UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2005

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

For the transition period from ____________________ to _____________________

Commission File Number 1-6659

AQUA AMERICA, INC.

(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes X No

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 25, 2005.

96,504,549.

Part I - Financial Information
Item 1. Financial Statements

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except per share amounts)

(UNAUDITED)

Assets	September 30, 2005	December 31, 2004
Property, plant and equipment, at cost	$ 2,789,781	$ 2,626,151
Less: accumulated depreciation	603,589	556,339
Net property, plant and equipment	2,186,192	2,069,812
Current assets:		
Cash and cash equivalents	9,475	13,116
Accounts receivable and unbilled revenues, net	69,603	64,538
Inventory, materials and supplies	8,363	6,903
Prepayments and other current assets	5,938	5,570
Total current assets	93,379	90,127
Regulatory assets	127,277	122,935
Deferred charges and other assets, net	53,958	52,120
Funds restricted for construction activity	50,705	17,196
	$ 2,511,511	$ 2,352,190
Liabilities and Stockholders' Equity		
Common stockholders' equity:		
Common stock at $.50 par value, authorized 300,000,000 shares, issued 97,120,840 and 96,071,580 in 2005 and 2004	$ 48,560	$ 48,036
Capital in excess of par value	483,832	468,524
Retained earnings	262,994	245,115
Treasury stock, 686,902 and 686,747 shares in 2005 and 2004	(12,931)	(12,702)
Accumulated other comprehensive loss	(1,742)	(1,742)
Unearned compensation	(624)	-
Total common stockholders' equity	780,089	747,231
Minority interest	1,414	1,237
Long-term debt, excluding current portion	854,469	784,461
Commitments	-	-
Current liabilities:		
Current portion of long-term debt	24,359	50,195
Loans payable	116,950	85,115
Accounts payable	18,470	23,534
Accrued interest	10,879	12,029
Accrued taxes	14,267	8,975
Dividends payable	13,742	-
Other accrued liabilities	39,547	37,534
Total current liabilities	238,214	217,382
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	236,904	223,887
Customers' advances for construction	73,710	73,095
Regulatory liabilities	12,871	11,942
Other	17,915	15,147
Total deferred credits and other liabilities	341,400	324,071
Contributions in aid of construction	295,925	277,808
	$ 2,511,511	$ 2,352,190

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

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

(UNAUDITED)

	Nine Months Ended September 30,	
	2005	2004
Operating revenues	$ 373,871	$ 326,597
Costs and expenses:		
Operations and maintenance	150,866	132,840
Depreciation	44,890	41,292
Amortization	3,627	3,096
Taxes other than income taxes	24,033	21,455
	223,416	198,683
Operating income	150,455	127,914
Other expense (income):		
Interest expense, net	38,615	35,584
Allowance for funds used during construction	(1,497)	(2,028)
Gain on sale of other assets	(582)	(967)
Income before income taxes	113,919	95,325
Provision for income taxes	44,913	37,792
Net income	$ 69,006	$ 57,533
Net income	$ 69,006	$ 57,533
Other comprehensive income (loss), net of tax:		
Unrealized gain on securities	-	59
Reclassification adjustment for gains reported in net income	-	(230)
Comprehensive income	$ 69,006	$ 57,362
Net income per common share:		
Basic	$ 0.72	$ 0.62
Diluted	$ 0.71	$ 0.61
Average common shares outstanding during the period:		
Basic	95,867	92,874
Diluted	97,226	93,884
Cash dividends declared per common share	$ 0.5325	$ 0.49

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

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

(UNAUDITED)

