

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

- (f) At the sole option of the utility, the developer may be required to execute a Developer Extension Contract setting forth all terms and conditions of extending service to their property including all contributions-in-aid of construction and developer reimbursements, if any.
- (g) The utility may require the developer to commence construction of subdivision improvements within three (3) months of utility plans approval or the utility may abate its construction activities until full development construction begins. If the developer stops construction of subdivision improvements for any purpose, the utility may abate its construction for a similar period.
- (h) As soon as the roads are rough cut and prior to paving, extension lines will need to be constructed at each road crossing. The developer must notify the utility sufficiently in advance of this development stage to allow for the necessary utility construction without disruption to other service operations of the utility. Failure to provide adequate advance notice and cooperation in the construction of necessary utility plant may result in additional delays in obtaining service to the property. The developer shall be required to pay for all additional costs of road boring or other remedial construction necessary to install adequate utility plant throughout the affected property.
- (i) The developer, not the utility, shall insure that developer's employees, agents, contractors and others under its control coordinate their work or construction throughout the property with the utility to insure the orderly and timely construction of all utility plant necessary to serve the public.

Within its CCN service area, the utility shall bear the cost of the first 200 feet of any water main or sewer collection line necessary to extend service to an individual residential service applicant within a platted subdivision unless the utility can document:

- (a) that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility; or,
- (b) that the developer defaulted on the terms and conditions of a written agreement or contract existing between the utility and the developer or the terms of this tariff regarding payment for services, extensions, or other requirements; or in the event the developer declared bankruptcy and was therefore unable to meet obligations; and,

SECTION 3.20 - SPECIFIC UTILITY EXTENSION POLICY (CONT.)

- (c) that the residential service applicant purchased the property from the developer after the developer was notified of the need to provide facilities to the utility. A residential service applicant may be charged the remaining costs of extending service to his property; provided, however, that the residential service applicant may only be required to pay the cost equivalent to the cost of extending the nearest water main, whether or not that line has adequate capacity to serve that residential service applicant.

The following criteria shall be considered to determine the residential service applicant's cost for extending service:

- (1) The residential service applicant shall not be required to pay for costs of main extensions greater than 2" in diameter for water distribution.
- (2) Exceptions may be granted by the TCEQ Executive Director if:
 - (a) adequate service cannot be provided to the applicant using the maximum line sizes listed due to distance or elevation, in which case, it shall be the utility's burden to justify that a larger diameter pipe is required for adequate service;
 - (b) larger minimum line sizes are required under subdivision platting requirements or applicable building codes.
- (3) If an exception is granted, the utility shall establish a proportional cost plan for the specific extension or a rebate plan which may be limited to seven years to return the portion of the applicant's costs for oversizing as new customers are added to ensure that future applicants for service on the line pay at least as much as the initial service applicant.

For purposes of determining the costs that service applicants shall pay, commercial customers with service demands greater than residential customer demands in the certificated area, industrial, and wholesale customers shall be treated as developers.

A service applicant requesting a one inch meter for a lawn sprinkler system to service a residential lot is not considered nonstandard service.

SECTION 4.0 -- DROUGHT CONTINGENCY PLAN
(Utility must attach copy of TCEQ approved Drought Contingency Plan)

