UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2016

☐ 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)

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

(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12(b)-2 of the Exchange Act.:

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 22, 2016: 177,271,652

AQUA AMERICA, INC. AND SUBSIDIARIES

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Assets	March 31, 2016	December 31, 2015
Property, plant and equipment, at cost	$ 6,183,513	$ 6,088,011
Less: accumulated depreciation	1,430,632	1,399,086
Net property, plant and equipment	4,752,881	4,688,925
Current assets:		
Cash and cash equivalents	3,981	3,229
Accounts receivable and unbilled revenues, net	91,761	99,146
Inventory, materials and supplies	12,499	12,414
Prepayments and other current assets	12,713	11,802
Assets held for sale	1,779	1,779
Total current assets	122,733	128,370
Regulatory assets	859,830	830,118
Deferred charges and other assets, net	30,228	28,878
Investment in joint venture	7,467	7,716
Goodwill	42,304	33,866
Total assets	$ 5,815,443	$ 5,717,873
Liabilities and Equity		
Stockholders' equity:		
Common stock at $.50 par value, authorized 300,000,000 shares, issued 180,176,073 and 179,363,660 as of March 31, 2016 and December 31, 2015	$ 90,088	$ 89,682
Capital in excess of par value	790,749	773,585
Retained earnings	950,158	930,061
Treasury stock, at cost, 2,910,671 and 2,819,569 shares as of March 31, 2016 and December 31, 2015	(70,912)	(68,085)
Accumulated other comprehensive income	624	687
Total stockholders' equity	1,760,707	1,725,930
Long-term debt, excluding current portion	1,766,662	1,743,612
Less: debt issuance costs	22,554	23,165
Long-term debt, excluding current portion, net of debt issuance costs	1,744,108	1,720,447
Commitments and contingencies (See Note 13)	-	-
Current liabilities:		
Current portion of long-term debt	29,096	35,593
Loans payable	28,041	16,721
Accounts payable	33,971	56,452
Accrued interest	21,778	12,651
Accrued taxes	21,821	21,887
Other accrued liabilities	39,636	49,895
Total current liabilities	174,343	193,199
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,152,343	1,118,923
Customers' advances for construction	86,546	86,934
Regulatory liabilities	255,434	259,507
Other	110,509	100,498
Total deferred credits and other liabilities	1,604,832	1,565,862
Contributions in aid of construction	531,453	512,435
Total liabilities and equity	$ 5,815,443	$ 5,717,873

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET INCOME
(In thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
Operating revenues	$ 192,607	$ 190,326
Operating expenses:		
Operations and maintenance	73,541	73,189
Depreciation	32,145	30,500
Amortization	450	849
Taxes other than income taxes	14,140	14,621
Total operating expenses	120,276	119,159
Operating income	72,331	71,167
Other expense (income):		
Interest expense, net	19,853	18,665
Allowance for funds used during construction	(2,308)	(1,182)
Gain on sale of other assets	(207)	(169)
Equity loss in joint venture	249	714
Income before income taxes	54,744	53,139
Provision for income taxes	3,007	4,594
Net income	$ 51,737	$ 48,545
Net income per common share:		
Basic	$ 0.29	$ 0.27
Diluted	$ 0.29	$ 0.27
Average common shares outstanding during the period:		
Basic	177,104	176,888
Diluted	177,819	177,792
Cash dividends declared per common share	$ 0.178	$ 0.165

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of dollars)
(UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
Net income	$ 51,737	$ 48,545
Other comprehensive income, net of tax:		
Unrealized holding (loss) gain on investments, net of tax (benefit) expense of $(4) and $41 for the three months ended March 31, 2016 and 2015, respectively	(6)	75
Reclassification of gain on sale of investment to net income, net of tax of $30 for the three months ended March 31, 2016 (1)	(57)	-
Comprehensive income	$ 51,674	$ 48,620

(1) Amount of pre-tax gain of $87 reclassified from accumulated other comprehensive income to gain on sale of other assets on the consolidated statements of net income for the three months ended March 31, 2016.

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

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

			March 31, 2016	December 31, 2015
Stockholders' equity:				
Common stock, $.50 par value			$ 90,088	$ 89,682
Capital in excess of par value			790,749	773,585
Retained earnings			950,158	930,061
Treasury stock, at cost			(70,912)	(68,085)
Accumulated other comprehensive income			624	687
Total stockholders' equity			1,760,707	1,725,930
Long-term debt of subsidiaries (substantially secured by utility plant):				
	Interest Rate Range	Maturity Date Range		
	0.00% to 0.99%	2023 to 2033	5,098	5,148
	1.00% to 1.99%	2016 to 2035	18,487	20,811
	2.00% to 2.99%	2024 to 2031	20,703	19,167
	3.00% to 3.99%	2016 to 2047	296,662	297,275
	4.00% to 4.99%	2020 to 2054	486,987	487,093
	5.00% to 5.99%	2017 to 2043	214,817	221,435
	6.00% to 6.99%	2017 to 2036	52,969	52,964
	7.00% to 7.99%	2022 to 2027	33,593	33,762
	8.00% to 8.99%	2021 to 2025	14,394	14,502
	9.00% to 9.99%	2018 to 2026	27,100	27,100
	10.00% to 10.99%	2018	6,000	6,000
			1,176,810	1,185,257
Notes payable to bank under revolving credit agreement, variable rate, due 2021			85,000	60,000
Unsecured notes payable:				
Bank notes at 1.921% and 1.975% due 2017 and 2018			100,000	100,000
Notes at 3.57% and 3.59% due 2027 and 2030			120,000	120,000
Notes ranging from 4.62% to 4.87%, due 2016 through 2024			144,400	144,400
Notes ranging from 5.20% to 5.95%, due 2016 through 2037			169,548	169,548
Total long-term debt			1,795,758	1,779,205
Current portion of long-term debt			29,096	35,593
Long-term debt, excluding current portion			1,766,662	1,743,612
Less: debt issuance costs			22,554	23,165
Long-term debt, excluding current portion, net of debt issuance costs			1,744,108	1,720,447
Total capitalization			$ 3,504,815	$ 3,446,377

See notes to consolidated financial statements beginning on page 8 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY
(In thousands of dollars)
(UNAUDITED)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2015	$ 89,682	$ 773,585	$ 930,061	$ (68,085)	$ 687	$1,725,930
Net income	-	-	51,737	-	-	51,737
Other comprehensive loss, net of income tax benefit of $34	-	-	-	-	(63)	(63)
Dividends	-	-	(31,513)	-	-	(31,513)
Stock issued for acquisition (439,943 shares)	220	12,625	-	-	-	12,845
Sale of stock (11,373 shares)	6	326	-	-	-	332
Repurchase of stock (91,102 shares)	-	-	-	(2,827)	-	(2,827)
Equity compensation plan (217,725 shares)	108	(108)	-	-	-	-
Exercise of stock options (143,372 shares)	72	2,744	-	-	-	2,816
Stock-based compensation	-	806	(127)	-	-	679
Employee stock plan tax benefits	-	979	-	-	-	979
Other	-	(208)	-	-	-	(208)
Balance at March 31, 2016	$ 90,088	$ 790,749	$ 950,158	$ (70,912)	$ 624	$1,760,707

