UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2005

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ____________________ to _______________________

Commission File Number 1-6659

AQUA AMERICA, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	23-1702594
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania	19010-3489
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (610)-527-8000

(Former Name, former address and former fiscal year, if changed since last report.)

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 20, 2005.

95,796,874.

Part I - Financial Information

Item 1. Financial Statements

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except per share amounts)

(UNAUDITED)

Assets	March 31, 2005	December 31, 2004
Property, plant and equipment, at cost	$ 2,659,056	$ 2,626,151
Less accumulated depreciation	570,257	556,339
Net property, plant and equipment	2,088,799	2,069,812
Current assets:		
Cash and cash equivalents	17,415	13,116
Accounts receivable and unbilled revenues, net	57,180	64,538
Inventory, materials and supplies	7,257	6,903
Prepayments and other current assets	4,461	5,570
Total current assets	86,313	90,127
Regulatory assets	112,876	110,993
Deferred charges and other assets, net	51,185	52,120
Funds restricted for construction activity	9,379	17,196
	$ 2,348,552	$ 2,340,248
Liabilities and Stockholders' Equity		
Stockholders' equity:		
Common stock at $.50 par value, authorized 300,000,000 shares, issued 96,433,749 and 96,071,580 in 2005 and 2004	$ 48,217	$ 48,036
Capital in excess of par value	473,529	468,524
Retained earnings	251,575	245,115
Minority interest	1,296	1,237
Treasury stock, 684,044 and 686,747 shares in 2005 and 2004	(12,638)	(12,702)
Accumulated other comprehensive loss	(1,742)	(1,742)
Total stockholders' equity	760,237	748,468
Long-term debt, excluding current portion	811,000	784,461
Commitments	-	-
Current liabilities:		
Current portion of long-term debt	29,211	50,195
Loans payable	78,968	85,115
Accounts payable	11,853	23,534
Accrued interest	10,156	12,029
Accrued taxes	19,596	8,975
Other accrued liabilities	33,209	37,534
Total current liabilities	182,993	217,382
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	222,186	223,887
Customers' advances for construction	73,338	73,095
Other	15,715	15,147
Total deferred credits and other liabilities	311,239	312,129
Contributions in aid of construction	283,083	277,808
	$ 2,348,552	$ 2,340,248

See notes to consolidated financial statements on page 6 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Operating revenues	$ 113,988	$ 99,768
Costs and expenses:		
Operations and maintenance	47,309	41,831

Depreciation	14,683	13,674
Amortization	1,228	670
Taxes other than income taxes	7,997	7,149
	71,217	63,324
Operating income	42,771	36,444
Other expense (income):		
Interest expense, net	12,795	11,802
Allowance for funds used during construction	(364)	(609)
Gain on sale of other assets	(481)	(450)
Income before income taxes	30,821	25,701
Provision for income taxes	11,950	10,126
Net income	$ 18,871	$ 15,575
Net income	$ 18,871	$ 15,575
Other comprehensive income (loss), net of tax:		
Unrealized gain on securities	-	59
Reclassification adjustment for gains reported in net income	-	(230)
Comprehensive income	$ 18,871	$ 15,404
Net income per common share:		
Basic	$ 0.20	$ 0.17
Diluted	$ 0.20	$ 0.17
Average common shares outstanding during the period:		
Basic	95,521	92,688
Diluted	96,665	93,806
Cash dividends declared per common share	$ 0.13	$ 0.12

See notes to consolidated financial statements on page 6 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands of dollars, except per share amounts)

(UNAUDITED)

	March 31, 2005	December 31, 2004
Stockholders' equity:		
Common stock, $.50 par value	$ 48,217	$ 48,036
Capital in excess of par value	473,529	468,524
Retained earnings	251,575	245,115
Minority interest	1,296	1,237
Treasury stock	(12,638)	(12,702)
Accumulated other comprehensive loss	(1,742)	(1,742)
Total stockholders' equity	760,237	748,468
Long-term debt:		
Long-term debt of subsidiaries (substantially secured by utility plant):		
Interest Rate Range		
0.00% to 2.49%	19,833	20,051
2.50% to 2.99%	29,563	29,924
3.00% to 3.49%	17,481	17,546
3.50% to 3.99%	7,054	7,123
4.00% to 4.99%	9,435	9,435
5.00% to 5.49%	165,615	165,615
5.50% to 5.99%	89,260	89,260
6.00% to 6.49%	110,360	110,360
6.50% to 6.99%	42,000	42,000
7.00% to 7.49%	27,971	45,105
7.50% to 7.99%	25,178	25,231

