehensive contingency plans so that we can supply "That good York water" regardless of what happens to others on January 1, 2000.

In December 1998, we passed a major milestone. The original cost value of our utility plant now exceeds $102,000,000 compared to just ten years ago when the original cost value was approximately $51,000,000. It took 172 years in our history to reach $51,000,000, but only ten years to add the next $51,000,000.

Another milestone was the in-house development of our web site (www.yorkwater.com), which includes information on our water quality, rates and tariff rules, basic facts about service area and an e-mail service for customer comments and questions.

On January 25, 1999 your Board of Directors adopted a Shareholder Rights Plan. Although there has been no indication of an unsolicited offer, the Board of Directors felt this was necessary to ensure fair treatment of shareholders. You should have received detailed information on this Plan.

The Company's 1999 planned activities include: expansion into Conewago Township pending a lawsuit settlement against the township; expansion into Windsor Township; a modification to our raw water and finished water disinfection; the redemption of our 4.75 percent Revenue Bonds; and a request to the PaPUC for increased base rates.

In 1998 we did have a moment of sadness. Our long-term Director, Past President, Past Chairman and friend, William H. Kain, passed away August 4, 1998. Bill's efforts and hard work were an important contribution to the long-term success of our Company. His sage counsel and ready wit are missed.

Many thanks are due our management and employees who have made our Company a leader in the industry. With their help, we will continue to overcome all obstacles, exceed all expectations and to serve "That good York water" at reasonable rates and in adequate quantities for many years to come.

Respectfully submitted,

William T. Morris, P.E.
President and Chief Executive Officer

The York Water Company
Description of Business

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 Pennsylvania Public Utility Commission (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, Shrewsbury, Spring Grove and portions of the Townships of Manchester, East Manchester, West Manchester, North Codorus, Shrewsbury, North Hopewell, Hopewell, Springettsbury, Spring Garden, Conewago, Newberry, Springfield, York, Hellam, Windsor, Lower Windsor, Codorus and Jackson. The Company's service territory has an estimated population of 142,000. 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 19,488,000 gallons, and its present safe daily yield is 29,900,000 gallons.

In the area served by the Company, under the supervision of the PPUC, there are no competitors. During the five years ended in 1998, the Company has maintained an increasing growth in number of customers and distribution facilities as shown by the following chart:

	1998	1997	1996	1995	1994
Average daily consumption (gallons per day)	19,488,000	19,405,000	18,593,000	19,657,000	19,660,000
Miles of mains at year-end	671	655	641	622	597
Distribution mains installed (ft.)	85,431	77,274	78,619	84,515	91,087

Number of customers	47,173	46,458	45,800	44,879	43,830
Population served	142,000	140,700	143,000	140,000	136,000

</TABLE>

Operating revenue in 1998 is derived from the following sources and in the following percentages: Residential 58%; Commercial and Industrial, 31%; Other, 11%.

Market for Common Stock and Dividends
The common stock of The York Water Company is traded over-the-counter. Over-the-counter quotations reflect inter-dealer prices without retail mark-ups, markdown or commissions and may not necessarily represent actual transactions.
Quarterly price ranges and cash dividends per share for the last two years follow (All per share data has been restated to reflect the June 1997 four-for-one stock split):

<TABLE>
<CAPTION>

	1998			1997		
	HIGH	LOW	DIVIDEND<F1>	HIGH	LOW	DIVIDEND<F1>
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1st Quarter	$22.60	$18.50	$.230	$17.38	$16.81	$.225
2nd Quarter	21.75	19.13	.230	21.69	17.31	.225
3rd Quarter	19.00	17.37	.235	23.50	21.00	.230
4th Quarter	20.00	18.37	.235	23.00	19.25	.230

</TABLE>
<F1> 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 bid prices quoted from local newspapers.
Shareholders of record as of December 31, 1998 were 1,325.