Three Months Ended
September 30,

	2005	2004
Operating revenues	$ 136,783	$ 120,305
Costs and expenses:		
Operations and maintenance	52,666	46,526
Depreciation	15,578	14,112
Amortization	1,172	1,177
Taxes other than income taxes	8,276	7,493
	77,692	69,308
Operating income	59,091	50,997
Other expense (income):		
Interest expense, net	13,279	12,346
Allowance for funds used during construction	(433)	(695)
Gain on sale of other assets	(77)	(491)
Income before income taxes	46,322	39,837
Provision for income taxes	18,405	15,750
Net income	$ 27,917	$ 24,087
Net income	$ 27,917	$ 24,087
Other comprehensive income, net of tax:		
Unrealized gain on securities	-	-
Reclassification adjustment for gains reported in net income	-	-
Comprehensive income	$ 27,917	$ 24,087
Net income per common share:		
Basic	$ 0.29	$ 0.26
Diluted	$ 0.29	$ 0.26
Average common shares outstanding during the period:		
Basic	96,185	93,065
Diluted	97,674	94,023
Cash dividends declared per common share	$ 0.2725	$ 0.25

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

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

(UNAUDITED)

	September 30, 2005	December 31, 2004
Common stockholders' equity:		
Common stock, $.50 par value	$ 48,560	$ 48,036
Capital in excess of par value	483,832	468,524
Retained earnings	262,994	245,115
Treasury stock	(12,931)	(12,702)
Accumulated other comprehensive loss	(1,742)	(1,742)
Unearned compensation	(624)	-
Total common stockholders' equity	780,089	747,231

Long-term debt:
Long-term debt of subsidiaries (substantially secured by utility plant):

Interest Rate Range		
0.00% to 2.49%	21,758	20,051
2.50% to 2.99%	28,862	29,924
3.00% to 3.49%	17,348	17,546
3.50% to 3.99%	6,815	7,123
4.00% to 4.49%	1,300	1,300
4.50% to 4.99%	29,395	8,135
5.00% to 5.49%	237,606	165,615
5.50% to 5.99%	79,000	89,260
6.00% to 6.49%	88,360	110,360
6.50% to 6.99%	32,000	42,000
7.00% to 7.49%	16,019	45,105
7.50% to 7.99%	25,068	25,231
8.00% to 8.49%	26,560	26,714
8.50% to 8.99%	9,000	9,000
9.00% to 9.49%	46,844	53,244
9.50% to 9.99%	40,933	42,088
10.00% to 10.50%	6,000	6,000
	712,868	698,696
Notes payable, 6.05%, maturing in 2006 through 2008	960	960
Unsecured notes payable, 4.87%, maturing in various installments through 2023	135,000	135,000
Unsecured notes payable, 5.01%, due 2015	18,000	-
Unsecured notes payable, 5.20%, due 2020	12,000	-
	878,828	834,656
Current portion of long-term debt	24,359	50,195
Long-term debt, excluding current portion	854,469	784,461
Total capitalization	$ 1,634,558	$ 1,531,692

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

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

(UNAUDITED)

	Common Stock	Capital in excess of par value	Retained earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Unearned Compensation on Restricted Stock	Total
Balance at December 31, 2004	$48,036	$ 468,524	$ 245,115	$ (12,702)	$ (1,742)	$ -	$ 747,231
Net income	-	-	69,006	-	-	-	69,006
Dividends paid	-	-	(37,385)	-	-	-	(37,385)
Dividends declared	-	-	(13,742)	-	-	-	(13,742)
Sale of stock (277,387 shares)	118	5,853	-	1,112	-	-	7,083
Repurchase of stock (42,254 shares)	-	-	-	(1,341)	-	-	(1,341)
Equity Compensation Plan (28,314 shares)	14	708	-	-	-	(722)	-
Exercise of stock options (785,658 shares)	392	8,747	-	-	-	-	9,139
Amortization of unearned compensation	-	-	-	-	-	98	98
Balance at September 30, 2005	$48,560	$ 483,832	$ 262,994	$ (12,931)	$ (1,742)	$ (624)	$ 780,089

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)

(UNAUDITED)