8.00% to 8.49%	26,664	26,714
8.50% to 8.99%	9,000	9,000
9.00% to 9.49%	47,244	53,244
9.50% to 9.99%	41,593	42,088
10.00% to 10.50%	6,000	6,000
	674,251	698,696
Notes payable, 6.05%, due 2006	960	960
Unsecured notes payable, 4.87%, maturing in various installments through 2023	135,000	135,000
Unsecured notes payable, 5.01%, due 2015	18,000	-
Unsecured notes payable, 5.20%, due 2020	12,000	-
	840,211	834,656
Current portion of long-term debt	29,211	50,195
Long-term debt, excluding current portion	811,000	784,461
Total capitalization	$ 1,571,237	$ 1,532,929

See notes to consolidated financial statements on page 6 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY
(In thousands of dollars)

(UNAUDITED)

	Common Stock	Capital in excess of par value	Retained earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2004	$48,036	$468,524	$245,115	$(12,702)	$ (1,742)	$747,231
Net income	-	-	18,871	-	-	18,871
Dividends	-	-	(12,411)	-	-	(12,411)
Sale of stock (97,863 shares)	45	1,919	-	188	-	2,152
Repurchase of stock (5,049 shares)	-	-	-	(124)	-	(124)
Equity Compensation Plan (22,000 shares)	11	537	-	-	-	548
Exercise of stock options (250,058 shares)	125	2,549	-	-	-	2,674
Balance at March 31, 2005	$48,217	$473,529	$251,575	$(12,638)	$ (1,742)	$758,941

See notes to consolidated financial statements on page 6 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)

(UNAUDITED)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Cash flows from operating activities:		
Net income	$ 18,871	$ 15,575
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	15,911	14,344
Deferred income taxes	740	3,595
Gain on sale of other assets	(481)	(450)
Net decrease (increase) in receivables, inventory and prepayments	14,421	(178)
Net decrease in payables, accrued interest, accrued taxes and other accrued liabilities	(8,942)	(653)
Other	(1,527)	736
Net cash flows from operating activities	38,993	32,969
Cash flows from investing activities:		

Property, plant and equipment additions, including allowance for funds used during construction of $364 and $609	(34,341)	(29,134)
Acquisitions of water and wastewater systems, net	(1,661)	(1,277)
Proceeds from the sale of other assets	484	1,215
Net decrease in funds restricted for construction activity	7,817	4,516
Other	(52)	(231)
Net cash flows used in investing activities	(27,753)	(24,911)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	2,559	1,712
Repayments of customers' advances	(1,001)	(676)
Net proceeds (repayments) of short-term debt	(6,147)	18,935
Proceeds from long-term debt	29,918	5,689
Repayments of long-term debt	(24,583)	(23,041)
Proceeds from issuing common stock	4,848	3,433
Repurchase of common stock	(124)	(79)
Dividends paid on common stock	(12,411)	(11,120)
Other	-	-
Net cash flows from financing activities	(6,941)	(5,147)
Net increase in cash and cash equivalents	4,299	2,911
Cash and cash equivalents at beginning of period	13,116	10,757
Cash and cash equivalents at end of period	$ 17,415	$ 13,668

See notes to consolidated financial statements on page 6 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 1 Basis of Presentation

The accompanying consolidated balance sheet and statement of capitalization of Aqua America, Inc. at March 31, 2005, the consolidated statements of income and comprehensive income, and cash flow for the three months ended March 31, 2005 and 2004, and the consolidated statement of common stockholders' equity for the three months ended March 31, 2005, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the changes in common stockholders' equity, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Aqua America Annual Report on Form 10-K for the year ended December 31, 2004. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year. Certain prior year amounts have been reclassified to conform with current year's presentation.