Attachment

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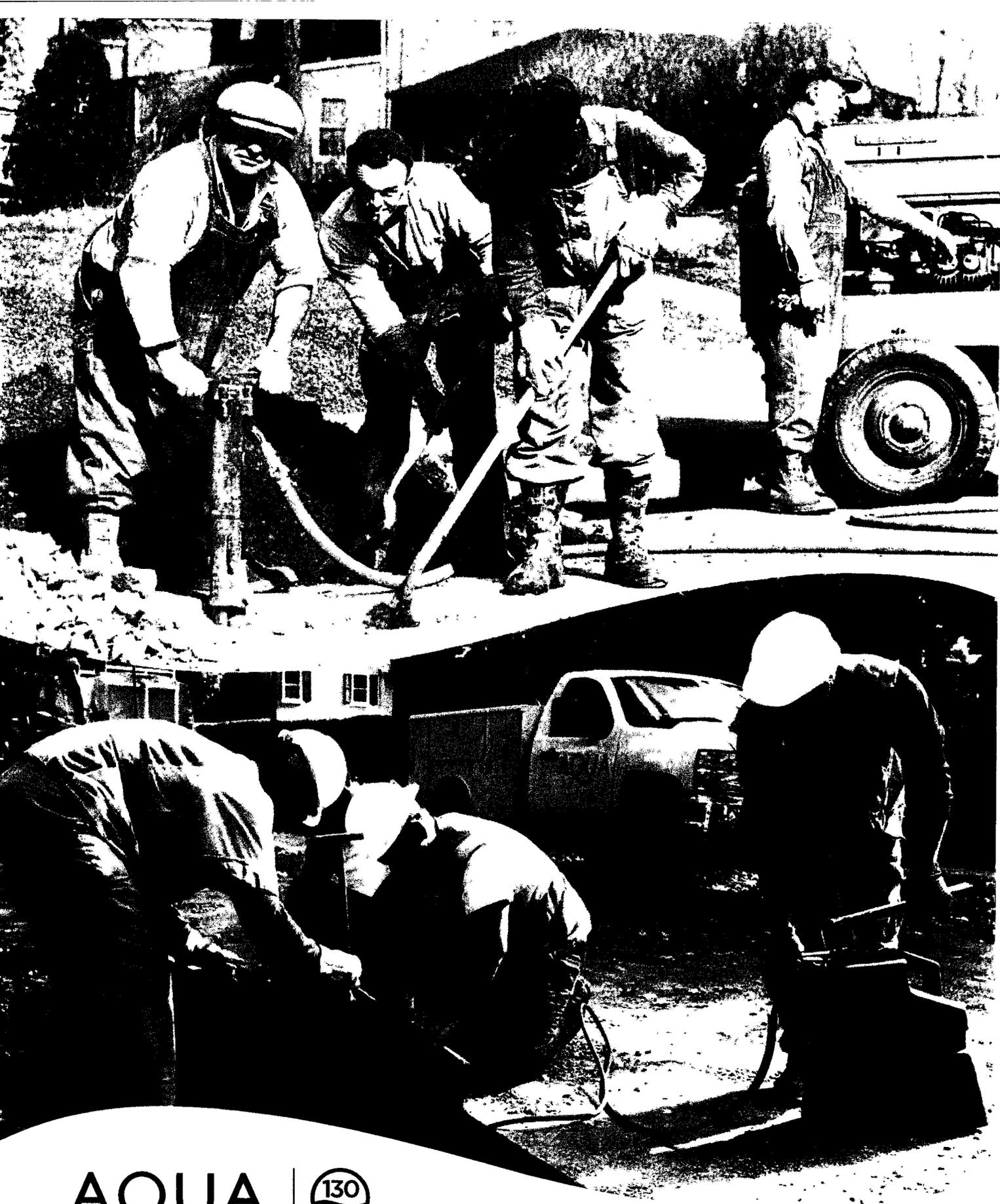
Brushy Bend Water Park – STM of Portion of Brushy Creek MUD to Aqua Texas, Inc.

Entities within 2 miles/Notice list:

City of Cedar Park (city limits)
City of Austin (CCN 11322)
City of Round Rock (CCN 11047)
City of Leander (CCN 10302)
City of Georgetown (CCN 12369)
Fern Bluff MUD (District 3035500 , PWS 2460128)
Highlands at Mayfield Ranch MUD (District 4636250)
Upper Brushy Creek WCID (District 8100500)
Walsh Ranch MUD (District 8392500, PWS 2460160)
Williamson County MUD 9 (No info in TCEQ Districts Database)
Brazos River Authority (District 1685000, PWS 2460155 & 1110100)
Williamson County

Attachment

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AQUA™



Financial High

in thousands of dollars, except per-share amounts

Operating revenues

Net income

Income from continuing operations

Income from continuing operations per share

Exclude:

Joint venture impairment charge, net of taxes

Adjusted income from continuing operations*

(Non-GAAP financial measure)

Adjusted income from continuing operations per

(Non-GAAP financial measure)

Annualized dividend rate

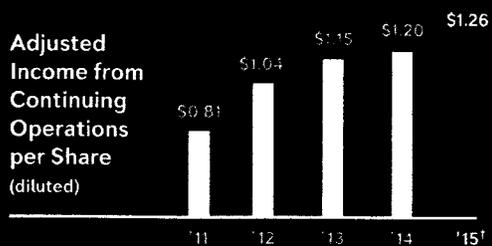
per common share (12/31)

Total assets

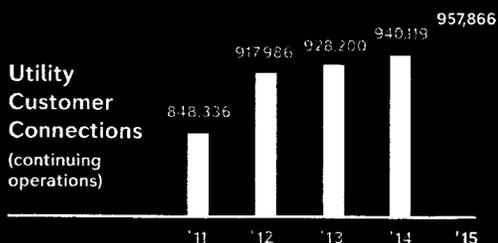
Number of utility customers served

*The GAAP financial measures are income from continuing operations and income from discontinued operations. The following table provides a reconciliation of the GAAP to non-GAAP financial measures.