	Nine Months Ended September 30,	
	2005	2004
Cash flows from operating activities:		
Net income	$ 69,006	$ 57,533
Adjustments to reconcile net income to net		

cash flows from operating activities:		
Depreciation and amortization	48,517	44,388
Deferred income taxes	14,562	18,318
Gain on sale of other assets	(582)	(967)
Net increase in receivables, inventory and prepayments	(1,348)	(8,592)
Net decrease in payables, accrued interest, accrued taxes and other accrued liabilities	(3,895)	(759)
Other	1,284	2,570
Net cash flows from operating activities	127,544	112,491
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of $1,497 and $2,028	(156,649)	(125,825)
Acquisitions of water and wastewater systems, net	(4,271)	(53,586)
Proceeds from the sale of other assets	595	1,788
Additions to funds restricted for construction activity	(82,652)	-
Release of funds previously restricted for construction activity	49,143	4,995
Other	(68)	(412)
Net cash flows used in investing activities	(193,902)	(173,040)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	10,352	7,345
Repayments of customers' advances	(3,148)	(2,569)
Net proceeds (repayments) of short-term debt	37,623	30,160
Proceeds from long-term debt	112,272	98,288
Repayments of long-term debt	(71,878)	(40,932)
Proceeds from issuing common stock	16,222	10,097
Repurchase of common stock	(1,341)	(529)
Dividends paid on common stock	(37,385)	(33,428)
Net cash flows from financing activities	62,717	68,432
Net increase (decrease) in cash and cash equivalents	(3,641)	7,883
Cash and cash equivalents at beginning of period	13,116	10,757
Cash and cash equivalents at end of period	$ 9,475	$ 18,640

See notes to consolidated financial statements beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

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

(UNAUDITED)

Note 1 Basis of Presentation

The accompanying consolidated balance sheet and statement of capitalization of Aqua America, Inc. (the "Company") at September 30, 2005, the consolidated statements of income and comprehensive income for the nine months and quarter ended September 30, 2005 and 2004, the consolidated statements of cash flow for the nine months ended September 30, 2005 and 2004, and the consolidated statement of common stockholders' equity for the nine months ended September 30, 2005, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the changes in common stockholders' equity, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Aqua America Annual Report on Form 10-K for the year ended December 31, 2004 and the Quarterly Reports on Form 10-Q for the quarters ended June 30, 2005 and March 31, 2005. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year. Certain prior year amounts have been reclassified to conform with current year's presentation.

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

Note 2 Long-term Debt and Loans Payable

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

In May 2005, the Company's Pennsylvania operating subsidiary issued $72,000 of tax-exempt bonds secured by a supplement to the trust indenture relating to its First Mortgage Bonds on the following terms: $22,000 at 4.87% due in 2036, $25,000 at 4.88% due in 2037 and $25,000 at 4.89% due in 2038. Of the $72,000 in proceeds, $22,000 was used to retire previously issued tax-exempt bonds in August 2005 and the balance of the proceeds are restricted to funding the costs of certain capital projects in 2005 and 2006.

In September 2005, the Company's Ohio operating subsidiary issued $21,260 of tax-exempt bonds secured by a supplement to the trust indenture relating to its First Mortgage Bonds at 4.50% due in 2035. The proceeds were used to retire long-term debt of $10,260 and the balance of the proceeds is restricted to funding the costs of certain capital projects.

Note 3 Stockholders' Equity

On August 2, 2005, Aqua America's Board of Directors declared a four-for-three common stock split effected in the form of a 33.3% stock distribution for shareholders of record on November 17, 2005. The new shares will be distributed on December 1, 2005. Aqua America's par value of $0.50 per share will not change as a result of the common stock distribution, and as a result, on the distribution date an amount will be transferred from Capital in Excess of Par Value to Common Stock to record the common stock split. Except where noted, the share and per share data contained in this Quarterly Report on Form 10-Q have not been restated to give effect to this stock split. The following table shows the pro forma effect on the Company's historical net income per share:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2005	2004	2005	2004
Pre-split net income per common share, as reported:				
Basic	$ 0.72	$ 0.62	$ 0.29	$ 0.26
Diluted	0.71	0.61	0.29	0.26
Pro forma post-split net income per common share:				
Basic	$ 0.54	$ 0.46	$ 0.22	$ 0.19
Diluted	0.53	0.46	0.21	$ 0.19