THE COMPANY WILL PROVIDE TO SHAREHOLDERS OF RECORD, AND/OR BENEFICIAL OWNERS, UPON WRITTEN REQUEST, WITHOUT CHARGE, A COPY OF FORM 10-K AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE YEAR 1998.
Requests Should Be Made To:
LOIS L. SHULTZ - ASSISTANT SECRETARY
THE YORK WATER COMPANY
BOX 15089, YORK, PA 17405
or visit our web page at:
www.yorkwater.com

The York Water Company

Management's Discussion and Analysis of Financial Condition and

Results of Operations

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. 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; (v) general economic and business conditions which are less favorable than expected; and (vi) the Company's year 2000 issues plan. The Company does not intend to update these cautionary statements.

Results of Operations

1998 Compared with 1997

Water operating revenues for 1998 increased $140,323 or .8% over 1997. Residential consumption increased .7%, and commercial and industrial consumption increased .2% when compared to 1997.

Operating expenses, exclusive of depreciation and taxes, for 1998 decreased $25,256 or .4%. Lower workers' compensation premiums, lower maintenance costs associated with structures and mains, reduced health insurance costs to the company, and lower meter reading costs were the main reasons for the decrease. The decrease was partially offset by increased pension expense, deferred compensation costs, and year 2000 system maintenance costs.

Depreciation expense for 1998 increased $84,240 or 5.4% from 1997 to 1998 due to increased plant investment.

Federal and state income taxes for 1998 increased $123,698 or 7.5% when compared to 1997 principally as a result of an increase in taxable income.

Allowance for funds used during construction for 1998 increased $34,712 or 73.5% when compared to 1997. The increase was due to an increase in the Company's plant investment, under construction from an average of $1,900,000 in 1997 to $2,400,000 in 1998. The Southern York County main project was the primary reason for the increased plant investment.

1997 Compared with 1996

Water operating revenues for 1997 increased $1,275,244 or 8.1% over 1996. The increase resulted primarily from an increase in rates of 6.0% approved by the Pennsylvania Public Utility Commission (PPUC) effective September 5, 1996. Consumption for 1997 increased 4.5% for residential customers and decreased .8% for commercial and industrial customers compared to 1996.

Operating expenses, exclusive of depreciation and taxes, for 1997 increased $218,674 or 3.2%. Maintenance costs associated with structures, equipment, and service lines, increased Company match expenses for the 401k program, and higher power costs were the main causes of the increase. Lower workers' compensation premiums and decreased meter reading expenses partially offset the increase.

Depreciation expense for 1997 increased $181,885 or 13.3% from 1996 to 1997 due to increased plant investment.

Federal and state income taxes for 1997 increased $382,525 or 30.4% when compared to 1996 principally as a result of an increase in taxable income.

Interest on short-term debt for 1997 decreased $250,733 when compared to 1996, due to a decrease in short-term debt outstanding during 1997. The average short-term debt outstanding in 1997 and 1996 was $479,452 and $3,628,378, respectively.

Allowance for funds used during construction for 1997 decreased $64,920 or 57.9% when compared to 1996. The decrease was due to a decrease in the Company's plant investment under construction from an average of $3,900,000 in 1996 to $1,900,000 in 1997.

During 1996, the Company had a gain on sale of one parcel of land of $134,117 ($79,674 after tax). No such transaction occurred in 1997.

Other income, net for 1997 decreased $128,643 or 46.1% when compared to 1996. Other income in 1996 contained additional income on water district notes resulting from additional customers, and interest on stock subscription funds, whereas 1997 other income contained less interest on water district notes and no interest on stock subscription funds. In addition, donations were higher in 1997 than in 1996.

Rate Developments

Within the last several years the Company has filed written applications for rate increases with the PPUC and has been granted rate relief as a result of such requests. The most recent formal rate request was filed by the Company on May 9, 1996, seeking a 9.6% increase in annual revenues. Effective September 5, 1996, the PPUC authorized an increase in rates designed to produce approximately $960,000 in additional annual operating revenues, an increase of 6.0%. The Company plans to file an application for a rate increase in 1999.