Note 2 Long-term Debt and Loans Payable

In February 2005, Aqua America issued $30,000 of unsecured notes of which $18,000 are due in 2015 with an interest rate of 5.01% and $12,000 are due in 2020 with an interest rate of 5.20%. The proceeds of this financing were used to refinance existing short-term debt.

Note 3 Stockholders' Equity

Aqua America reports other comprehensive income in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." The following table summarizes the activity of accumulated other comprehensive income (loss):

	2005	2004
Balance at January 1,	$(1,742)	$ 171
Unrealized holding gain arising during the period, net of tax of $32 in 2004	-	59
Less: reclassification adjustment for gains included in net income, net of tax of $173 in 2004	-	(230)
Other comprehensive income (loss), net of tax	-	(171)
Balance at March 31,	$(1,742)	$ -

Note 4 Net Income per Common Share

Basic net income per common share is based on the weighted average number of common shares outstanding. Diluted net income per common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock options is included in the computation of diluted net income per common share. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per common share:

	Three Months Ended March 31,	
	2005	2004
Average common shares outstanding during the period for basic computation	95,521	92,688
Dilutive effect of employee stock options	1,144	1,118
Average common shares outstanding during the period for diluted computation	96,665	93,806

For the quarter ended March 31, 2005, employee stock options outstanding to purchase 622,400 shares of common stock were excluded from the calculation of diluted net income per share as the options' exercise price was greater than the average market price of the Company's common stock during this period. For the three months ended March 31, 2004, there were no outstanding employee stock options excluded from the calculation of diluted net income per share as the average market price of the Company's common stock was greater than the options' exercise price.

Note 5 Stock-Based Compensation

Aqua America currently accounts for stock-based compensation using the intrinsic value method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense related to granting of stock options has been recognized in the financial statements for stock options that have been granted, as the grant price is equal to the market price on the date of grant. Please refer to Note 8 - Recent Accounting Pronouncements for information concerning changes to Aqua America's accounting for stock-based compensation. Pursuant to the current disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, pro forma net income and earnings per share are presented in the following table as if compensation cost for stock-based employee compensation was determined as of the grant date under the fair value method:

(In thousands of dollars, except per share amounts) (continued)

	Three Months Ended March 31,	
	2005	2004
Net income, as reported:	$ 18,871	$ 15,575
Add: stock-based employee compensation expense included in reported net income, net of tax	58	32
Less: pro forma expense related to stock options granted, net of tax effects	(503)	(489)
Pro forma	$ 18,426	$ 15,118
Basic net income per share:		
As reported	$ 0.20	$ 0.17
Pro forma	0.19	0.16
Diluted net income per share:		
As reported	$ 0.20	$ 0.17
Pro forma	0.19	0.16

The fair value of options at the date of grant was estimated using the Black-Scholes option-pricing model.

Note 6 Pension Plans and Other Postretirement Benefits

The Company maintains a qualified, defined benefit plan, nonqualified pension plans and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values provided by independent actuaries. The following tables provide the components of net periodic benefit costs:

	Pension Benefits	
	Three Months Ended March 31,	
	2005	2004
Service cost	$ 1,260	$ 1,078
Interest cost	2,483	2,378
Expected return on plan assets	(2,385)	(2,292)
Amortization of transition obligation (asset)	(53)	(52)
Amortization of prior service cost	100	105
Amortization of actuarial loss	423	252
Capitalized costs	(429)	(237)
Net periodic benefit cost	$ 1,399	$ 1,232

Other
Postretirement Benefits

(In thousands of dollars, except per share amounts) (continued)

	Three Months Ended March 31,	
	2005	2004
Service cost	$ 330	$ 278
Interest cost	483	456
Expected return on plan assets	(313)	(272)
Amortization of transition obligation (asset)	200	201
Amortization of prior service cost	(15)	(14)
Amortization of actuarial loss	55	31
Amortization of regulatory asset	38	34
Capitalized costs	(173)	(149)
Net periodic benefit cost	$ 605	$ 565

The Company expects to contribute $878 to its defined benefit pension plan during 2005 and intends to fund its estimated 2005 contribution of $6,400 in 2006. In addition, the Company expects to contribute approximately $2,804 for the funding of its other postretirement benefits.