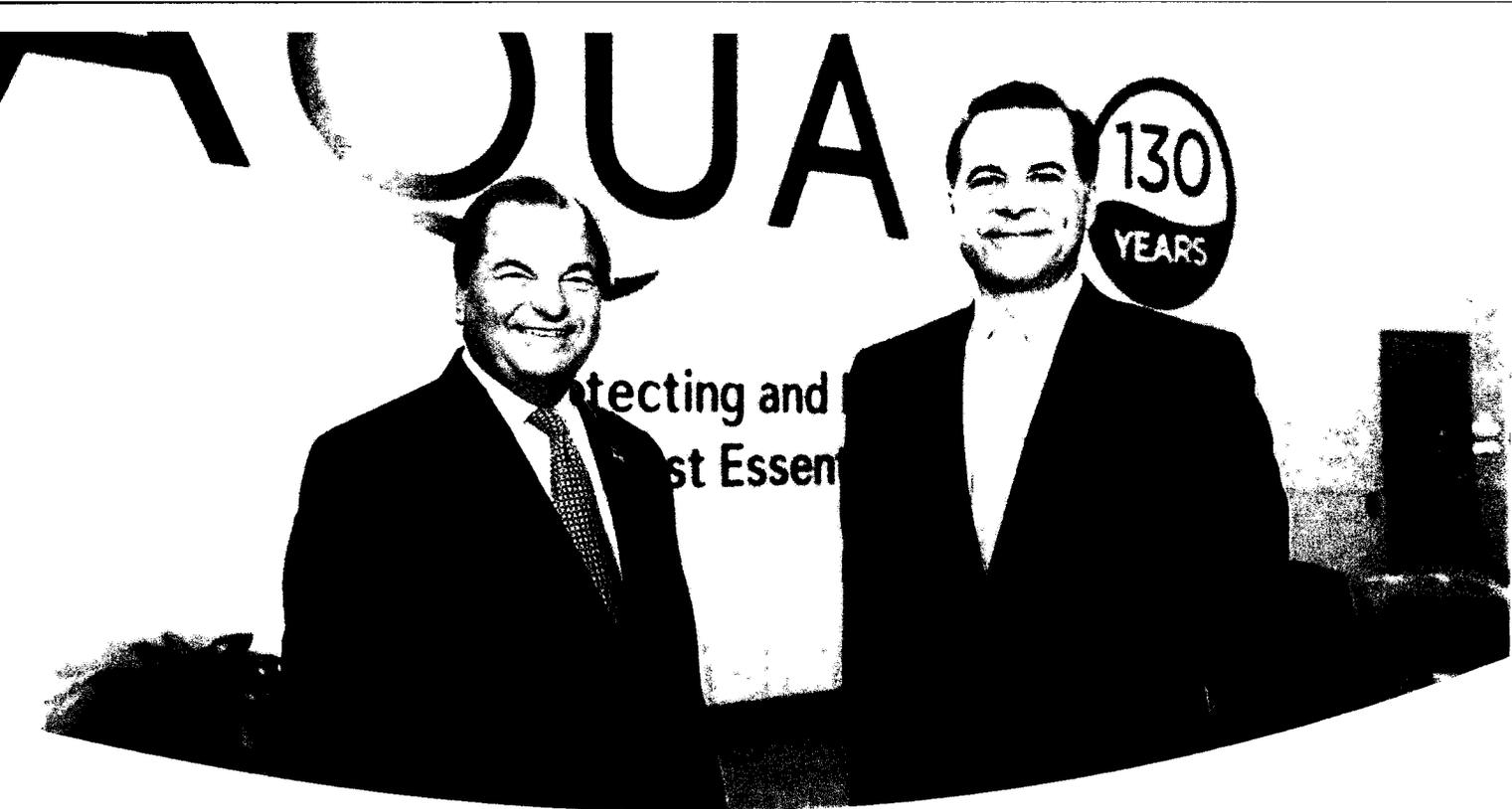
Adjusted Income from Continuing Operations per Share (diluted)



Utility Customer Connections (continuing operations)



†2015: Income from continuing operations adjusted for joint venture impairment charge, net of taxes, per share was \$1.14.



A Letter From the Chairman and the President & CEO.