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

	2005	2004
Balance at January 1,	$(1,742)	$ 171
Unrealized holding gain arising during the period, net of tax of $32 in 2004	-	59
Less: reclassification adjustment for gains included in net income, net of tax of $173 in 2004	-	(230)
Other comprehensive income (loss), net of tax	-	(171)
Balance at September 30,	$(1,742)	$ -

Note 4 Net Income per Common Share

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2005	2004	2005	2004
Average common shares outstanding during the period for basic computation	95,867	92,874	96,185	93,065
Dilutive effect of employee stock options	1,359	1,010	1,489	958
Average common shares outstanding during the period for diluted computation	97,226	93,884	97,674	94,023

For the quarter and nine months ended September 30, 2005, there were no outstanding employee stock options excluded from the calculation of diluted net income per share as the average market price of the Company's common stock was greater than the options' exercise price. For the quarter and nine months ended September 30, 2004, outstanding employee stock options to purchase 573,900 shares of common stock were excluded from the calculation of diluted net income per share as the options' exercise price was greater than the average market price of the Company's common stock during this period.

Note 5 Stock-Based Compensation

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

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2005	2004	2005	2004
Net income, as reported:	$ 69,006	$ 57,533	$ 27,917	$ 24,087
Add: stock-based employee compensation expense included in reported net income, net of tax	255	217	45	49
Less: pro forma expense related to stock options granted, net of tax effects	(1,590)	(1,588)	(490)	(506)
Pro forma	$ 67,671	$ 56,162	$ 27,472	$ 23,630
Basic net income per share:				
As reported	$ 0.72	$ 0.62	$ 0.29	$ 0.26
Pro forma	0.71	0.60	0.29	0.25
Diluted net income per share:				
As reported	$ 0.71	$ 0.61	$ 0.29	$ 0.26
Pro forma	0.70	0.60	0.28	0.25

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

Note 6 Pension Plans and Other Postretirement Benefits

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

	Pension Benefits			
	Nine Months Ended September 30,		Three Months Ended September 30,	
	2005	2004	2005	2004
Service cost	$ 3,635	$ 3,265	$ 1,212	$ 1,004
Interest cost	7,354	7,203	2,451	2,215
Expected return on plan assets	(7,152)	(6,943)	(2,384)	(2,135)
Amortization of transition obligation (asset)	(157)	(158)	(52)	(49)
Amortization of prior service cost	302	331	101	102
Amortization of actuarial loss	1,205	764	403	235
Capitalized costs	(1,344)	(816)	(433)	(292)
Net periodic benefit cost	$ 3,843	$ 3,646	$ 1,298	$ 1,080

	Other Postretirement Benefits			
	Nine Months Ended September 30,		Three Months Ended September 30,	
	2005	2004	2005	2004

Service cost	$ 917	$ 783	$ 306	$ 261
Interest cost	1,412	1,293	472	431
Expected return on plan assets	(947)	(754)	(317)	(251)
Amortization of transition obligation (asset)	602	558	201	186
Amortization of prior service cost	(43)	(39)	(14)	(13)
Amortization of actuarial loss	164	87	55	29
Amortization of regulatory asset	114	102	38	34
Capitalized costs	(538)	(485)	(170)	(164)
Net periodic benefit cost	$ 1,681	$ 1,545	$ 571	$ 513

The Company contributed $878 to its defined benefit pension plan during 2005 and intends to fund its estimated 2005 contribution of $6,400 in 2006. In addition, the Company expects to contribute approximately $2,876 for the funding of its other postretirement benefits.

Note 7 Water and Wastewater Rates

In April 2005, the Company's operating divisions in Illinois and North Carolina's Heater division were granted rate increases designed to increase total revenue on an annual basis by approximately $1,287 and $1,489, respectively. In June 2005, the Company's wastewater subsidiary in Pennsylvania was granted rate increases for three separate systems designed to increase total revenue on an annual basis by approximately $125.