Note 7 Water and Wastewater Rates

In April 2005, the Company's operating subsidiaries in Illinois and North Carolina's Heater division were granted rate increases intended to increase total revenue on an annual basis by approximately $1,287 and $1,489, respectively.

Note 8 Recent Accounting Pronouncements

In March 2005, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," which clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Aqua America intends to adopt this standard as required in 2006. Aqua America is currently evaluating the provisions of this statement and has not yet determined the effect of adoption on its results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which revises SFAS No. 123, "Accounting for Stock-based Compensation," and supersedes APB No. 25, "Accounting for Stock Issued to Employees." In April 2005, the effective date for this standard was changed to require adoption of the standard at the beginning of the next fiscal year after June 15, 2005. As noted in Note 5 - Stock-based Compensation, the Company currently provides pro forma disclosure of its compensation costs associated with the fair value of stock options that have been granted. The Company currently accounts for stock-based compensation associated with stock options using the intrinsic method, and accordingly, no compensation costs have been recognized in its consolidated financial statements. SFAS 123R generally requires that we measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. The fair value of the option grant will be estimated using an option-pricing model. The Company is currently evaluating this standard to determine the impact on its consolidated financial statements, including the selection of an appropriate option-pricing model as permitted under SFAS No. 123R, and the method by which we will adopt SFAS No. 123R. The impact of adoption of SFAS No.

123R on the Company's earnings cannot be predicted at this time because it will depend on a number of variables including the level of share-based payments granted in the future. However, had the Company adopted SFAS No. 123R in prior periods, the impact of the standard would not have been materially different from the impact of SFAS 123 as described in the disclosure of pro forma net income and net income per share in Note 5 - Stock-based Compensation. The Company believes the adoption will have no impact on its overall financial position or cash flow, but will result in the reclassification of related tax benefits from operating cash flow to financing cash flow to the extent these tax benefits exceed the associated compensation cost recognized in the income statement. The Company is currently evaluating the change in the cash flow reporting and has not yet determined the effect of adoption on our cash flow statement presentation.

In November 2004, the FASB approved Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs - An Amendment of ARB No. 43, Chapter 4." SFAS No. 151 requires the exclusion of certain costs from inventories and the allocation of fixed production overheads to inventories to be based on the normal capacity of the production facilities. The standard is effective for the Company for costs incurred after December 31, 2005. The Company believes this statement will not have a material impact on its results of operations or financial position.

In November 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29." SFAS No. 153 eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005. The Company believes this statement will not have a material impact on its results of operations or financial position.

On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law. Among other provisions, the AJCA creates a new deduction for qualified domestic production activities. Certain activities of the Company, such as our water treatment activity, are considered as qualifying production activities for purposes of determining the deduction for qualified production activities. In December 2004, the FASB issued FSP 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." In accordance with FSP 109-1, the Company will treat the deduction for qualified domestic production activities as a reduction of the income tax provision in the period as realized. The Company adopted this statement in the first quarter of 2005 and the effect was to reduce the provision for income taxes by approximately $340 in the first quarter of 2005.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In thousands of dollars, except per share amounts)

Forward-looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of

Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: our use of cash; projected capital expenditures; liquidity; possible acquisitions and other growth ventures; the completion of various construction projects; the projected effects of recent accounting pronouncements, as well as information contained elsewhere in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans" or similar expressions. These statements are based on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside our control. Actual results may differ materially from such statements for a number of reasons, including the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions, and our ability to assimilate acquired operations. In addition to these uncertainties or factors, our future results may be affected by the factors and risk factors set forth in our annual report on Form 10-K for the fiscal year ended December 31, 2004. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

General Information

Nature of Operations - Aqua America, Inc. ("we" or "us"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to what we estimate to be more than 2.5 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, Virginia, Maine, Missouri, New York and South Carolina. Our largest operating subsidiary, Aqua Pennsylvania, Inc., provides water or wastewater services to approximately 1.3 million residents in the suburban areas north and west of the City of Philadelphia and in 21 other counties in Pennsylvania. Our other subsidiaries provide similar services in 12 other states. In addition, we provide water and wastewater service through operating and maintenance contracts with municipal authorities and other parties close to our operating companies' service territories. We are the largest U.S.-based publicly-traded water utility based on number of people served.