See notes to consolidated financial statements beginning on page 8 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)
(UNAUDITED)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Cash flows from operating activities:		
Net income	$ 51,737	$ 48,545
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	32,595	31,349
Deferred income taxes	1,436	2,688
Provision for doubtful accounts	817	936
Stock-based compensation	806	1,341
Gain on sale of utility system	(1,215)	-
Gain on sale of other assets	(207)	(169)
Net change in receivables, inventory and prepayments	5,680	191
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	4,880	11,460
Other	(1,691)	(6,321)
Net cash flows from operating activities	94,838	90,020
Cash flows from investing activities:		
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of $580 and $296	(72,984)	(70,284)
Acquisitions of utility systems and other, net	(4,461)	(788)
Additions to funds restricted for construction activity		
Release of funds previously restricted for construction activity	-	32
Net proceeds from the sale of utility system and other assets	2,853	232
Investment in joint venture		
Other	(40)	(1,180)
Net cash flows used in investing activities	(74,632)	(71,988)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	1,273	1,193
Repayments of customers' advances	(349)	(1,040)
Net proceeds of short-term debt	11,320	14,664
Proceeds from long-term debt	96,314	52,629
Repayments of long-term debt	(80,341)	(29,800)
Change in cash overdraft position	(17,250)	(21,431)
Proceeds from issuing common stock	332	-
Proceeds from exercised stock options	2,816	2,852
Stock-based compensation windfall tax benefits	979	1,230
Repurchase of common stock	(2,827)	(3,754)
Dividends paid on common stock	(31,513)	(29,176)
Other	(208)	(263)
Net cash flows used in financing activities	(19,454)	(12,896)
Net change in cash and cash equivalents	752	5,136
Cash and cash equivalents at beginning of period	3,229	4,138
Cash and cash equivalents at end of period	$ 3,981	$ 9,274
Non-cash investing activity:		
Property, plant and equipment additions purchased at the period end, but not yet paid for	$ 19,052	$ 20,158

See notes to consolidated financial statements beginning on page 8 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 sheets and statements of capitalization of Aqua America, Inc. and subsidiaries (the "Company") at March 31, 2016, the consolidated statements of net income and comprehensive income for the three months ended March 31, 2016 and 2015 the consolidated statements of cash flow for the three months ended March 31, 2016 and 2015, and the consolidated statement of equity for the three months ended March 31, 2016 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 consolidated changes in 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 Company's Annual Report on Form 10-K for the year ended December 31, 2015. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year. The December 31, 2015 consolidated balance sheet data presented herein was derived from the Company's December 31, 2015 audited consolidated financial statements, but does not include all disclosures and notes normally provided in annual financial statements. Certain prior period amounts have been reclassified, including debt issuance costs (see Note 15 - *Recent Accounting Pronouncements*), to conform to the current period presentation.

Note 2 – *Goodwill*

The following table summarizes the changes in the Company's goodwill, by business segment:

	Regulated Segment	Other	Consolidated
Balance at December 31, 2015	$ 27,246	$ 6,620	$ 33,866
Goodwill acquired	8,622	-	8,622
Reclassification to utility plant acquisition adjustment	(25)	-	(25)
Other	(159)	-	(159)
Balance at March 31, 2016	$ 35,684	$ 6,620	$ 42,304

The reclassification of goodwill to utility plant acquisition adjustment results from a mechanism approved by the applicable utility commission. The mechanism provides for the transfer over time, and the recovery through customer rates, of goodwill associated with some acquisitions upon achieving specific objectives.

Note 3 – *Acquisitions*

Pursuant to our strategy to grow through acquisitions, in January 2016, the Company acquired Superior Water Company, Inc., which provides public water service to approximately 3,900 customers in portions of Berks, Chester, and Montgomery counties in Pennsylvania. The total purchase price for the utility system was $16,750, which consisted of the issuance of 439,943 shares of the Company's common stock and $3,905 in cash. The purchase price allocation for this acquisition consists primarily of acquired property, plant and equipment of $25,167, contributions in aid of construction of $16,565, and goodwill of $8,622. Additionally, during the first quarter of 2016, the Company completed six acquisitions of water and wastewater utility systems in various states. The total purchase price of these utility systems consisted of $556 in cash. The pro forma effect of the business acquired is not material either individually or collectively to the Company's results of operations.

In April 2015, the Company acquired the water and wastewater utility system assets of North Maine Utilities located in the Village of Glenview, Illinois serving approximately 7,400 customers. The total purchase price consisted of $23,079 in cash. The purchase price allocation for this acquisition consists primarily of acquired property, plant and equipment. Additionally, in 2015, the Company completed 14 acquisitions of water and wastewater utility systems in various states. The total purchase price of these utility systems consisted of $5,210 in cash.

Note 4 – *Assets Held for Sale*

In December 2015, the Company decided to sell a business unit within the Company's market-based subsidiary, Aqua Resources, which provides liquid waste hauling and disposal services, and is reported as assets held for sale in the Company's Consolidated Balance Sheets. The completion of the sale is expected to occur in the second quarter of 2016. This business unit is included in "Other" in the Company's segment information.

Note 5 – *Capitalization*

In February 2016, the Company amended its unsecured revolving credit facility to extend the expiration from March 2017 to February 2021, to increase the facility from $200,000 to $250,000, and to add a fourth bank to the lending group. Funds borrowed under this facility are classified as long-term debt and are used to provide working capital as well as support for letters of credit for insurance policies and other financing arrangements. Interest under this facility is based at the Company's option, on the prime rate, an adjusted Euro-Rate, an adjusted federal funds rate or at rates offered by the banks. A facility fee is charged on the total commitment amount of the agreement.

(In thousands of dollars, except per share amounts)

Note 6 – *Fair Value of Financial Instruments*

The Company follows the Financial Accounting Standards Board's ("FASB") accounting guidance for fair value measurements and disclosures, which defines fair value and establishes a framework for using fair value to measure assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in non-active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: inputs that are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation techniques used to measure fair value or asset or liability transfers between the levels of the fair value hierarchy for the quarter ended March 31, 2016.

Financial instruments are recorded at carrying value in the financial statements and approximate fair value as of the dates presented. The fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments.

The fair value of loans payable is determined based on its carrying amount and utilizing Level 1 methods and assumptions. As of March 31, 2016 and December 31, 2015, the carrying amount of the Company's loans payable was $28,041 and $16,721, respectively, which equates to their estimated fair value. The fair value of cash and cash equivalents, which is comprised of a money market fund, is determined based on the net asset value per unit utilizing Level 2 methods and assumptions. As of March 31, 2016 and December 31, 2015, the carrying amounts of the Company's cash and cash equivalents was $3,981 and $3,229, respectively, which equates to their fair value.

The carrying amounts and estimated fair values of the Company's long-term debt is as follows:

	March 31, 2016	December 31, 2015
Carrying Amount	$ 1,795,758	$ 1,779,205
Estimated Fair Value	2,020,229	1,905,393

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration utilizing Level 2 methods and assumptions. The Company's customers' advances for construction have a carrying value of $86,546 as of March 31, 2016, and $86,934 as of December 31, 2015. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rate increases. Portions of these non-interest bearing instruments are payable annually through 2026 and amounts not paid by the respective contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest bearing feature.

Note 7 – *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-based compensation is included in the computation of diluted net income per common share. The dilutive effect of stock-based compensation is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation. The treasury stock method assumes that the proceeds from the exercise of stock options are used to purchase the Company's common stock at the average market price during the period. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per common share:

	Three Months Ended March 31,	
	2016	2015
Average common shares outstanding during the period for basic computation	177,104	176,888
Dilutive effect of employee stock-based compensation	715	904
Average common shares outstanding during the period for diluted computation	177,819	177,792

For the three months ended March 31, 2016 and 2015, all of the Company's employee stock options were included in the calculations of diluted net income per share as the calculated cost to exercise the stock options was less than the average market price of the Company's common stock during these periods.