Aqua America's Board of Directors appointed Christopher Franklin chief executive officer on June 3. Chris, a 23-year veteran and Aqua's former chief operating officer of regulated operations, assumed his new role on July 1. Nicholas DeBenedictis served as a valued resource through the transition and will continue to serve as chairman of the board.

The year 2015 was an important one at Aqua America. We demonstrated that a smooth transition from a long-term CEO to a new CEO and management team could be done effectively and efficiently. Both of us worked together for more than two decades building this successful company and providing long-term value for shareholders. It is only fitting that the legacy continues through the next generation of management at Aqua America.

Following the CEO transition in July, we proceeded to build on an already strong management team by adding several new executives to the organization. With our primary focus on operating the company at standards of excellence, and growing the company in a sustainable and accretive way, we diligently hired executives to lead our operations and corporate growth.

It is in this strong position that we entered 2016, a year that marks the company's 130th anniversary, a milestone reached by very few American companies. We take great pride in this history!

Our mission is clear at Aqua America: protecting and providing Earth's most essential resource. Our employees believe in our mission, and come to work each day to provide clean, safe drinking water to our customers. Through our wastewater operations, our employees are responsible for ensuring we treat the water before we place it back into our rivers, streams and fields, renewed and meeting all environmental standards.

Although our mission is simple, it is an extremely important one. After all, we are the only utility whose product is ingested by humans.

Because our charge is such a crucial one to the health and well-being of entire communities, we place the very highest value on honesty, integrity and transparency in our work at Aqua America. We want our employees, customers, shareholders and other stakeholders to know that we hold ourselves accountable to a high standard on which they have come to depend. Across the company, our management team understands that we earn our customers' trust every day through our actions.

Each year we are amazed by what our employees accomplish and how they react to the various situations they encounter. This year, Aqua Pennsylvania Inspector Bryan Gormley reacted quickly when he witnessed an accident in which a young man was severely injured. With little regard for his own safety, Bryan jumped into the trench to save the man's life, injuring himself in the process. Bryan saved this young man's life that day and demonstrated to all of us the selflessness of our team at Aqua America.

We serve nearly 1 million customer connections across our eight-state footprint with dedicated service and great pride. We will continue our commitment to the communities we serve by spending \$1.1 billion over the next three years on infrastructure projects that improve our service and quality. With all the capabilities Aqua America brings to our existing customers, we have a great opportunity to extend the same excellent service to even more customers in the United States. For this reason, it is our objective to continue growing the company. In fact, this year, we grew the company by 1.9 percent, which represents the highest customer growth rate we've seen since 2008.

Since the transition last July, we have intensified our strategic planning process by developing a framework to evaluate larger potential acquisitions. With the closing of four municipal acquisitions in 2015, we believe our strategy in the municipal market will continue to accelerate customer growth for the company and its shareholders.

Through our work with legislators and regulators, we have developed mechanisms to more rapidly invest in the improvement of our pipes and plants. These mechanisms have also allowed us to file fewer rate cases, which is positive for customers, regulators, local officials and Aqua America alike.

We understand the importance of our quarterly cash dividends to our shareholders. In August, 2015 Aqua's Board of Directors increased the quarterly cash dividend for the 25th time in the past 24 years. The dividend was raised 7.9 percent to \$0.178 per share, effective September 1, 2015. To date, Aqua has paid consecutive quarterly dividends to its shareholders for 71 years.

On behalf of the board and the entire senior leadership team, we would like to thank all of our employees for their passion and dedication to our mission and vision, and for keeping customers at the center of all we do. We also extend our thanks to you, the shareholders of our great company, for enabling Aqua America to protect and provide Earth's most essential resource, every day.

Sincerely,

Christopher Franklin
President and CEO

Nicholas DeBenedictis
Chairman of the Board



“ Although our mission is simple, it is an extremely important one. ”

AQUA AMERICA, INC. AND SUBSIDIARIES

Management's Report On Internal Control Over Financial Reporting

Management of Aqua America, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In assessing the effectiveness of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework* (2013). As a result of management's assessment and based on the criteria in the framework, management has concluded that, as of December 31, 2015, the Company's internal control over financial reporting was effective.

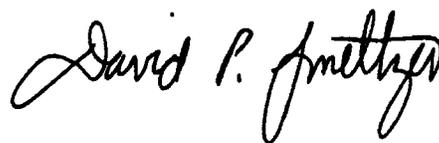
The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.