Liquidity and Capital Resources

During 1998, the per capita volume of water sold did not significantly change compared to 1997. The Company does not anticipate any change in the level of water usage which would have a material impact on future results of operations.

During 1998, the Company had $4,989,967 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 (stock issued in lieu of cash dividends), and employee stock purchase plan.

The Company anticipates construction expenditures for 1999 and 2000 of approximately $4,974,000 and $8,270,000, respectively. The Company plans to finance such expenditures with internally generated funds, customers' advances, short-term borrowings, proceeds from the issuance of common stock under its dividend reinvestment plan (stock issued in lieu of cash dividends) and employee stock purchase plan, and a Pennvest loan.

The Company anticipates that it will submit an application in the future with the PPUC proposing increases in rates to provide a fair rate of return on the capital expenditures associated with its 1998 and 1999 construction projects.

During 1998, net cash provided by operating activities exceeded cash used in investing and financing activities. The Company anticipates that during 1999 net cash used in investing and financing activities will exceed net cash provided by operating activities. 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, and customers' advances are used to satisfy the need for additional cash.

As of December 31, 1998, current assets exceeded current liabilities by $983,121. As of December 31, 1997, current assets exceeded current liabilities by $488,649. Short-term borrowings from lines of credit as of December 31, 1998 and 1997 were $0 and $843,000, respectively. The Company maintains lines of credit aggregating $20,000,000. Loans granted under these lines of credit bear interest based on the prime or LIBOR rates plus basis points, as defined. The Company is not required to maintain compensating balances on its lines of credit.

During 1998, the Company's dividend payout ratios relative to net income and cash provided by operating activities were 87.5% and 44.2%, respectively. The Company believes that these payout ratios are appropriate.

Shareholders' investment as a percent of total capitalization was 48.7% as of December 31, 1998 compared with 47.7% as of December 31, 1997.

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.

Year 2000

This statement constitutes a year 2000 readiness disclosure by The York Water Company, under the Year 2000 Information and Readiness Disclosure Act.

The Company is aware of the issues associated with the programming code in existing computer systems as the millennium (year 2000) approaches. The "year 2000" issue is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

The Company has done an inventory of programs and has developed a plan, including a timetable, for solving and testing year 2000 issues.

The Company has identified three areas that do have year 2000 compliance issues: Accounting, communications and embedded technology.

As far as accounting, the Company will be replacing all of its current software. The software upgrade is approximately 50% complete and is expected to be completely installed by the end of second quarter 1999. This will allow for testing and adjustments to be made through the remainder of 1999. Current software will be used in the event something unanticipated occurs with the software upgrade.

The Company's electronic communications review has been completed and all necessary changes have been made. Only slight modifications were required.

In the area of embedded technology, the Company is working with the manufacturers of all our time-sensitive equipment to make sure the date field in the software has been located and updated to accept a four-digit date. The Company has identified filter plant control units, PC's, burglar alarms, and the check encoder as some of the items to be addressed for year 2000 problems. The Company expects to solve problems and test solutions in this area by the end of June 1999.

As of December 1998, the Company incurred costs of approximately $37,000, and estimates total costs of year 2000 remediation efforts to reach $80,000.

While the Company anticipates that critical vendors and suppliers will be year 2000 compliant, contingency plans will be put in place so that water service to customers will not be interrupted. In one of our most critical areas, energy, the

Company already has emergency power generators installed as backups at most locations. Those locations which currently have no emergency backup, will have alternate energy sources by the year 2000.

Impact of Recent Accounting Pronouncements

During the year, the Company adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", No. 131, "Disclosures About Segments of an Enterprise and Related Information", No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits", and No. 133, "Accounting for Derivative Instruments and Hedging Activities". Adoption of these statements did not have a material effect on the Company's financial position, results of operations, or liquidity.

In January 1997, the Securities and Exchange Commission amended regulations and forms, including regulations S-X and S-K, to clarify and expand existing disclosure requirements about accounting policies for certain derivative instruments, and to add new disclosure requirements about the risk of loss from changes in market rates or prices which are inherent in derivatives. Adoption by the Company of the disclosure requirements relating to risk of loss, which requirements are effective for fiscal years ending after June 15, 1998, did not have a material effect on the Company's financial statements.