Note 8 – *Stock-based Compensation*

Under the Company's 2009 Omnibus Equity Compensation Plan, as amended as of February 27, 2014 (the "2009 Plan"), as approved by the Company's shareholders to replace the 2004 Equity Compensation Plan (the "2004 Plan"), stock options, stock units, stock awards, stock appreciation rights, dividend equivalents, and other stock-based awards may be granted to employees, non-employee directors, and consultants and advisors. The 2009 Plan authorizes 6,250,000 shares for issuance under the plan. A maximum of 3,125,000 shares under the 2009 Plan may be issued pursuant to stock awards, stock units and other stock-based awards, subject to adjustment as provided in the 2009 Plan. During any calendar year, no individual may be granted (i) stock options and stock appreciation rights under the 2009 Plan for more than 500,000 shares of Company stock in the aggregate or (ii) stock awards, stock units or other stock-based awards under the 2009 Plan for more than 500,000 shares of Company stock in the aggregate, subject to adjustment as provided in the 2009 Plan. Awards to employees and consultants under the 2009 Plan are made by a committee of the Board of Directors of the Company, except that with respect to awards to the Chief Executive Officer, the committee recommends those awards for approval by the non-employee directors of the Board of Directors. In the case of awards to non-employee directors, the Board of Directors of makes such awards. At March 31, 2016, 3,989,744 shares underlying stock-based compensation awards were still available for grants under the 2009 Plan. No further grants may be made under the 2004 Plan.

(In thousands of dollars, except per share amounts)

Performance Share Units – A performance share unit ("PSU") represents the right to receive a share of the Company's common stock if specified performance goals are met over the three-year performance period specified in the grant, subject to exceptions through the respective vesting period, generally three years. Each grantee is granted a target award of PSUs, and may earn between 0% and 200% of the target amount depending on the Company's performance against the performance goals. The following table provides compensation costs for stock-based compensation related to PSUs:

	Three Months Ended March 31,	
	2016	2015
Stock-based compensation within operations and maintenance expenses	$ 525	$ 1,078
Income tax benefit	209	439

The following table summarizes nonvested PSU transactions for the three months ended March 31, 2016:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at December 31, 2015	424,858	$ 25.78
Granted	151,156	28.89
Performance criteria adjustment	26,047	25.62
Forfeited	(5,900)	25.89
Share units vested	44,625	26.88
Share units issued	(189,885)	23.25
Nonvested share units at March 31, 2016	450,901	$ 27.98

A portion of the fair value of PSUs was estimated at the grant date based on the probability of satisfying the market-based conditions using the Monte Carlo valuation method, which assesses probabilities of various outcomes of market conditions. The other portion of the fair value of the PSUs is based on the fair market value of the Company's stock at the grant date, regardless of whether the market-based condition is satisfied. The per unit weighted-average fair value at the date of grant for PSUs granted during the three months ended

(In thousands of dollars, except per share amounts)

March 31, 2016 and 2015 was $28.89 and $26.54, respectively. The fair value of each PSU grant is amortized monthly into compensation expense on a straight-line basis over their respective vesting periods, generally 36 months. The accrual of compensation costs is based on our estimate of the final expected value of the award, and is adjusted as required for the portion based on the performance-based condition. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the PSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the PSUs. The recording of compensation expense for PSUs has no impact on net cash flows.

Restricted Stock Units – A restricted stock unit ("RSU") represents the right to receive a share of the Company's common stock. RSUs are eligible to be earned at the end of a specified restricted period, generally three years, beginning on the date of grant. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the RSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the RSUs. The following table provides compensation costs for stock-based compensation related to RSUs:

	Three Months Ended March 31,	
	2016	2015
Stock-based compensation within operations and maintenance expenses	$ 168	$ 263
Income tax benefit	69	109

The following table summarizes nonvested RSU transactions for the three months ended March 31, 2016:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at December 31, 2015	88,353	$ 24.94
Granted	49,636	32.04
Stock units vested and issued	(24,318)	23.37
Forfeited	(1,500)	25.53
Nonvested stock units at March 31, 2016	112,171	$ 28.41

The per unit weighted-average fair value at the date of grant for RSUs granted during the three months ended March 31, 2016 and 2015 was $32.04 and $26.26, respectively.

(In thousands of dollars, except per share amounts)

Stock Options – The following table provides the income tax benefit for stock-based compensation related to stock options granted in prior periods:

	Three Months Ended March 31,	
	2016	2015
Income tax benefit	$ 216	$ 104

For the three months ended March 31, 2016 and 2015, there were no compensation costs for stock-based compensation related to stock options, as stock options were fully amortized in 2013. Additionally, there were no stock options granted during the three months ended March 31, 2016 or 2015.

The following table summarizes stock option transactions for the three months ended March 31, 2016:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2015	659,533	$ 16.62		
Forfeited	-	-		
Expired / Cancelled	(3,436)	16.15		
Exercised	(143,372)	19.64		
Outstanding and exercisable at March 31, 2016	512,725	$ 15.78	2.5	$ 8,224

Stock Awards – On March 31, 2016, the Company granted 3,522 shares of common stock to the non-employee members of the Board of Directors. The fair market value of the shares is $31.94 per share. The shares granted are not subject to any restrictions. In the first quarter of 2016, the Company recognized $112 of compensation expense and an income tax benefit of $47 associated with these grants. There were no stock awards granted to the non-employee members of the Board of Directors during the quarter ended March 31, 2015.

(In thousands of dollars, except per share amounts)

Note 9 – *Pension Plans and Other Postretirement Benefits*

The Company maintains a qualified defined benefit pension plan (the “Pension Plan”), a nonqualified pension plan and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values and an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company’s employees, mortality, turnover, and medical costs. The following tables provide the components of net periodic benefit cost:

	Pension Benefits Three Months Ended March 31, 2016	Pension Benefits Three Months Ended March 31, 2015
Service cost	$ 826	$ 925
Interest cost	3,285	3,222
Expected return on plan assets	(4,266)	(4,674)
Amortization of prior service cost	145	43
Amortization of actuarial loss	1,760	1,532
Settlement charge	3,028	-
Special termination benefit charge	302	-
Net periodic benefit cost	$ 5,080	$ 1,048

	Other Postretirement Benefits Three Months Ended March 31, 2016	Other Postretirement Benefits Three Months Ended March 31, 2015
Service cost	$ 255	$ 406
Interest cost	750	758
Expected return on plan assets	(711)	(730)
Amortization of prior service cost	(137)	(54)
Amortization of actuarial loss	267	354
Net periodic benefit cost	$ 424	$ 734

Effective July 1, 2015, the Company added a permanent lump sum option to the form of benefit payments offered to participants of the qualified defined benefit pension plan and non-qualified retirement plans upon retirement or termination. During the first quarter of 2016, the lump sum payments paid to participants who elected this option for payments from the non-qualified retirement plans resulted in a settlement charge. The Company made cash contributions of $2,715 to its Pension Plan during the first three months of 2016, and intends to make cash contributions of $5,430 to the Pension Plan during the remainder of 2016.