In May 2004, the Company's operating subsidiary in Texas filed an application with the Texas Commission on Environmental Quality to increase rates by $11,920 over a multi-year period. The application seeks to increase annual revenues in phases and is accompanied by a plan to defer and amortize a portion of the Company's depreciation, operating and other tax expense over a similar multi-year period, such that the annual impact on operating income approximates the requested amount. The application is currently pending before the Commission, and several parties have joined the proceeding to challenge our rate request. The Company commenced billing for the requested rates and implemented the deferral plan in August 2004, in accordance with authorization from the Texas Commission on Environmental Quality in July 2004. The revenue recognized and the expenses deferred by the Company reflect an estimate of the final outcome of the ruling. As of September 30, 2005, the Company has deferred $8,643 of expenses and recognized $3,537 of revenue that is subject to refund based on the outcome of the final commission order. In the event the Company's request is denied completely or in part, it could be required to refund some or all of the revenue billed to date, and write-off some or all of the regulatory asset for the expense deferral. Based on the Company's review of the present circumstances, no additional reserve or change in estimate adjustments are required for the revenue recognized to date or for the impairment of its regulatory asset.

Note 8 Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS No. 154 further requires that a change in depreciation, amortization or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. Aqua America intends to adopt this standard as required in 2006.

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

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which revises SFAS No. 123, "Accounting for Stock-based Compensation," and supersedes APB No. 25, "Accounting for Stock Issued to Employees." In April 2005, the effective date for this standard was changed to require adoption of the standard at the beginning of the next fiscal year after June 15, 2005. As noted in Note 5 - Stock-based Compensation, the Company currently provides pro forma disclosure of its compensation costs associated with the fair value of stock options that have been granted. The Company currently accounts for stock-based compensation associated with stock options using the intrinsic method, and accordingly, no compensation costs have been recognized in its consolidated financial statements. SFAS 123R generally requires that the Company measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. The fair value of the option grant will be estimated using an option-pricing model. The Company is currently evaluating this standard to determine the impact on its consolidated financial statements, including the selection of an appropriate option-pricing model as permitted under SFAS No. 123R, and the method by which it will adopt SFAS No. 123R. The impact of adoption of SFAS No. 123R on the Company's earnings depends on a number of variables including the level of share-based payments granted in the future, the fair value of options granted and the associated income tax benefits that the Company receives. Assuming the Company grants a comparable number of stock options in 2006 as compared to 2005 and the fair value approximates the value of recent stock option grants previously reported in the notes to the Company's consolidated financial statements, the after-tax impact of SFAS No. 123R is expected to approximate $3,000 during the year ending December 31, 2006. The Company believes the adoption will have no impact on its overall financial position or cash flow, but will result in the reclassification of related tax benefits from operating cash flow to financing cash flow to the extent these tax benefits exceed the associated compensation cost recognized in the income statement. The Company is currently evaluating the change in the cash flow reporting and has not yet determined the effect of adoption on its cash flow statement presentation.

In November 2004, the FASB approved Statement of Financial Accounting

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

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

On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law. Among other provisions, the AJCA creates a new deduction for qualified domestic production activities. Certain activities of the Company, such as its water treatment activity, are considered as qualifying production activities for purposes of determining the deduction for qualified production activities. In December 2004, the FASB issued FSP 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." In accordance with FSP 109-1, the Company will treat the deduction for qualified domestic production activities as a reduction of the income tax provision in the period as realized. The Company adopted this statement in the first quarter of 2005 and has recorded an estimate for the effect of the statement which reduced the provision for income taxes by approximately $680 for the first nine months of 2005.

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

AQUA AMERICA, INC. AND SUBSIDIARIES

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

Forward-looking Statements

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

General Information

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

Financial Condition

During the first nine months of 2005, we had $156,649 of capital expenditures, acquired water and wastewater systems for $4,271, repaid $3,148 of customer advances for construction and repaid debt and made sinking fund contributions and other loan repayments of $71,878. The capital expenditures were related to improvements to treatment plants, new and rehabilitated water mains, tanks, hydrants, and service lines, in addition to well and booster improvements.