Balance Sheets

	December 31	
Assets	1998	1997
UTILITY PLANT, at original cost	$102,088,220	$97,487,926
Less-Reserve for depreciation	15,687,003	14,332,890
	86,401,217	83,155,036
OTHER PHYSICAL PROPERTY:		
Less-Reserve for depreciation of		
$70,457 in 1998 and $65,193 in 1997	495,267	498,859
CURRENT ASSETS:		
Cash and Cash Equivalents	257,706	-
Receivables, less reserves of		
$120,000 in 1998 and $110,000 in 1997	2,481,799	2,540,075
Recoverable income taxes	-	547,182
Materials and supplies, at cost	361,400	337,837
Prepaid expenses	174,888	190,314
Deferred income taxes (Note 3)	81,836	75,017
	3,357,629	3,690,425
OTHER LONG-TERM ASSETS:		
Prepaid pension cost (Note 6)	1,826,514	1,732,394
Deferred debt expense	406,277	440,163
Deferred rate case expense	4,820	57,055
Notes receivable (Note 7)	813,075	913,934

Deferred regulatory assets (Note 1)	7,959,948	7,287,799
Other	1,214,344	1,078,409
	12,224,978	11,509,754
	$102,479,091	$98,854,074

Capitalization and Liabilities

CAPITALIZATION:		
Common stock, no par value, authorized 6,000,000 shares, outstanding 2,979,722 shares in 1998 and 2,934,782 shares in 1997 (Note 5)	$ 27,292,726	$26,453,873
Earnings retained in the business.	3,087,710	2,696,913
	30,380,436	29,150,786
Long-term debt (Note 4)	32,000,000	32,000,000
	62,380,436	61,150,786
CURRENT LIABILITIES:		
Short-term borrowings (Note 4)	-	843,000
Accounts payable..	290,179	551,402
Dividends payable.	506,415	488,483
Accrued taxes.	347,244	115,073
Advance water revenues	216,478	182,118
Accrued interest	675,761	675,761
Other accrued expenses	338,431	345,939
	2,374,508	3,201,776
DEFERRED CREDITS:		
Customers' advances for construction (Note 7).	16,689,050	16,219,638
Contributions in aid of construction .	7,080,610	5,861,487
Deferred income taxes (Note 3)	10,967,235	9,807,788
Deferred regulatory liabilities (Note 1).	1,681,584	1,572,985
Deferred employee benefits	1,305,668	1,039,614
	37,724,147	34,501,512
	$102,479,091	$98,854,074

The accompanying notes are an integral part of these statements.

<TABLE>
<CAPTION>Statements of Income

<S>	Year Ended December 31 1998 <C>	1997 <C>	1996 <C>
WATER OPERATING REVENUES:			
Residential	$10,015,871	$ 9,975,226	$ 9,273,216
Commercial and industrial	5,303,237	5,293,730	4,925,781
Other	1,817,921	1,727,750	1,522,465
	17,137,029	16,996,706	15,721,462
OPERATING EXPENSES:			

Operation and maintenance	3,930,387	3,826,546	3,616,765
Administrative and general	3,115,287	3,244,384	3,235,491
	7,045,674	7,070,930	6,852,256
Depreciation	1,636,578	1,552,338	1,370,453
Taxes other than income taxes	1,039,176	1,055,426	1,000,518
Federal and state income taxes (Note 3)	1,764,927	1,641,229	1,258,704
	11,486,355	11,319,923	10,481,931
Operating income	5,650,674	5,676,783	5,239,531
INTEREST EXPENSE AND OTHER INCOME:			
Interest on long-term debt (Note 4)	2,718,950	2,718,950	2,718,950
Interest on short-term debt (Note 4)	36,605	35,589	286,322
Allowance for funds used during construction	(81,941)	(47,229)	(112,149)
Gain on sale of land	-	-	(134,117)
Other income, net	(158,329)	(150,588)	(279,231)
	2,515,285	2,556,722	2,479,775
Net income	$ 3,135,389	$ 3,120,061	$ 2,759,756
Earnings per share (Note 5)	$1.06	$1.07	$1.05