Financial Condition

During the quarter, we had $34,341 of capital expenditures, acquired water and wastewater systems for $1,661, repaid $1,001 of customer advances for construction and repaid debt and made sinking fund contributions and other loan repayments of $24,583. The capital expenditures were related to improvements to treatment plants, new and rehabilitated water mains, tanks, hydrants, and service lines, in addition to well and booster improvements.

During the quarter, the proceeds from the issuance of long-term debt, the proceeds from the issuance of common stock, internally generated funds and available working capital were used to fund the cash requirements discussed above and to pay dividends. In February 2005, Aqua America issued unsecured notes of $30,000 and the proceeds of this financing were used to refinance existing short-term debt. At March 31, 2005, we had short-term lines of credit of $198,000, of which $130,765 was available.

Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt and common stock will be adequate to meet our financing requirements for the balance of the year and beyond.

Results of Operations

Analysis of First Quarter of 2005 Compared to First Quarter of 2004

Revenues for the quarter increased $14,220 or 14.3% primarily due to additional revenues of $8,330 resulting from increased water rates implemented in various operating subsidiaries in Pennsylvania and other states in which we operate, and additional water and sewer revenues of $6,100 associated with a larger customer base due to acquisitions, principally the Heater acquisition which closed in June 2004 and the Florida Water acquisition which occurred in June 2004.

Operations and maintenance expenses increased by $5,478 or 13.1% primarily due to the additional operating costs associated with acquisitions, principally the Heater and Florida Water acquisitions, increased pension costs and higher purchased water expenses.

Depreciation expense increased $1,009 or 7.4% reflecting the utility plant placed in service since the first quarter of 2004, including the assets acquired through system acquisitions.

Amortization increased $558 due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by $848 or 11.9% due to the additional taxes associated with acquisitions.

Interest expense increased by $993 or 8.4% primarily due to additional borrowings to finance the Heater and Florida Water acquisitions, and capital projects, offset partially by decreased interest rates on borrowings due to the refinancing of certain existing debt issues.

Allowance for funds used during construction ("AFUDC") decreased by $245 primarily due to a decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Gain on sale of other assets totaled $481 in the first quarter of 2005 and $450 in the first quarter of 2004. The change is due to timing of sales of land and marketable securities.

Our effective income tax rate was 38.8% in the first quarter of 2005 and 39.4% in the first quarter of 2004. The change was due to the recognition of the American Jobs Creation Act tax deduction for qualified domestic production activities that reduced our tax provision beginning in the first quarter of 2005 by approximately $340.

Net income for the quarter increased by $3,296 or 21.2%, in comparison to the same period in 2004 primarily as a result of the factors described above. On a diluted per share basis, earnings increased $0.03 or 17.6% reflecting the change in net income and a 3.0% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares issued in the November 2004 share offering, and the additional shares sold or issued through the dividend reinvestment plan and the employee stock and incentive plan.

Impact of Recent Accounting Pronouncements

In March 2005, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," which clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. We intend to adopt this standard as required in 2006. We are currently evaluating the provisions of this statement and have not yet determined the effect of adoption on our results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which revises SFAS No. 123, "Accounting for Stock-based Compensation," and supersedes APB No. 25, "Accounting for Stock Issued to Employees." In April 2005, the effective date for this standard was changed to require adoption of the standard at the beginning of the next fiscal year after June 15, 2005. As noted in Note 5 - Stock-based Compensation, we currently provide pro forma disclosure of our compensation costs associated with the fair value of stock options that have been granted. We currently account for stock-based compensation associated with stock options using the intrinsic method, and accordingly, no compensation costs have been recognized in our consolidated financial statements. SFAS 123R generally requires that we measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. The fair value of the option grant will be estimated using an option-pricing model. We are currently evaluating this standard to determine the impact on our consolidated financial statements, including the selection of an appropriate option-pricing model as permitted under SFAS No. 123R, and the method by which we will adopt SFAS No. 123R. The impact of adoption of SFAS No. 123R on our earnings cannot be predicted at this time because it will depend on a number of variables including the level of share-based payments granted in the future. However, had we adopted SFAS No. 123R in prior periods, the impact of the standard would not have been materially different from the impact of SFAS 123 as described in the disclosure of pro forma net income and net income per share in Note 5 - Stock-based Compensation. We believe the adoption will have no impact on our overall financial position or cash flow, but will result in the reclassification of related tax benefits from operating cash flow to financing cash flow to the extent these tax benefits exceed the associated compensation cost recognized in the income statement. We are currently evaluating the change in the cash flow reporting and have not yet determined the effect of adoption on our cash flow statement presentation.