Christopher Franklin

President and Chief Executive Officer

February 26, 2016



David P. Smeltzer

Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Aqua America, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of net income, of comprehensive income, of capitalization, of equity and of cash flows present fairly, in all material respects, the financial position of Aqua America, Inc. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015 based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 26, 2016

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF NET INCOME

(In thousands, except per share amounts)

Years ended December 31, 2015, 2014, and 2013

	2015	2014	2013
Operating revenues	\$ 814,204	\$ 779,903	\$ 761,893
Operating costs and expenses:			
Operations and maintenance	309,310	288,556	283,561
Depreciation	125,290	123,054	118,414
Amortization	3,447	3,481	5,571
Taxes other than income taxes	55,057	50,453	52,685
Total operating expenses	493,104	465,544	460,231
Operating income	321,100	314,359	301,662
Other expense (income):			
Interest expense, net	76,536	76,397	77,316
Allowance for funds used during construction	(6,219)	(5,134)	(2,275)
(Gain) loss on sale of other assets	(468)	4	(148)
Gain on extinguishment of debt	(678)	-	-
Equity loss in joint venture	35,177	3,989	2,665
Income from continuing operations before income taxes	216,752	239,103	224,104
Provision for income taxes	14,962	25,219	21,233
Income from continuing operations	201,790	213,884	202,871
Discontinued operations:			
Income from discontinued operations before income taxes	-	32,155	28,311
Provision for income taxes	-	12,800	9,882
Income from discontinued operations	-	19,355	18,429
Net income attributable to common shareholders	\$ 201,790	\$ 233,239	\$ 221,300
Income from continuing operations per share:			
Basic	\$ 1.14	\$ 1.21	\$ 1.15
Diluted	\$ 1.14	\$ 1.20	\$ 1.15
Income from discontinued operations per share:			
Basic	\$ -	\$ 0.11	\$ 0.10
Diluted	\$ -	\$ 0.11	\$ 0.10
Net income per common share:			
Basic	\$ 1.14	\$ 1.32	\$ 1.26
Diluted	\$ 1.14	\$ 1.31	\$ 1.25
Average common shares outstanding during the period:			
Basic	176,788	176,864	176,140
Diluted	177,517	177,763	176,814
Cash dividends declared per common share	\$ 0.686	\$ 0.634	\$ 0.584

See accompanying notes to consolidated financial statements.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of dollars)

Years ended December 31, 2015, 2014, and 2013

	2015	2014	2013
Net income attributable to common shareholders	\$ 201,790	\$ 233,239	\$ 221,300
Other comprehensive income, net of tax:			
Unrealized holding (loss) gain on investments, net of tax (benefit) expense of \$(53), \$104, and \$76 for the years ended December 31, 2015, 2014, and 2013, respectively	(101)	193	141
Reclassification adjustment for loss (gain) reported in net income, net of tax (benefit) expense of \$(134) and \$(49) for the twelve months ended December 31, 2014 and 2013, respectively (1)	-	249	90
Comprehensive income	\$ 201,689	\$ 233,681	\$ 221,531

See accompanying notes to consolidated financial statements.

(1) Amount of pre-tax loss (gain) of \$383 and \$139 reclassified from accumulated other comprehensive income to loss (gain) on sale of other assets on the consolidated statements of net income for the years ended December 31, 2014 and 2013, respectively.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)
December 31, 2015 and 2014

	2015	2014
Assets		
Property, plant and equipment, at cost	\$ 6,088,011	\$ 5,707,017
Less: accumulated depreciation	1,399,086	1,305,027
Net property, plant and equipment	4,688,925	4,401,990
Current assets:		
Cash and cash equivalents	3,229	4,138
Accounts receivable and unbilled revenues, net	99,146	96,999
Deferred income taxes	-	26,849
Inventory, materials and supplies	12,414	12,788
Prepayments and other current assets	11,802	11,748
Assets held for sale	1,779	-
Total current assets	128,370	152,522
Regulatory assets	830,118	725,591
Deferred charges and other assets, net	52,043	52,084
Investment in joint venture	7,716	43,334
Funds restricted for construction activity	-	47
Goodwill	33,866	31,184
Total assets	\$ 5,741,038	\$ 5,406,752
Liabilities and Equity		
Aqua America stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 179,363,660 and 178,591,254 in 2015 and 2014	\$ 89,682	\$ 89,296
Capital in excess of par value	773,585	758,145
Retained earnings	930,061	849,952
Treasury stock, at cost, 2,819,569 and 1,837,984 shares in 2015 and 2014	(68,085)	(42,838)
Accumulated other comprehensive income	687	788
Total Aqua America stockholders' equity	1,725,930	1,655,343
Noncontrolling interest	-	40
Total equity	1,725,930	1,655,383
Long-term debt, excluding current portion	1,743,612	1,560,655
Commitments and contingencies (See Note 9)	-	-
Current liabilities:		
Current portion of long-term debt	35,593	58,615
Loans payable	16,721	18,398
Accounts payable	56,452	63,035
Accrued interest	12,651	12,437
Accrued taxes	21,887	31,462
Other accrued liabilities	49,895	41,388
Total current liabilities	193,199	225,335
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,118,923	1,000,791
Customers' advances for construction	86,934	78,301
Regulatory liabilities	259,507	278,317
Other	100,498	109,692
Total deferred credits and other liabilities	1,565,862	1,467,101
Contributions in aid of construction	512,435	498,278
Total liabilities and equity	\$ 5,741,038	\$ 5,406,752