Statements of Shareholders' Investment

	Common Stock	Earnings Retained In The Business
Balance, January 1, 1996	$19,927,785	$1,843,982
Net income	-	2,759,756
Cash dividends ($.90 per share)	-	(2,376,620)
Issuance of common stock under dividend reinvestment plan	436,433	-
Issuance of common stock under employee stock purchase plan	79,502	-
Issuance of 319,924 shares of common stock (Note 5)	5,331,919	-
Balance, December 31, 1996	25,775,639	2,227,118
Net income	-	3,120,061
Cash dividends ($.91 per share)	-	(2,650,266)
Issuance of common stock under dividend reinvestment plan	596,552	-
Issuance of common stock under employee stock purchase plan	81,682	-
Balance, December 31, 1997	26,453,873	2,696,913
Net income	-	3,135,389
Cash dividends ($.93 per share)	-	(2,744,592)
Issuance of common stock under dividend reinvestment plan	759,823	-

Issuance of common stock under employee stock purchase plan	79,030	-
Balance, December 31, 1998	$27,292,726	$3,087,710

The accompanying notes are an integral part of these statements.
</TABLE>

<TABLE>
<CAPTION>
Statements of Cash Flows

<S>	Year Ended December 31 1998 <C>	1997 <C>	1996 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$3,135,389	$3,120,061	$ 2,759,756
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of land . .	-	-	(134,117)
Depreciation	1,636,578	1,552,338	1,370,453
Provision for losses on accounts receivable. .	109,500	97,923	73,201
Increase in deferred income taxes (including regulatory assets and liabilities).	589,078	634,065	552,557
Changes in assets and liabilities:			
Increase in accounts receivable.	(51,224)	(114,488)	(153,582)
Decrease (increase) in recoverable income taxes	547,182	(387,979)	(63,080)
Increase in materials and supplies	(23,563)	(35,016)	(3,184)
Increase in prepaid expenses and prepaid pension costs	(78,694)	(21,020)	(256,058)
Increase in accounts payable, accrued expenses, other liabilities and deferred employee benefits	49,615	255,168	245,921
Increase (decrease) in accrued interest and taxes	232,171	(2,595)	61,335
Decrease (increase) in other assets.	60,986	(6,435)	(142,980)
Net Cash Provided by Operating Activities .	6,207,018	5,092,022	4,310,222
CASH FLOWS FROM INVESTING ACTIVITIES:			

Acquisitions of temporary investments.	(12,555,000)	(5,878,000)	(101,000)
Maturities of temporary investments.	12,555,000	5,878,000	101,000
Proceeds from the sale of land	-	-	191,700
Costs incurred related to the sale of land . .	-	-	(57,583)
Construction expenditures.	(4,989,967)	(4,500,517)	(4,936,816)
Customers' advances for construction and contributions in aid of construction.	1,688,535	1,003,522	587,064
Net Cash Used in Investing Activities .	(3,301,432)	(3,496,995)	(4,215,635)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net repayments under line-of-credit agreements . .	(843,000)	(394,000)	(2,927,000)
Issuance of 319,924 shares of common stock . .	-	-	5,331,919
Issuance of common stock under dividend reinvestment plan	759,823	596,552	436,433
Issuance of common stock under employee stock purchase plan	79,030	81,682	79,502
Dividends paid	(2,744,592)	(2,650,266)	(2,376,620)
Decrease in notes receivable	100,859	76,514	55,670
Net Cash (Used in) Provided by Financing Activities.	(2,647,880)	(2,289,518)	599,904
Net increase (decrease) in cash and cash equivalents	257,706	(694,491)	694,491
Cash and cash equivalents at beginning of year	-	694,491	-
Cash and cash equivalents at end of year . . .	$ 257,706	$ -	$ 694,491
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest, net of amounts capitalized	$2,668,298	$2,712,436	$2,934,054
Income taxes	935,689	1,492,592	874,388