In November 2004, the FASB approved Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs - An Amendment of ARB No. 43, Chapter 4." SFAS No. 151 requires the exclusion of certain costs from inventories and the allocation of fixed production overheads to inventories to be based on the normal capacity of the production facilities. The standard is effective for Aqua America for costs incurred after December 31, 2005. We believe this statement will not have a material impact on our results of operations or financial position.

In November 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29." SFAS No. 153 eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005. We believe this statement will not have a material impact on our results of operations or financial position.

On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law. Among other provisions, the AJCA creates a new deduction for qualified domestic production activities. Certain of our activities, such as our water treatment activity, are considered as qualifying production activities for purposes of determining the deduction for qualified production activities. In December 2004, the FASB issued FSP 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." In accordance with FSP 109-1, we will treat the deduction for qualified domestic production activities as a reduction of the income tax provision in the period as realized. We adopted this statement in the first quarter of 2005 and the effect was to reduce the provision for income taxes by approximately $340 in the first quarter of 2005.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes in our exposure to market risks since December 31, 2004. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2004 for additional information.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

There are no pending legal proceedings to which we or any of our subsidiaries is a party or to which any of their properties is the subject that are material or are expected to have a material effect on our financial position, results of operations or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes Aqua America's purchases of its common stock for the quarter ended March 31, 2005:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs (2)
January 1 - 31, 2005	2,207	$ 24.21	-	411,209
February 1 - 28, 2005	84	$ 24.98	-	411,209

March 1 - 31, 2005	2,758	$ 24.68	-	411,209
Total	5,049	$ 24.48	-	411,209

(1) These amounts consist of shares we purchased from our employees who elected to pay the exercise price of their stock options upon exercise by delivering to us (and, thus, selling) shares of Aqua America common stock in accordance with the terms of our equity compensation plans that were previously approved by our shareholders and disclosed in our proxy statements. This feature of our equity compensation plan is available to all employees who receive option grants under the plan. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day prior to the option exercise.

(2) On August 5, 1997, our Board of Directors authorized a common stock repurchase program that was publicly announced on August 7, 1997, for up to 870,282 shares. No repurchases have been made under this program since 2000. The program has no fixed expiration date. The number of shares authorized for purchase was adjusted as a result of the stock splits effected in the form of stock distributions since the authorization date.

Item 6. Exhibits

(a) Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be executed on its behalf by the undersigned thereunto duly authorized.

May 9, 2005

AQUA AMERICA, INC.

Registrant

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis
Chairman and President

DAVID P. SMELTZER

David P. Smeltzer
Senior Vice President - Finance
and Chief Financial Officer

Exhibit 31.1

Certification

I, Nicholas DeBenedictis, Chairman, President and Chief Executive Officer of Aqua America, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 quarterly report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    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 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 the 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: May 9, 2005

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis
Chairman, President and Chief Executive Officer

Exhibit 31.2

Certification

I, David P. Smeltzer, Senior Vice President - Finance and Chief Financial Officer of Aqua America, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 quarterly report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   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 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 the 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: May 9, 2005

DAVID P. SMELTZER

David P. Smeltzer
Senior Vice President - Finance
and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2005 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas DeBenedictis, 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) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis
Chairman, President and Chief Executive Officer
May 9, 2005

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2005 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, 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) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DAVID P. SMELTZER

David P. Smeltzer
Senior Vice President - Finance and Chief Financial Officer
May 9, 2005