(In thousands of dollars, except per share amounts)

Note 10 – *Water and Wastewater Rates*

During the first three months of 2016, the Company's operating divisions in Ohio, Texas, and Virginia were granted base rate increases designed to increase total operating revenues on an annual basis by $3,090. Further, during the first three months of 2016, the Company's operating divisions in Illinois, Pennsylvania (wastewater), and North Carolina received approval to bill infrastructure rehabilitation surcharges designed to increase total operating revenues on an annual basis by $1,365.

Note 11 – *Taxes Other than Income Taxes*

The following table provides the components of taxes other than income taxes:

	Three Months Ended March 31,	
	2016	2015
Property	$ 6,185	$ 6,825
Capital stock	427	540
Gross receipts, excise and franchise	2,519	2,442
Payroll	3,337	3,278
Regulatory assessments	672	653
Other	1,000	883
Total taxes other than income	$ 14,140	$ 14,621

Note 12 – *Segment Information*

The Company has identified ten operating segments and has one reportable segment named the "Regulated" segment. The reportable segment is comprised of eight operating segments for the Company's water and wastewater regulated utility companies which are organized by the states where we provide these services. In addition, two segments are not quantitatively significant to be reportable and are comprised of the Company's market-based activities: Aqua Resources, Inc. and Aqua Infrastructure, LLC. Aqua Resources provides water and wastewater service through operating and maintenance contracts with municipal authorities and other parties in close proximity to our utility companies' service territories; offers, through a third party, water and wastewater line repair service and protection solutions to households; inspects, cleans and repairs storm and sanitary wastewater lines; installs and tests devices that prevent the contamination of potable water; designs and builds water and wastewater systems; and provides other market-based water and wastewater services. In addition, Aqua Resources provides liquid waste hauling and disposal services in a business unit that, in December 2015, the Company decided to sell, which is reported as assets held for sale in the Company's consolidated balance sheets included in this report. Aqua Infrastructure provides non-utility raw water supply services for firms in the natural gas drilling industry. These two segments are included as a component of "Other" in the tables below. Also included in "Other" are corporate costs that have not been allocated to the Regulated segment and intersegment eliminations. Corporate costs include general and administrative expense, and interest expense.

AQUA AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

The following table presents information about the Company's reportable segment:

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	Regulated	Other	Consolidated	Regulated	Other	Consolidated
Operating revenues	$ 186,006	$ 6,601	$ 192,607	$ 180,564	$ 9,762	$ 190,326
Operations and maintenance expense	67,325	6,216	73,541	67,018	6,171	73,189
Depreciation	32,206	(61)	32,145	30,438	62	30,500
Operating income	72,850	(519)	72,331	68,624	2,543	71,167
Interest expense, net	18,801	1,052	19,853	17,902	763	18,665
Allowance for funds used during construction	(2,308)	-	(2,308)	(1,182)	-	(1,182)
Income tax expense (benefit)	3,673	(666)	3,007	4,367	227	4,594
Net income (loss)	52,894	(1,157)	51,737	47,705	840	48,545
Capital expenditures	72,389	595	72,984	70,111	173	70,284

	March 31, 2016	December 31, 2015
Total assets:		
Regulated	$ 5,639,573	$ 5,541,335
Other	175,870	176,538
Consolidated	$ 5,815,443	$ 5,717,873

Note 13 – *Commitments and Contingencies*

The Company is routinely involved in various disputes, claims, lawsuits and other regulatory and legal matters, including both asserted and unasserted legal claims, in the ordinary course of business. The status of each such matter, referred to herein as a loss contingency, is reviewed and assessed in accordance with applicable accounting rules regarding the nature of the matter, the likelihood that a loss will be incurred, and the amounts involved. As of March 31, 2016, the aggregate amount of $14,913 is accrued for loss contingencies and is reported in the Company's consolidated balance sheet as other accrued liabilities and other liabilities. These accruals represent management's best estimate of probable loss (as defined in the accounting guidance) for loss contingencies or the low end of a range of losses if no single probable loss can be estimated. For some loss contingencies, the Company is unable to estimate the amount of the probable loss or range of probable losses. While the final outcome of these loss contingencies cannot be predicted with certainty, and unfavorable outcomes could negatively impact the Company, at this time in the opinion of management, the final resolution of these matters are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. Further, the Company has insurance coverage for certain of these loss contingencies, and as of March 31, 2016, estimates that approximately $1,544 of the amount accrued for these matters are probable of recovery through insurance, which amount is also reported in the Company's consolidated balance sheet as deferred charges and other assets, net.

In addition to the aforementioned loss contingencies, the Company self-insures its employee medical benefit program, and maintains stop-loss coverage to limit the exposure arising from these claims. The

Company's reserve for these claims totaled $1,496 at March 31, 2016 and represents a reserve for unpaid claim costs, including an estimate for the cost of incurred but not reported claims.

Note 14 – ***Income Taxes***

During the three months ended March 31, 2016, the Company utilized $22 of its Federal net operating loss ("NOL") carryforward. In addition, during the three months ended March 31, 2016, the Company's state NOL carryforward increased by $8,473. As of March 31, 2016, the balance of the Company's Federal NOL was $158,254. The Company believes its Federal NOL carryforward is more likely than not to be recovered and requires no valuation allowance. As of March 31, 2016, the balance of the Company's gross state NOL was $557,144, a portion of which is offset by a valuation allowance because the Company does not believe the NOLs are more likely than not to be realized. The Company's Federal and state NOL carryforwards begin to expire in 2032 and 2023, respectively. The Company's Federal and state NOL carryforwards are reduced by an unrecognized tax position, on a gross basis, of $63,286 and $89,251, respectively. The amounts of the Company's Federal and state NOL carryforwards prior to being reduced by the unrecognized tax positions were $221,540 and $646,395 respectively. The Company records its unrecognized tax benefit as a reduction to its deferred income tax liability.

In accordance with a 2012 settlement agreement with the Pennsylvania Public Utility Commission, Aqua Pennsylvania expenses, for tax purposes, qualifying utility asset improvement costs, which results in a substantial reduction in income tax expense and greater net income and cash flows. The Company's effective income tax rate for the first quarter of 2016 and 2015, was 5.5% and 8.6%, respectively.

As of March 31, 2016, the total gross unrecognized tax benefit was $28,208, of which $18,597, if recognized, would affect the Company's effective tax rate as a result of the regulatory treatment afforded for qualifying infrastructure improvements in Pennsylvania. At December 31, 2015, the Company had unrecognized tax benefits of $28,016.

Accounting rules for uncertain tax positions specify that tax positions for which the timing of resolution is uncertain should be classified as long-term liabilities. Judgment is required in evaluating the Company's uncertain tax positions and determining the provision for income taxes. Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. Although the timing of income tax audit resolutions and negotiations with taxing authorities is highly uncertain, the Company does not anticipate a significant change to the total amount of unrecognized income tax benefits within the next 12 months.

Note 15 – ***Recent Accounting Pronouncements***

In March 2016, the FASB issued updated accounting guidance on simplifying the accounting for share-based payments, which includes several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The updated guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption available. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

In February 2016, the FASB issued updated accounting guidance on accounting for leases, which requires lessees to establish a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For income statement purposes, leases will be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. The updated accounting guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption available. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

In September 2015, the FASB issued updated accounting guidance on simplifying measurement-period adjustment in business combinations, which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The Company adopted the provisions of this accounting standard, as required on January 1, 2016, and it did not have an impact on its results of operations or financial position.