The accompanying notes are an integral part of these statements.
</TABLE>

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

Depreciation, Amortization, Maintenance and Repairs-

The straight-line remaining life method is used to compute depreciation on utility plant cost. The effective rate of depreciation was 2.10% in 1998, 2.09% in 1997 and 1.99% in 1996 on average utility plant, net of customers' advances and contributions. Larger depreciation provisions are deducted for tax purposes.

During the second quarter of 1996, the Company revised its estimates of remaining useful lives of the utility plant based on an external engineering study. The effect of applying these new lives was to reduce 1996 depreciation expense by approximately $283,000, increase 1996 operating income and 1996 net income by approximately $187,000 and 1996 net income per share by approximately $.07.

Annual provisions for depreciation of transportation and mechanical equipment included in utility plant are computed on a straight-line basis over the estimated service lives. Such provisions are charged to clearing accounts and apportioned therefrom to operating expenses and other accounts in accordance with the Uniform System of Accounts as prescribed by the PPUC.

The Company charges to maintenance expense the cost of repairs and replacements and renewals of less than units 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.

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

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 over two years as specified by the PPUC for ratemaking 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 (see also Note 7). 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 amounts of existing assets and liabilities and their respective tax bases and operating loss 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.

The Company is also required to recognize deferred regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences previously flowed through to customers reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

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 loan 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.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of-

The Company adopted the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," on January 1, 1996. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Adoption of this Statement did not have a material impact on the Company's financial position, results of operations, or liquidity.

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 AFUDC rate was 10.04% for 1998, 1997, and 1996.

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.

2. Rate Increases
The Company has increased rates as approved by the PPUC in September 1996 (6.0%).

Notes to Financial Statements (Continued)

3. Income Taxes

The provisions for income taxes consist of:

	1998	1997	1996
Federal current..	$ 790,645	$ 838,367	$ 570,390
State current....	191,738	168,797	111,026
Federal deferred.	728,140	626,113	523,452
State deferred...	91,608	84,284	50,834
Federal investment tax credit, net of current utilization.....	(37,204)	(76,332)	3,002
Total income taxes...........	$1,764,927	$1,641,229	$1,258,704

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

	1998	1997	1996
Statutory Federal tax provision.......	$1,666,107	$1,618,839	$1,360,298
Reversal of taxes related to rate cases......	17,760	29,012	(33,961)
Tax-exempt interest........	(39,084)	(39,968)	(53,421)
Effect of depreciation flowed through..	(44,933)	(32,921)	(54,906)
Effect of cost of removal flowed through.........	(18,759)	(19,835)	(19,603)
Amortization of investment tax credit..........	(38,185)	(37,765)	(38,495)
Tank painting expenses........	-	(37,308)	-

State income taxes, net of Federal benefit.	187,008	167,033	106,828
Debt issuance expenses........	10,356	-	-
Other, net.......	24,657	(5,858)	(8,036)
Total income taxes...........	$1,764,927	$1,641,229	$1,258,704

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, 1998 and 1997 are summarized in the following table:

	1998	1997
Deferred tax assets:		
Allowance for doubtful accounts	$ 81,836	$ 75,017
Deferred compensation	648,423	521,228
Customers' advances and contributions	4,282,918	4,444,641
Alternative minimum tax credit carryforward	1,153,627	1,007,001
Other	30,462	30,504
Total gross deferred tax assets	6,197,266	6,078,391
Less valuation allowance	-	-
Total deferred tax assets	6,197,266	6,078,391
Deferred tax liabilities:		
Accelerated depreciation	15,680,144	14,457,391
Investment tax credit	388,821	400,652
Pension income	1,013,700	953,119
Total deferred tax liabilities	17,082,665	15,811,162
Net deferred tax liability	$10,885,399	$ 9,732,771
Reflected on balance sheets as:		
Current deferred tax asset	$ 81,836	$ 75,017
Noncurrent deferred tax liability	(10,967,235)	(9,807,788)
Net deferred tax		

liability	$(10,885,399)	$(9,732,771)

No valuation allowance is required for deferred tax assets as of December 31, 1998 and 1997. In assessing the realizability 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.