During the first nine months of 2005, the proceeds from the issuance of long-term debt, the proceeds from the issuance of common stock, internally generated funds and available working capital were used to fund the cash requirements discussed above and to pay dividends. In February 2005, Aqua America issued unsecured notes of $30,000 at a weighted-average interest rate of 5.086% and the proceeds of this financing were used to refinance existing short-term debt. In May 2005, our Pennsylvania operating subsidiary issued $72,000 tax-exempt bonds secured by a supplement to the trust indenture relating to its First Mortgage Bonds at a weighted-average interest rate of 4.88% due in years ranging from 2036 to 2038. Of the $72,000 in proceeds, $22,000 was used to retire previously issued tax-exempt bonds of 6.35% in August 2005 and the balance of the proceeds are restricted to fund the costs of certain capital projects in 2005 and 2006. In September 2005, our Ohio operating subsidiary issued $21,260 of tax-exempt bonds secured by a supplement to the trust indenture relating to its First Mortgage Bonds at 4.50% due in 2035. The proceeds were used to retire long-term debt of $10,260 and the balance of the proceeds is restricted to funding the costs of certain capital projects. At September 30, 2005, we had short-term lines of credit of $217,000, of which $100,050 was available. Effective with the December 1, 2005 payment, Aqua America increased the quarterly cash dividend on common stock from $0.13 per share to $0.1425 per share.

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

Results of Operations

Analysis of First Nine Months of 2005 Compared to First Nine Months of 2004

Revenues for the first nine months increased $47,274 or 14.5% primarily due to additional revenues of $24,570 resulting from increased water and wastewater rates implemented in various operating subsidiaries, additional water and sewer revenues of $12,519 associated with a larger customer base and increased water consumption compared to the same period in 2004. The larger customer base primarily resulted from acquisitions, principally the Heater acquisition which closed in June 2004 and the Florida Water acquisition which occurred in June 2004. The increased water consumption is primarily associated with the relatively normal weather conditions experienced in the third quarter of 2005 as compared to the unfavorable weather conditions experienced in the third quarter of 2004.

Operations and maintenance expenses increased by $18,026 or 13.6% primarily due to the additional operating costs associated with acquisitions, principally the Heater and Florida Water acquisitions, increased pension costs, higher water production costs including purchased water expenses, increased insurance costs and normal increases in operating costs.

Depreciation expense increased $3,598 or 8.7% reflecting the utility plant placed in service since the third quarter of 2004, including the assets acquired through system acquisitions, offset partially by an adjustment in the second quarter of 2005 resulting from the identification in the second quarter of 2005 of a previously issued rate order that permitted the deferral of $520 of depreciation expense. This depreciation expense was recognized in prior periods.

Amortization increased $531 due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by $2,578 or 12.0% due to the additional taxes associated with acquired operations, increased property taxes and additional local taxes incurred in the first nine months of 2005.

Interest expense increased by $3,031 or 8.5% primarily due to additional borrowings to finance the Heater and Florida Water acquisitions, and capital projects, offset partially by decreased interest rates on borrowings due to the refinancing of certain existing debt issues.

Allowance for funds used during construction ("AFUDC") decreased by $531 primarily due to investment income of $762 earned in the second quarter of 2005 which reduced both AFUDC and interest expense, and a decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied. These variances were offset partially by additional AFUDC recorded as an adjustment in the second quarter of 2005 of $974 resulting from the identification in the second quarter of 2005 of a previously issued rate order which allowed the continuation of AFUDC on certain capital projects subsequent to being placed into utility service. This AFUDC was not recognized in prior periods.

Gain on sale of other assets totaled $582 in the first nine months of 2005 and $967 in the first nine months of 2004. The change is due to timing of sales of land and marketable securities.