In April 2015, the FASB issued updated accounting guidance on simplifying the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Previously, debt issuance costs were presented in the balance sheet as a deferred charge. The Company adopted the provisions of this accounting standard as required on January 1, 2016. The adoption of this standard was applied retrospectively and resulted in the reclassification of $23,165 from deferred charges and other assets, net to debt issuance costs, which is reported as a reduction to long-term debt, in the December 31, 2015 Consolidated Balance Sheet.

In August 2014, the FASB issued an accounting standard that will require management to assess an entity's ability to continue as a going concern for each annual and interim reporting period and to provide related footnote disclosures in circumstances in which substantial doubt exists. The accounting standard is effective in the first annual reporting period ending after December 15, 2016. The Company does not expect the provisions of this accounting standard to have an impact on its results of operations or financial position.

In May 2014, the FASB issued updated accounting guidance on recognizing revenue from contracts with customers, which outlines a single comprehensive model that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The updated guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. In July 2015, the FASB approved a one year deferral to the original effective date of this guidance. The updated guidance is effective for reporting periods beginning after December 15, 2017, and will be applied retrospectively. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

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)

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

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: the projected impact of various legal proceedings; the projected effects of recent accounting pronouncements; prospects, plans, objectives, expectations and beliefs of management, as well as information contained in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans," "future," "potential," "probably," "predictions," "intends," "will," "continue," "in the event" or the negative of such terms or similar expressions. Forward-looking statements are based on a number of assumptions concerning future events, and are subject to a number of risks, uncertainties and other factors, many of which are outside our control, which could cause actual results to differ materially from those expressed or implied by such statements. These risks and uncertainties include, among others: the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions, changes to the capital markets, and our ability to assimilate acquired operations, as well as those risks, uncertainties and other factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in such report. As a result, readers are cautioned not to place undue reliance on any forward-looking statements. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

General Information

Aqua America, Inc. ("we", "us", "our" or the "Company"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to what we estimate to be almost three million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, and Virginia. Our largest operating subsidiary, Aqua Pennsylvania, provides water or wastewater services to approximately one-half of the total number of people we serve, who are located in the suburban areas in counties north and west of the City of Philadelphia and in 27 other counties in Pennsylvania. Our other regulated utility subsidiaries provide similar services in seven other states. In addition, the Company's market-based activities are conducted through Aqua Resources, Inc. and Aqua Infrastructure, LLC. Aqua Resources provides water and wastewater service through operating and maintenance contracts with municipal authorities and other parties close to our utility companies' service territories; offers, through a third party, water and wastewater line repair service and protection solutions to households; inspects, cleans and repairs storm and sanitary wastewater lines; installs and tests devices that prevent the contamination of potable water; designs and builds water and wastewater systems; and provides other market-based water and wastewater services. In addition, Aqua Resources provides liquid waste hauling and disposal services in a business unit that, in December 2015, the Company decided to sell, which is reported as assets held for sale in the Company's Consolidated Balance Sheets. Aqua Infrastructure provides non-utility raw water supply services for firms in the natural gas drilling industry.

Aqua America, Inc., which prior to its name change in 2004 was known as Philadelphia Suburban Corporation, was formed in 1968 as a holding company for its primary subsidiary, Aqua Pennsylvania, formerly known as Philadelphia Suburban Water Company. In the early 1990s, we embarked on a growth-through-acquisition strategy focused on water and wastewater operations. Our most significant transactions to date have been the merger with Consumers Water Company in 1999, the acquisition of the regulated water and wastewater operations of AquaSource, Inc. in 2003, the acquisition of Heater Utilities, Inc. in 2004, and the acquisition of American Water Works Company, Inc.'s regulated operations in Ohio in 2012. Since the early 1990s, our business strategy has been primarily directed toward the regulated water and wastewater utility industry, where we have more than quadrupled the number of regulated customers we serve, and has extended our regulated operations from southeastern Pennsylvania to include operations in seven other states. Currently, the Company seeks to acquire businesses in the U.S. regulated sector and to pursue growth ventures in market-based activities that are supplementary and complementary to our regulated businesses.

Beginning in 2010, and substantially completed in 2013, we pursued a portfolio rationalization strategy to focus our operations in areas where we have critical mass and economic growth potential and to divest operations where limited customer growth opportunities exist, or where we are unable to achieve favorable operating results or a return on equity that we consider acceptable. In 2014, we sold our operation in Georgia; in 2013, we sold our operations in Florida; in 2012, we sold our operations in Maine and New York; in 2011, we sold our operations in Missouri; and in 2010, we sold our operations in South Carolina. In connection with the sale of our New York and Missouri operations, we acquired additional utility systems (and customers) in Ohio and Texas, two of the larger states in our portfolio.

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes.

Financial Condition

During the first three months of 2016, we had $72,984 of capital expenditures, expended $4,461 for the acquisition of water and wastewater utility systems, issued $96,314 of long-term debt, and repaid debt and made sinking fund contributions and other loan repayments of $80,341. The capital expenditures were related to new and replacement water mains, improvements to treatment plants, tanks, hydrants, and service lines, well and booster improvements, and other enhancements and improvements. The issuance of long-term debt was comprised principally of the funds borrowed under our revolving credit facility. In addition, we issued 439,943 shares of the Company's common stock, and paid $3,905 in cash for the acquisition of Superior Water Company, Inc. as described in Note 3 – *Acquisitions*.

At March 31, 2016, we had $3,981 of cash and cash equivalents compared to $3,229 at December 31, 2015. During the first three months of 2016, we used the proceeds from the issuance of long-term debt and internally generated funds to fund the cash requirements discussed above and to pay dividends.

At March 31, 2016, our $250,000 unsecured revolving credit facility, which was amended and now expires in February 2021, had $141,690 available for borrowing. At March 31, 2016, we had short-term lines of credit of $135,500, of which $107,459 was available for borrowing. One of our short-term lines of credit is an Aqua Pennsylvania $100,000 364-day unsecured revolving credit facility with four banks, which is used to provide working capital, and as of March 31, 2016, $76,798 was available for borrowing.

Our short-term lines of credit of $135,500 are subject to renewal on an annual basis. Although we believe we will be able to renew these facilities, there is no assurance that they will be renewed, or what the terms of any such renewal will be.

The Company's consolidated balance sheet historically has had a negative working capital position whereby routinely our current liabilities exceed our current assets. Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt will be adequate to provide sufficient working capital to maintain normal operations and to meet our financing requirements for at least the next twelve months.

Results of Operations

Analysis of First Quarter of 2016 Compared to First Quarter of 2015

Revenues increased by $2,281 or 1.2%, primarily due to additional water and wastewater revenues of $3,564 associated with a larger customer base due to utility acquisitions, an increase in water and wastewater rates of $1,263, and an increase in infrastructure rehabilitation surcharges of $1,124, offset by a decrease in market-based activities revenues of $3,162 and lower customer water consumption. The market-based activities revenues decreased due to the absence in the first quarter of 2016 of a significant short-term wastewater services contract that occurred in the first quarter of 2015.

Operations and maintenance expenses increased by $352 or 0.5%, primarily due to additional operating costs associated with acquired utility systems of $2,410, an increase in the Company's self-insured employee medical benefit program expense of $915, and an increase in insurance of $773, offset by decreases in market-based activities expenses of $2,147 and water production costs of $1,056.

Depreciation expense increased by $1,645 or 5.4%, primarily due to the utility plant placed in service since March 31, 2015.

Taxes other than income taxes decreased by $481 or 3.3%, primarily due to a decrease in property taxes of $640 resulting from a reduction in property taxes for our Ohio operating subsidiary.