During 1996, the Company recorded a gain on sale of land of $134,117. Federal and state income taxes relative to the gain amounted to $54,443.

4. Borrowings

Long-term debt as of December 31, 1998 and 1997 is summarized in the following table:

	1998	1997
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
4.75% Industrial Development Authority Revenue Refunding Bonds, Series 1994, due 2009....	2,700,000	2,700,000
5% Industrial Development Authority Revenue Refunding Bonds, Series 1995, due 2010.....	4,300,000	4,300,000
	$32,000,000	$32,000,000

The Company maintains lines of credit aggregating $20,000,000. Loans granted under these lines as of December 31, 1998 bear interest based on the prime or LIBOR rate plus basis points, as defined. There were no short-term borrowings as of December 31, 1998 and $843,000 of short-term borrowings as of December 31, 1997. The weighted average interest rate on short-term borrowings outstanding as of December 31, 1997 was 7.41%. All of the lines of credit expire within one year, and all are payable upon demand. The Company is not required to maintain compensating balances on its lines of credit.

The 4.75% Industrial Development Authority Revenue Refunding Bonds Series 1994 have mandatory tender dates of May 15, 1999 and May 15, 2004. The 5% Industrial Development Authority Revenue Refunding Bonds Series 1995 have mandatory tender dates of June 1, 2000 and June 1, 2005. The Company is required to purchase any unremarketed 1994 and 1995 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, 1998, none of the earnings retained in the business are restricted under these provisions.

5. Common Stock and Earnings Per Share

Earnings per share are based upon the weighted average number of shares outstanding of 2,951,285 in 1998; 2,912,469 in 1997; and 2,627,564 in 1996. The Company does not have dilutive securities.

During 1997, amendments to the existing Articles of Incorporation were approved. The amendments (i) increased the authorized capital stock of the Company from 1,200,000 shares of common stock, par value $10.00 to 6,500,000 shares (6,000,000 shares of common stock, without par value, and 500,000 shares of Series Preferred Stock, without par value); (ii) eliminated the concept of par value of the capital stock; and (iii) deleted certain provisions relating to dividends on common stock in order to allow for possible future issuance of Series Preferred Stock.

Also, during 1997, the Board of Directors declared a four-for-one stock split for shareholders of record on June 2, 1997, in conjunction with the increase in authorized shares. The stock was distributed on June 10, 1997. Shareholders of record received three additional shares of common stock for each share owned. The transaction had no effect on total shareholders' equity, but caused a restatement of all per share amounts included in this annual report for periods prior to the split. The Board of Directors also approved an increase in the number of authorized shares for both the Employee Stock Purchase Plan and the Dividend Reinvestment Program by a factor of four to reflect the stock split.

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). As of December 31, 1998, 44,156 shares have been issued under the plan.

During 1997, the Company's Board of Directors approved an increase in the number of authorized shares of common stock under the plan to 90,000 shares.

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). As of December 31, 1998, 382,198 shares of the 480,000 shares authorized have been issued.

On August 8, 1996, the Company offered to holders of its common stock non-transferable subscription rights to purchase common stock. On September 16, 1996, subscription rights to purchase 319,924 shares (restated to reflect the June 1997 four-for-one stock split) were exercised.

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 $16.50 plus 1 1/2% of final average monthly earnings in excess of $400. The Company's funding policy is to contribute annually the maximum amount permitted by the Employee Retirement Income Security Act of 1974, as amended.

The following table sets forth the plans' funded status and amounts recognized in the Company's balance sheets as of December 31, 1998 and 1997. The measurement of assets and obligations of the plans is as of December 31, 1998 and 1997.