See accompanying notes to consolidated financial statements.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITALIZATION

(In thousands of dollars, except per share amounts)

December 31, 2015 and 2014

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<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 30%;"><u>Interest Rate Range</u></th> <th style="text-align: left; width: 30%;"><u>Maturity Date Range</u></th> <th style="width: 20%;"></th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>0.00% to 0.99%</td> <td>2023 to 2033</td> <td style="text-align: right;">5,148</td> <td style="text-align: right;">5,653</td> </tr> <tr> <td>1.00% to 1.99%</td> <td>2016 to 2035</td> <td style="text-align: right;">20,811</td> <td style="text-align: right;">24,871</td> </tr> <tr> <td>2.00% to 2.99%</td> <td>2024 to 2031</td> <td style="text-align: right;">19,167</td> <td style="text-align: right;">15,578</td> </tr> <tr> <td>3.00% to 3.99%</td> <td>2016 to 2047</td> <td style="text-align: right;">297,275</td> <td style="text-align: right;">190,875</td> </tr> <tr> <td>4.00% to 4.99%</td> <td>2020 to 2054</td> <td style="text-align: right;">487,093</td> <td style="text-align: right;">484,168</td> </tr> <tr> <td>5.00% to 5.99%</td> <td>2016 to 2043</td> <td style="text-align: right;">221,435</td> <td style="text-align: right;">242,102</td> </tr> <tr> <td>6.00% to 6.99%</td> <td>2017 to 2036</td> <td style="text-align: right;">52,964</td> <td style="text-align: right;">64,944</td> </tr> <tr> <td>7.00% to 7.99%</td> <td>2022 to 2027</td> <td style="text-align: right;">33,762</td> <td style="text-align: right;">34,424</td> </tr> <tr> <td>8.00% to 8.99%</td> <td>2021 to 2025</td> <td style="text-align: right;">14,502</td> <td style="text-align: right;">18,907</td> </tr> <tr> <td>9.00% to 9.99%</td> <td>2018 to 2026</td> <td style="text-align: right;">27,100</td> <td style="text-align: right;">27,800</td> </tr> <tr> <td>10.00% to 10.99%</td> <td>2018</td> <td style="text-align: right;">6,000</td> <td style="text-align: right;">6,000</td> </tr> </tbody> </table>	<u>Interest Rate Range</u>	<u>Maturity Date Range</u>			0.00% to 0.99%	2023 to 2033	5,148	5,653	1.00% to 1.99%	2016 to 2035	20,811	24,871	2.00% to 2.99%	2024 to 2031	19,167	15,578	3.00% to 3.99%	2016 to 2047	297,275	190,875	4.00% to 4.99%	2020 to 2054	487,093	484,168	5.00% to 5.99%	2016 to 2043	221,435	242,102	6.00% to 6.99%	2017 to 2036	52,964	64,944	7.00% to 7.99%	2022 to 2027	33,762	34,424	8.00% to 8.99%	2021 to 2025	14,502	18,907	9.00% to 9.99%	2018 to 2026	27,100	27,800	10.00% to 10.99%	2018	6,000	6,000	1,185,257	1,115,322
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Notes payable to bank under revolving credit agreement, variable rate, due 2017	60,000	72,000																																																
Unsecured notes payable:																																																		
Bank notes at 1.921% and 1.975% due 2017 and 2018	100,000	50,000																																																
Notes at 3.57% and 3.59% due 2027 and 2030	120,000	50,000																																																
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	187,548																																																
Total long-term debt	1,779,205	1,619,270																																																
Current portion of long-term debt	35,593	58,615																																																
Long-term debt, excluding current portion	1,743,612	1,560,655																																																
Total capitalization	\$ 3,469,542	\$ 3,216,038																																																