Interest expense increased by $1,188 or 6.4%, primarily due to an increase in average borrowings.

Allowance for funds used during construction ("AFUDC") increased by $1,126, due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied and an increase in the AFUDC rate.

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Equity loss in joint venture decreased by $465 primarily due to a reduction in depreciation expense resulting from the noncash impairment charge recognized by the joint venture on its long-lived assets in the fourth quarter of 2015.

Our effective income tax rate was 5.5% in the first quarter of 2016 and 8.6% in the first quarter of 2015. The effective income tax rate decreased due to the effect of additional tax deductions recognized in the first quarter of 2016 for certain qualifying infrastructure improvements for Aqua Pennsylvania.

Net income increased by $3,192 or 6.6%, primarily as a result of the factors described above.

Impact of Recent Accounting Pronouncements

We describe the impact of recent accounting pronouncements in Note 15, *Recent Accounting Pronouncements*, of the consolidated financial statements in this report.

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, 2015. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2015 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 effective such 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 Securities and Exchange Commission'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

We are party to various legal proceedings. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which we or any of our subsidiaries is a party or to which any of our properties is the subject that we believe are material or are expected to have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A – Risk Factors

There have been no material changes to the risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015 under "Part 1, Item 1A – Risk Factors."

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

The following table summarizes the Company's purchases of its common stock for the quarter ended March 31, 2016:

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, 2016	13,425	$	30.21	-	720,348
February 1-29, 2016	77,144	$	31.18	-	720,348
March 1-31, 2016	533	$	31.94	-	720,348
Total	91,102	$	31.04	-	720,348

(1) These amounts include the following: (a) 73,265 shares we acquired from employees associated with the withholding of shares to pay certain withholding taxes upon the vesting of stock-based compensation; and (b) 17,837 shares we acquired from our employees who elected to pay the exercise price of their stock options (and then hold shares of the stock), upon exercise, by delivering to us shares of our common stock in accordance with the terms of our equity compensation plan that were previously approved by our shareholders and disclosed in our proxy statements. These features of our equity compensation plan are available to all employees who receive stock-based compensation 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 of vesting of the stock-based compensation or the day prior to the option exercise.

(2) In December 2014, our Board of Directors authorized a share buyback program of up to 1,000,000 shares to minimize share dilution through timely and orderly share repurchases. In December 2015, our Board of Directors added 400,000 shares to this program. This program expires on the earliest of December 31, 2016 or when all authorized repurchases have been made.

Item 6 – Exhibits

The information required by this Item is set forth in the Exhibit Index hereto which is incorporated herein by reference.

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 6, 2016

Aqua America, Inc.
Registrant

/s/ Christopher H. Franklin
Christopher H. Franklin
President and
Chief Executive Officer

/s/ David P. Smeltzer
David P. Smeltzer
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
10.2.3	Third Amendment to Revolving Credit Agreement, dated as of February 24, 2016, between Aqua America, Inc. and PNC Bank, National Association, CoBank, ACB, Huntingdon National Bank, and Bank of America, N.A.
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 to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRES	XBRL Taxonomy Extension Presentation Linkbase Document

*Indicates management contract

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT is made as of this 24th day o f February, 2016, by and among AQUA AMERICA, INC., a Pennsylvania corporation (the "Borrower"), the several banks which are parties to this Agreement (each a "Bank" and collectively, the "Banks") and PNC BANK, NATIONAL ASSOCIATION in its capacity as agent for the Banks (in such capacity, the "Agent").

BACKGROUND

A. The Borrower, the Agent and certain of the Banks party thereto (the "Existing Banks") are parties to a Credit Agreement, dated as of March 23, 2012 (as heretofore amended, supplemented, modified, or restated, the "Credit Agreement"), pursuant to which the Existing Banks have agreed to make revolving credit loans to the Borrower in an aggregate outstanding amount of up to $200,000,000 (the "Loans"). The Loans are evidenced by the Borrower's Revolving Credit Notes in the aggregate principal face amount of $200,000,000 (the "Existing Notes").

B. The Borrower has requested an increase in the Total Commitment from $200,000,000 to $250,000,000, such increase to become effective on February 24, 2016 (the "Effective Date").

C. The Borrower, the Agent and the Banks have agreed to (i) increase the amount of the revolving credit facility by $50,000,000 so that the Total Commitment will be $250,000,000, (ii) add Bank of America, N.A. as an additional Bank under the Credit Agreement, and (iii) modify certain provisions of the Credit Agreement, all on the terms and subject to the conditions herein set forth.

NOW THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

1. Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

2. Amendment to Credit Agreement. Effective on the Effective Date, the Credit Agreement is hereby amended as follows:

(a) The amount of the Total Commitment is hereby increased from $200,000,000 to $250,000,000. $25,000,000 of such increase shall become the Commitment of Bank of America, N.A. upon its joinder as a party to the Credit Agreement as provided hereunder. To give effect to the increase in the Total Commitment, the joinder of Bank of America, N.A. as a Bank and changes in the Commitments of certain of the Existing Banks, Schedule I to the Credit Agreement is hereby amended and replaced with Schedule I attached hereto.

(b) The definitions of "Eurodollar Base Rate" and "Executive Order No. 13224" in Section 1.1 are hereby deleted.

(c) The following sentence is hereby added at the end of the definition of "Daily LIBOR Rate" in Section 1.1:

"Notwithstanding the foregoing, if the Daily LIBOR Rate as determined above would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement."

(d) The definitions of "Applicable Facility Fee Percentage", Applicable Margin", "Eurodollar Rate", "FATCA" and "Termination Date" in Section 1.1 are hereby amended and restated to read in full as follows:

"Applicable Facility Fee Percentage": on any date, the percentage per annum set forth below opposite the Leverage Ratio set forth below as shown on the last Compliance Certificate delivered by the Borrower to the Agent pursuant to subsection 5.2(a) prior to such date:

Level	Leverage Ratio	Applicable Facility Fee Percentage
I	Less than or equal to 55%	0.075%
II	Greater than 55%, but less than or equal to 60%	0.100%
III	Greater than 60%	0.125%

provided, however, that (a) adjustments, if any, to the Applicable Facility Fee Percentage resulting from a change in the Leverage Ratio shall be effective on the last date by which the Compliance Certificate for the fiscal quarter in which such change occurred can be delivered without violation of subsection 5.2(a), (b) in the event that no Compliance Certificate has been delivered for a fiscal quarter on or prior to the last date on which it can be delivered without violation of subsection 5.2(a), the Applicable Facility Fee Percentage from such date until such Compliance Certificate is actually delivered shall be that applicable under Level III, (c) in the event that the actual Leverage Ratio for any fiscal quarter is subsequently determined to be greater than that set forth in the Compliance Certificate for such fiscal quarter, the Applicable Facility Fee Percentage shall be recalculated for the applicable period based upon such actual Leverage Ratio and (d) anything in this definition to the contrary notwithstanding, until receipt by the Agent of the annual financial statements required by subsection 5.1(a) for the fiscal year ended December 31, 2015 together with the accompanying Compliance Certificate, the

Applicable Facility Fee Percentage shall be that applicable under Level I. Any additional Facility Fees that are due to the Banks resulting from the operation of clause (c) above shall be payable by the Borrower to the Banks within five (5) days after receipt of a written demand therefor from the Agent.