Our effective income tax rate was 39.4% in the first nine months of 2005 and 39.6% in the first nine months of 2004. The change was due to the recognition of the American Jobs Creation Act tax deduction for qualified domestic production activities that reduced our tax provision in the first nine months of 2005 by approximately $680, offset partially by a decrease in tax-deductible expenses.

Net income for the first nine months increased by $11,473 or 19.9%, in comparison to the same period in 2004 primarily as a result of the factors described above. On a diluted per share basis, earnings increased $0.10 or 16.4% reflecting the change in net income and a 3.6% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares issued in the November 2004 share offering, and the additional shares sold or issued through the dividend reinvestment plan and the employee stock and incentive plan.

Analysis of Third Quarter of 2005 Compared to Third Quarter of 2004

Revenues for the quarter increased $16,478 or 13.7% primarily due to additional revenues of $5,566 resulting from increased water and wastewater rates implemented in various operating subsidiaries, $1,652 of additional revenues from the infrastructure rehabilitation surcharge in Pennsylvania, and increased water consumption compared to the third quarter of 2004. The increased water consumption is primarily associated with the relatively normal weather conditions experienced in the third quarter of 2005 as compared to the unfavorable weather conditions experienced in the third quarter of 2004.

Operations and maintenance expenses increased by $6,140 or 13.2% primarily due to increased water production costs, higher insurance costs, increased benefit costs, and normal increases in operating costs. The increased water production costs, principally purchased power and chemicals, were associated with the higher water consumption. The higher insurance costs during the third quarter of 2005 was due to the favorable closure of insurance claims during the third quarter of 2004.

Depreciation expense increased $1,466 or 10.4% reflecting the utility plant placed in service since the third quarter of 2004, including the assets acquired through system acquisitions.

Amortization decreased $5 or 0.4% due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by $783 or 10.4% due to increased property taxes and additional local taxes incurred in the third quarter of 2005.

Interest expense increased by $933 or 7.6% primarily due to additional borrowings to finance capital projects, offset partially by decreased interest rates on borrowings due to the refinancing of certain existing debt issues.

Allowance for funds used during construction ("AFUDC") decreased by $262 primarily due to a decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied, and a lower AFUDC rate.

Gain on sale of other assets totaled $77 in the third quarter of 2005 and $491 in the third quarter of 2004. The change is due to the timing of sales of land.

Our effective income tax rate was 39.7% in the third quarter of 2005 and 39.5% in the third quarter of 2004. The change was due to a decrease in our tax-deductible expenses.

Net income for the quarter increased by $3,830 or 15.9%, in comparison to the same period in 2004 primarily as a result of the factors described above. On a diluted per share basis, earnings increased $0.03 or 11.5% reflecting the change in net income and a 3.9% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares issued in the November 2004 share offering, and the additional shares sold or issued through the dividend reinvestment plan and the employee stock and incentive plan.

Impact of Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and

Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS No. 154 further requires that a change in depreciation, amortization or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. Aqua America intends to adopt this standard as required in 2006.

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

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which revises SFAS No. 123, "Accounting for Stock-based Compensation," and supersedes APB No. 25, "Accounting for Stock Issued to Employees." In April 2005, the effective date for this standard was changed to require adoption of the standard at the beginning of the next fiscal year after June 15, 2005. As noted in Note 5 - Stock-based Compensation, we currently provide pro forma disclosure of our compensation costs associated with the fair value of stock options that have been granted. We currently account for stock-based compensation associated with stock options using the intrinsic method, and accordingly, no compensation costs have been recognized in our consolidated financial statements. SFAS 123R generally requires that we measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. The fair value of the option grant will be estimated using an option-pricing model. We are currently evaluating this standard to determine the impact on our consolidated financial statements, including the selection of an appropriate option-pricing model as permitted under SFAS No. 123R, and the method by which we will adopt SFAS No. 123R. The impact of adoption of SFAS No. 123R on our earnings depends on a number of variables including the level of share-based payments granted in the future, the fair value of the options granted and the associated income tax benefits that we receive. Assuming we grant a comparable number of stock options in 2006 as compared to 2005 and the fair value approximates the value of recent stock option grants previously reported in the notes to the Company's consolidated financial statements, the after-tax impact of SFAS No. 123R is expected to approximate $3,000 during the year ending December 31, 2006. We believe the adoption will have no impact on our overall financial position or cash flow, but will result in the reclassification of related tax benefits from operating cash flow to financing cash flow to the extent these tax benefits exceed the associated compensation cost recognized in the income statement. We are currently evaluating the change in the cash flow reporting and have not yet determined the effect of adoption on our cash flow statement presentation.