See accompanying notes to consolidated financial statements.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(In thousands of dollars)

	Common stock	Capital in excess of par value	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
Balance at December 31, 2012	\$ 70,472	\$ 718,482	\$ 611,303	\$ (14,668)	\$ 115	\$ 188	\$ 1,385,892
Net income	-	-	221,300	-	-	20	221,320
Other comprehensive income, net of income tax of \$125	-	-	-	-	231	-	231
Dividends	-	-	(102,889)	-	-	-	(102,889)
Stock split	17,655	(17,655)	-	-	-	-	-
Sale of stock (449,129 shares)	188	9,693	-	409	-	-	10,290
Repurchase of stock (415,233 shares)	-	-	-	(12,823)	-	-	(12,823)
Equity compensation plan (43,500 shares)	17	(17)	-	-	-	-	-
Exercise of stock options (1,566,089 shares)	632	25,066	-	-	-	-	25,698
Stock-based compensation	-	5,066	(442)	-	-	-	4,624
Employee stock plan tax benefits	-	2,700	-	-	-	-	2,700
Balance at December 31, 2013	88,964	743,335	729,272	(27,082)	346	208	1,535,043
Net income	-	-	233,239	-	-	40	233,279
Purchase of subsidiary shares from noncontrolling interest	-	-	-	-	-	(208)	(208)
Other comprehensive income, net of income tax of \$238	-	-	-	-	442	-	442
Dividends	-	-	(112,106)	-	-	-	(112,106)
Repurchase of stock (659,666 shares)	-	-	-	(15,756)	-	-	(15,756)
Equity compensation plan (212,920 shares)	107	(107)	-	-	-	-	-
Exercise of stock options (449,412 shares)	225	7,071	-	-	-	-	7,296
Stock-based compensation	-	6,811	(453)	-	-	-	6,358
Employee stock plan tax benefits	-	1,828	-	-	-	-	1,828
Other	-	(793)	-	-	-	-	(793)
Balance at December 31, 2014	89,296	758,145	849,952	(42,838)	788	40	1,655,383
Net income	-	-	201,790	-	-	-	201,790
Other comprehensive loss, net of income tax of \$53	-	-	-	-	(101)	-	(101)
Dividends	-	-	(121,248)	-	-	-	(121,248)
Sale of stock (26,295 shares)	13	664	-	-	-	-	677
Repurchase of stock (981,585 shares)	-	-	-	(25,247)	-	-	(25,247)
Equity compensation plan (321,402 shares)	161	(161)	-	-	-	-	-
Exercise of stock options (424,709 shares)	212	7,328	-	-	-	-	7,540
Stock-based compensation	-	5,860	(433)	-	-	-	5,427
Employee stock plan tax benefits	-	2,602	-	-	-	-	2,602
Other	-	(853)	-	-	-	(40)	(893)
Balance at December 31, 2015	\$ 89,682	\$ 773,585	\$ 930,061	\$ (68,085)	\$ 687	\$ -	\$ 1,725,930

See accompanying notes to consolidated financial statements.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars)