"Applicable Margin": on any date for any Eurodollar Loan the percentage per annum set forth below in the column entitled "Applicable Margin - Eurodollar Loans" opposite the Leverage Ratio set forth below as shown on the last Compliance Certificate delivered by the Borrower to the Agent pursuant to subsection 5.2(a) prior to such date:

Level	Leverage Ratio	Applicable Margin - Eurodollar Loans
I	Less than or equal to 55%	0.725%
II	Greater than 55%, but less than or equal to 60%	0.750%
III	Greater than 60%	0.825%

; provided, however, that (a) adjustments, if any, to the Applicable Margin resulting from a change in the Leverage Ratio shall be effective on the last date by which the Compliance Certificate for the fiscal quarter in which such change occurred can be delivered without violation of subsection 5.2(a), (b) in the event that no Compliance Certificate has been delivered for a fiscal quarter on or prior to the last date on which it can be delivered without violation of subsection 5.2(a), the Applicable Margin from such date until such Compliance Certificate is actually delivered shall be that applicable under Level III, (c) in the event that the actual Leverage Ratio for any fiscal quarter is subsequently determined to be greater than that set forth in the Compliance Certificate for such fiscal quarter, the Applicable Margin shall be recalculated for the applicable period based upon such actual Leverage Ratio and (d) anything in this definition to the contrary notwithstanding, until receipt by the Agent of the annual financial statements required by subsection 5.1(a) for the fiscal year ended December 31, 2015 together with the accompanying Compliance Certificate, the Applicable Margin shall be that applicable under Level I. Any additional interest that is due to the Banks resulting from the operation of clause (c) above shall be payable by the Borrower to the Banks within five (5) days after receipt of a written demand therefor from the Agent. The Applicable Margin for all Base Rate Loans shall be zero percent (0%).

"Eurodollar Rate": with respect to the Loans comprising any Eurodollar Borrowing for any Interest Period, the interest rate per annum determined by the Agent by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (a) the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which U.S. dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by the Agent as an authorized information vendor for the purpose of displaying rates at which U.S.

dollar deposits are offered by leading banks in the London interbank deposit market (for purposes of this definition, an "Alternate Source"), at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period as the London interbank offered rate for U.S. Dollars for an amount comparable to such Eurodollar Borrowing and having a borrowing date and a maturity comparable to such Interest Period (or if there shall at any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any Alternate Source, a comparable replacement rate determined by the Agent at such time (which determination shall be conclusive absent manifest error)), by (b) a number equal to 1.00 minus the Eurocurrency Reserve Requirements; provided, however, that if the Eurodollar Rate determined as provided above would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

The Eurodollar Rate shall be adjusted with respect to any Eurodollar Borrowing that is outstanding on the effective date of any change in the Eurocurrency Reserve Requirements as of such effective date. The Agent shall give prompt notice to the Borrower of the Eurodollar Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

"FATCA": Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantially comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

"Termination Date": the earlier of (a) February 23, 2021 and (b) the date the Commitments are terminated as provided herein.

(e) For the avoidance of doubt, notwithstanding the increase in the Total Commitment provided for in Section 2(a) hereof or any previous increases in the Total Commitment, the provisions of Section 2.8(d) permitting an increase in the Total Commitment of up to an additional $50,000,000 shall be and remain in effect on and after the Effective Date subject to the terms and conditions therein provided.

(f) Effective on the Effective Date, Schedule 3.13 of the Credit Agreement shall be updated and replaced by the corresponding Schedule 3.13 set forth in Exhibit B hereto.

3. Joinder of Bank of America, N.A. Effective on the Effective Date, Bank of America, N.A. hereby joins in and becomes a party to the Credit Agreement with a Commitment of $25,000,000, agrees to be bound by the provisions of the Credit Agreement and shall have the rights and obligations of a Bank thereunder and under any other document issued in connection therewith. Bank of America, N.A. hereby makes and agrees to be bound by all of the representations, warranties and agreements set forth in Section 9.6(c) of the Agreement as if it were the assignee of its Commitment under the provisions of Section 9.6.

4. Revolving Credit Loans. On the Effective Date, (i) the Borrower shall repay all Revolving Credit Loans then outstanding (including any amount required under Section 2.13 of the Credit Agreement in connection with such repayment) and simultaneously reborrow a like amount of Revolving Credit Loans from the Banks according to each Bank's new Commitment Percentage, and (ii) the Commitment of each Bank shall be the amount set forth opposite its name on Schedule I to the Credit Agreement, as amended hereby.

5. Revolving Credit Notes. On the date hereof, the Borrower shall deliver to the Agent an amended and restated Revolving Credit Note in favor of each of the Existing Banks and a new Revolving Credit Note in favor of Bank of America, N.A., each in the principal amount equal to such Bank's new Commitment as set forth on Schedule I to the Credit Agreement, as amended hereby (collectively, the "New Notes"). Promptly thereafter, the Agent shall deliver to each Bank such Bank's New Note. In the case of each of the Existing Banks, its New Note shall be in substitution for such Existing Bank's Existing Note.

6. Loan Documents. Except where the context clearly requires otherwise, all references to the Credit Agreement in any of the Loan Documents or any other document delivered to the Banks or the Agent in connection therewith shall be to the Credit Agreement as amended by this Agreement.

7. Borrower's Ratification. The Borrower agrees that it has no defenses or set-offs against the Banks or the Agent or their respective officers, directors, employees, agents or attorneys, with respect to the Loan Documents, all of which are in full force and effect, and that all of the terms and conditions of the Loan Documents not inconsistent herewith shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms. The Borrower hereby ratifies and confirms its obligations under the Loan Documents as amended hereby and agrees that the execution and delivery of this Agreement does not in any way diminish or invalidate any of its obligations thereunder.

8. Representations and Warranties. The Borrower hereby represents and warrants to the Agent and the Banks that:

(a) The representations and warranties made in the Credit Agreement are true and correct in all material respects as of the date hereof; provided, however, that for purposes of the representations in Section 3.1 thereof, the annual and quarterly financial information referred to in such Section shall be deemed to be the most recent such information furnished to each Bank;

(b) No Default or Event of Default under the Credit Agreement exists on the date hereof; and

(c) This Agreement and the New Notes have been duly authorized, executed and delivered so as to constitute the legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms.

All of the above representations and warranties shall survive the making of this Agreement.

9. Conditions Precedent. The effectiveness of the amendment set forth herein is subject to the fulfillment, to the satisfaction of the Agent and its counsel, of the following conditions precedent on or before the Effective Date:

(a) The Agent shall have received, with copies or counterparts for each Bank as appropriate, the following, all of which shall be in form and substance satisfactory to the Agent and shall be duly completed and executed by the Borrower, the Agent and the Banks, as applicable:

(i) This Agreement;

(ii) New Notes for each Bank in the face amount of such Bank's new Commitment;

(iii) Copies, certified by the Secretary or an Assistant Secretary of the Borrower as of a recent date, of resolutions of the board of directors of the Borrower in effect on the date hereof authorizing the execution, delivery and performance of this Agreement and the New Notes and the other documents and transactions contemplated hereby;

(iv) Copies, certified by its corporate secretary as of a recent date, of the articles of incorporation, certificate of formation, and by-laws of the Borrower as in effect, or a certificate stating that there have been no changes to any such documents since the most recent date, true and correct copies thereof were delivered to the Agent; and

(v) Such additional documents, certificates and information as the Agent or the Banks may require pursuant to the terms hereof or otherwise reasonably request.

(b) The Agent shall have received for the ratable account of the Banks an upfront fee equal to 15 basis points (0.15%) multiplied by the amount of the Total Commitment on the Effective Date and for its own account such other arrangement fees as have been agreed upon by the Agent and the Borrower.