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

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

On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law. Among other provisions, the AJCA creates a new deduction for qualified domestic production activities. Certain of our activities, such as our water treatment activity, are considered as qualifying production activities for purposes of determining the deduction for qualified production activities. In December 2004, the FASB issued FSP 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." In accordance with FSP 109-1, we will treat the deduction for qualified domestic production activities as a reduction of the income tax provision in the period as realized. We adopted this statement in the first quarter of 2005 and have recorded an estimate for the effect of the statement which reduced the provision for income taxes by approximately $680 for the first nine months of 2005.

Economic Regulation

The profitability of our utility operations is greatly influenced by the timeliness and adequacy of rate allowances we are granted by the public utility commissions or similar regulatory bodies in the states in which we operate. We file rate increase requests to recover the capital investments that we make in improving or replacing our facilities and to recover expenses. Some of the states in which we recently acquired operations require separate rate filings for each of our local systems, as compared to a single state-wide rate filing. We have filed or are preparing to file rate filings in over 25 jurisdictions in which these recently acquired operations are located. Due to the length of time since the last rate increase for some acquired systems and the large amount of capital improvements relative to the number of customers in some smaller systems, the proposed rate increase in some of these jurisdictions may be substantial. While each of these rate filings will proceed through the applicable regulatory process, we can provide no assurances that the rate increases will be granted in a timely or sufficient manner to cover the investments and expenses for which we initially sought the rate increases.

We are currently consolidating our customer service locations into three principal call centers, implementing a common customer information system, and upgrading our financial information systems. We expect to complete our primary customer service initiatives by the end of 2006. Consistent with prior practice, we have capitalized costs and services associated with these projects and expect to recover these costs in future rates. Although we believe it is probable that the applicable public utility commissions will allow recovery of these costs, we can provide no assurances as to their full recoverability until the conclusion of the applicable rate proceeding.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes in our exposure to market risks since December

31, 2004. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2004 for additional information.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

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

Part II. Other Information

Item 1. Legal Proceedings

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

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

The following table summarizes Aqua America's purchases of its common stock for the quarter ended September 30, 2005:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs (2)
July 1 - 31, 2005	1,512	$ 30.55	-	411,209
August 1 - 31, 2005	13,786	$ 33.73	-	411,209
September 1 - 30, 2005	11,012	$ 36.82	-	411,209
Total	26,310	$ 34.84	-	411,209

(1) These amounts consist of shares we purchased 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 (and, thus, selling) shares of Aqua America common stock in accordance

with the terms of our equity compensation plans that were previously approved by our shareholders and disclosed in our proxy statements. This feature of our equity compensation plan is available to all employees who receive option grants under the plan. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day prior to the option exercise.

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

Item 6. Exhibits

(a) Exhibits

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

SIGNATURES

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

November 9, 2005

AQUA AMERICA, INC.

Registrant

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis
Chairman, President and
Chief Executive Officer

DAVID P. SMELTZER

David P. Smeltzer
Senior Vice President - Finance

and Chief Financial Officer

EXHIBIT INDEX

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

Exhibit 31.1

Certification

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

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2005

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis
Chairman, President and Chief Executive Officer

Exhibit 31.2

Certification

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

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2005

DAVID P. SMELTZER

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

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2005 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas DeBenedictis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

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

NICHOLAS DEBENEDICTIS

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2005 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

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

DAVID P. SMELTZER

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