	1998	1997
Pension benefit obligations beginning of year	$ 8,916,175	$ 7,805,600
Service cost	319,765	256,840
Interest cost	627,227	551,189
Increase due to actuarial loss	1,654,679	633,770
Benefit payments	(350,851)	(331,224)
Pension benefit obligation end of year	$11,166,995	$ 8,916,175
Fair value of plan assets beginning of year	$12,512,833	$11,163,660
Actual return on plan assets	2,353,265	1,680,397
Benefits paid	(350,851)	(331,224)
Fair value of plan assets end of year	$14,515,247	$12,512,833
Funded status	$ 3,348,252	$ 3,596,658
Unrecognized transition asset	(654,333)	(860,333)
Unrecognized net prior		

service cost	247,285	274,002
Unrecognized net gain	(1,114,690)	(1,277,933)
Prepaid pension cost as of December 31, 1998 and 1997	$ 1,826,514	$1,732,394

Net periodic pension income for 1998, 1997 and 1996 included the following components:

	1998	1997	1996
Service cost-benefits earned during the year	$ 319,765	$ 256,840	$ 247,100
Interest cost on projected benefit obligation	627,227	551,189	500,970
Expected return on plan assets	(861,829)	(768,314)	(711,457)
Amortization of transition asset	(206,000)	(206,000)	(206,000)
Amortization of prior service cost	26,717	26,717	19,339
One-time charge for early retirement window	-	87,460	-
Net periodic pension income	$ (94,120)	$ (52,108)	(150,048)

Included in net periodic pension income for 1997 is a one-time charge for an early retirement incentive of $87,460.

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 6.0% in 1998 and 6.5% in 1997. The rate of increase in future compensation levels was 4%. The expected long-term rate of return on assets was 7%.

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 50% of the participant's contribution, up to a maximum annual Company contribution of $500 for the union represented employees and $1,000 for the general and administrative employees. Contributions to the plan amounted to $51,446 in 1998, $52,526 in 1997 and $28,210 in 1996.

7. Notes Receivable

The Company has entered into agreements with 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 to the Company in the form of customers' advances for construction. The municipalities are required to charge application fees and water revenue surcharges (fees) to customers connected to the system which are remitted to the Company. The 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 $96,199 in 1998, $98,382 in 1997 and $152,979 in 1996 on these notes.

Included in the accompanying balance sheets at December 31, 1998 and 1997 were the following amounts related to these projects.

	1998	1997
Notes receivable, including interest	$ 618,528	$ 714,025
Customers' advances for construction	2,419,446	2,433,568

The Company has other notes receivable totaling $194,547 and $199,909 in 1998 and 1997, respectively.

The Company has other customers' advances for construction totaling $14,269,604 and $13,786,070 in 1998 and 1997, respectively.

8. Capital Commitments

The estimated funds needed for the Company's construction program for 1999 are $4,974,000. The Company plans to finance such 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.

9. Commitments and Contingent Liabilities

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 or results of operations.

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 $32,000,000 at December 31, 1998 and 1997, had an estimated fair value of approximately $41,000,000 in 1998 and $37,800,000 in 1997. The weighted average rates used to calculate the carrying value were based on the 30-year Treasury Bond yield. The 1998 and 1997 rates were 6.21% and 7.01%, respectively.

The Company's customers' advances for construction and notes receivable have carrying values at December 31, 1998 of $16,689,050 and $813,075, respectively. The carrying values at December 31, 1997 were $16,219,638 for customers' advances for construction and $913,934 for notes receivable. The relative fair values of these amounts cannot be accurately estimated since future payment streams are dependent upon several factors, including new customer connections, customer consumption levels and future rate increases.

11. Subsequent Events - 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.

Independent Auditors' Report

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

We have audited the accompanying balance sheets of The York Water Company as of December 31, 1998 and 1997, and the related statements of income, shareholders' investment, and cash flows for each of the years in the three-year period ended December 31, 1998. 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 generally accepted auditing standards. 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The York Water Company as of December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Harrisburg, PA
February 12, 1999

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