(c) After giving effect to this Agreement, the representations and warranties set forth in the Credit Agreement shall be true and correct in all material respects on and as of the date hereof; provided, however, that for purposes of the representations in Section 3.1 thereof, the annual and quarterly financial information referred to in such Section shall be deemed to be the most recent such information furnished to each Bank.

(d) No Default or Event of Default shall have occurred and be continuing as of the date hereof.

10. Miscellaneous.

(a) All terms, conditions, provisions and covenants in the Loan Documents and all other documents delivered to the Agent and the Banks in connection therewith shall remain unaltered and in full force and effect except as modified or amended hereby. To the extent that any term or provision of this Agreement is or may be deemed expressly inconsistent with any term or provision in any Loan Document or any other document executed in connection therewith, the terms and provisions hereof shall control.

(b) The execution, delivery and effectiveness of this Agreement shall neither operate as a waiver of any right, power or remedy of the Agent or the Banks under any of the Loan Documents nor constitute a waiver of any Default or Event of Default thereunder.

(c) In consideration of the Agent's and the Banks' agreement to amend the existing credit facility, the Borrower hereby waives and releases the Agent and the Banks and their respective officers, attorneys, agents and employees from any liability, suit, damage, claim, loss or expense of any kind or failure whatsoever and howsoever arising that it ever had up until, or has as of, the date of this Agreement.

(d) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous understandings and agreements.

(e) In the event any provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

(f) This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

(g) This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns and may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(h) The headings used in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

(i) This Agreement may be executed in one or more counterparts, each of which counterparts when executed and delivered shall be deemed to be an original, and all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic transmission will be effective as delivery of a manually executed counterpart hereof.

[signature pages follow]

IN WITNESS WHEREOF, the Borrower, the Agent and the Banks have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

AQUA AMERICA, INC.

By: /s/ David P. Smeltzer
Title: Chief Financial Officer

PNC BANK, NATIONAL ASSOCIATION,
as Agent and as a Bank

By: /s/ Domenic D'Ginto
Title: Senior Vice President

COBANK, ACB,
as a Bank

By: /s/ Bryan Ervin
Title: Vice President

THE HUNTINGTON NATIONAL BANK,
as a Bank

By: /s/ Michael Kiss
Title: Vice President

BANK OF AMERICA, N.A., as a Bank

By: /s/ Kevin Dobosz
Title: Vice President

Exhibit A

Schedule I
Bank and Commitment Information

Bank	Swing Line Commitment*	Commitment
PNC Bank, National Association 1000 Westlakes Drive, Suite 300 Berwyn, PA 19312 Attention: Dominic D'Ginto Telecopy: (610) 725-5799	$15,000,000	$115,000,000
CoBank, ACB 6340 S. Fiddlers Green Circle Greenwood Village, CO 80111 Attention: Bryan Ervin Telecopy: (303) 224-2609	$0	$ 90,000,000
The Huntington National Bank 310 Grant Street, 4th Floor Pittsburgh, PA 15219 Attention: W. Christopher Kohler Telecopy: (412) 227-6108	$0	$ 20,000,000
Bank of America, N.A. 1600 JFK Boulevard, Suite 1100 Philadelphia, PA 19103 Attention: Elaine Cheong Telecopy: (312) 453-6705	$0	$25,000,000
Total	$15,000,000	$250,000,000

*The Swing Line Commitment is a sublimit of the Commitment.

Exhibit B

Schedule 3.13
Environmental Matters

Aqua acquired the South Haven IN wastewater system in 2008. The system was under a court order to address sanitary sewer overflows. Aqua has made substantial upgrades to the wastewater treatment plant and sewer collection system. Additional upgrades to the collection system are budgeted for 2016 through 2018 at a total estimated cost of $500,000. Aqua is negotiating with the US Department of Justice and USEPA Region 5 to close out the court order.

Aqua has made improvements to the Utility Center wastewater collection system in Allen County, IN that was acquired in 2003. Installation of a diversion sewer force main and a new lift station were completed in January 2015. These improvements were in conformance with an amended Compliance Plan submitted by Aqua to the Indiana Department of Environmental Management to address wet weather sanitary sewer overflows. Aqua is developing a follow up plan to address additional locations that did not get resolved in the initial diversion plan. The cost of the additional work is expected to exceed $1.0 million.

Aqua acquired the Treasure Lake water and wastewater systems in Pennsylvania in 2013. The wastewater system contains two wastewater treatment plants and collection systems. The older of the two plants, the East Plant, received a Notice of Violation from PADEP in September, 2013 as a result of its generally poor condition. Aqua is currently planning to abandon it and transfer the flow to an upgraded West Plant. Although cost estimates are preliminary, the total costs to address the condition of the plant could be in excess of $1.0 million.

Aqua acquired the Presidential water and wastewater systems in Virginia in 2014. As part of the purchase agreements, Aqua entered a Consent Order with the Virginia DEQ to install a new wastewater treatment plant to replace the existing plant which was in poor condition. The new plant was completed in 2015.

Aqua acquired the Mifflin Township Water Authority (MTWA) in Pennsylvania in 2012. The MTWA had entered into a Consent Order with the Pennsylvania Department of Environmental Protection (PADEP) in 2008 to address excessive water loss estimated at approximately 85% due to leaks in the system. The consent order required water loss to be reduced to 30%. Aqua inherited the existing consent order and its obligations as part of the purchase in 2012. Currently, Aqua is budgeting over $2.0 million in its existing 5 year capital plan for water main replacement work in Mifflin Township to satisfy the consent order requirements.

Aqua owns the Lake White system in Ohio, and the sole source of water was two wells located close to a dam owned by the state. Aqua was informed that the Ohio Department of Natural Resources (ODNR) must make improvements to the dam and that Aqua's two wells would need to be abandoned. Aqua has installed a new interconnect with the town of Waverly to supply the system while Aqua seeks to replace the well sources. The total cost of the replacement of these wells and the interconnect with Waverly is expected to exceed $1.0 million.

Aqua owns many groundwater systems and these systems are sampled regularly to ensure compliance with Safe Drinking Water Act regulations. It is not unusual for naturally occurring contaminants, such as radiologicals (uranium, combined radium) or arsenic to change over time. When sampling results show that these naturally occurring contaminants are approaching the drinking water standards, Aqua will seek to find alternate sources, or if not feasible, install treatment to reduce the levels. Aqua's five year capital budget includes monies in the aggregate that exceed $1.0 million to address these well sources as needed, particularly in Texas and North Carolina where Aqua owns large numbers of groundwater systems.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, Christopher H. Franklin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) 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 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 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 (the registrant’s fourth fiscal quarter in the case of an annual report) 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(s) 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 functions):
   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.

/s/ Christopher H. Franklin
Christopher H. Franklin
President and Chief Executive Officer
May 6, 2016

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, David P. Smeltzer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 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 (the registrant’s fourth fiscal quarter in the case of an annual report) 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 functions):
   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.

/s/David P. Smeltzer
David P. Smeltzer
Executive Vice President and Chief Financial Officer
May 6, 2016

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2016 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher H. Franklin, 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 or Section 78o); and

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

/s/ Christopher H. Franklin
Christopher H. Franklin
President and Chief Executive Officer
May 6, 2016

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2016 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 or Section 78o); and

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

/s/David P. Smeltzer
David P. Smeltzer
Executive Vice President and Chief Financial Officer
May 6, 2016