Years ended December 31, 2015, 2014, and 2013

	2015	2014	2013
Cash flows from operating activities:			
Net income attributable to common shareholders	\$ 201,790	\$ 233,239	\$ 221,300
Income from discontinued operations	-	19,355	18,429
Income from continuing operations	201,790	213,884	202,871
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:			
Depreciation and amortization	128,737	126,535	123,985
Deferred income taxes	16,506	31,477	26,699
Provision for doubtful accounts	5,765	5,838	4,708
Share-based compensation	5,860	6,819	5,066
Gain on sale of utility system	-	-	(1,025)
(Gain) loss on sale of other assets	(468)	4	(148)
Gain on extinguishment of debt	(678)	-	-
Equity loss in joint venture	35,177	3,989	2,665
Net change in receivables, inventory and prepayments	(6,520)	(20,299)	4,466
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	(3,469)	470	(13,425)
Change in income tax receivable	-	7,873	8,209
Other	(11,906)	(11,702)	1,338
Operating cash flows from continuing operations	370,794	364,888	365,409
Operating cash flows (used in) from discontinued operations, net	-	(1,100)	2,410
Net cash flows from operating activities	370,794	363,788	367,819
Cash flows from investing activities:			
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of \$1,598, \$1,494, and \$1,742	(364,689)	(328,605)	(307,908)
Acquisitions of utility systems and other, net	(28,989)	(14,616)	(14,997)
Release of funds previously restricted for construction activity	47	-	23,531
Additions to funds restricted for construction activity	-	-	(6)
Net proceeds from the sale of utility systems and other assets	648	558	5,315
Investment in joint venture	-	-	(14,700)
Other	(1,079)	279	76
Investing cash flows used in continuing operations	(394,062)	(342,384)	(308,689)
Investing cash flows from discontinued operations, net	-	49,883	87,126
Net cash flows used in investing activities	(394,062)	(292,501)	(221,563)
Cash flows from financing activities:			
Customers' advances and contributions in aid of construction	5,904	6,064	5,114
Repayments of customers' advances	(3,977)	(4,028)	(4,303)
Net repayments of short-term debt	(1,677)	(18,342)	(43,643)
Proceeds from long-term debt	560,544	317,699	263,834
Repayments of long-term debt	(400,407)	(253,192)	(300,323)
Change in cash overdraft position	(739)	(322)	9,872
Proceeds from issuing common stock	677	-	10,290
Proceeds from exercised stock options	7,540	7,296	25,698
Share-based compensation windfall tax benefits	1,842	1,422	2,420
Repurchase of common stock	(25,247)	(15,756)	(12,823)
Dividends paid on common stock	(121,248)	(112,106)	(102,889)
Other	(853)	(793)	-
Financing cash flows used in continuing operations	22,359	(72,058)	(146,753)
Financing cash flows (used in) from discontinued operations, net	-	(149)	34
Net cash flows used in financing activities	22,359	(72,207)	(146,719)
Net decrease in cash and cash equivalents	(909)	(920)	(463)
Cash and cash equivalents at beginning of year	4,138	5,058	5,521
Cash and cash equivalents at end of year	\$ 3,229	\$ 4,138	\$ 5,058
Cash paid during the year for:			
Interest, net of amounts capitalized	\$ 70,103	\$ 72,441	\$ 75,452
Income taxes	6,902	4,348	6,995
Non-cash investing activities:			
Property, plant and equipment additions purchased at the period end, but not yet paid	\$ 25,612	\$ 31,050	\$ 30,974
Non-cash customer advances for construction	27,992	43,642	26,188

See accompanying notes to consolidated financial statements.

See Note 10 – *Long-term Debt and Loans Payable*, and Note 14 – *Employee Stock and Incentive Plan* for a description of non-cash activities.

Attachment

7

Aqua Texas, Inc.
West Austin - Operator Licenses

Name	Position	Certification #	Certification Description	Certification Level	Achieved Date	Expiration Date
Black, Larry	Facility Operator III	WS0009904	Surface Water Treatment Operator	B	5/17/2016	5/21/2019
Black, Larry	Facility Operator III	WW0049686	Wastewater Treatment Operator	B	10/2/2013	10/2/2016
Boyd, Matthew	FO Trainee	WO0024989	Water Operator	D	12/16/2015	12/17/2018
Boyd, Matthew	FO Trainee	WW0051843	Wastewater Treatment Operator	D	11/14/2014	11/14/2017
Merka, Mike	Field Supervisor	WG0014324	Ground Water Treatment Operator	C	11/12/2015	1/28/2019
Merka, Mike	Field Supervisor	WW0051676	Wastewater Treatment Operator	C	9/8/2014	9/8/2017
Ripley, David	Facility Operator III	WO0014485	Water Operator	A	8/1/2014	9/9/2017
Ripley, David	Facility Operator III	WW0006745	Wastewater Treatment Operator	A	2/17/2015	4/9/2018
Strawther, Larry	Facility Operator III	WG0004291	Ground Water Treatment Operator	B	4/20/2014	5/3/2017
Strawther, Larry	Facility Operator III	WS0004074	Surface Water Treatment Operator	B	11/2/2015	12/18/2018
Strawther, Larry	Facility Operator III	WW0008139	Wastewater Treatment Operator	B	4/2/2015	3/4/2018
Tengelfisch, Bernard	Facility Operator II	WG0007725	Ground Water Treatment Operator	C	6/23/2014	7/26/2017
Tengelfisch, Bernard	Facility Operator II	WW0001459	Wastewater Treatment Operator	C	12/10/2013	12/10/2016

Attachment

8

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Tohy Baker, *Commissioner*
Jon Niermann, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

March 3, 2016

RECEIVED

MAR 09 2016

Ms. Rebecca Tullos, President
Brushy Creek MUD
16318 S. Great Oaks Dr.
Round Rock, TX 78681-5685

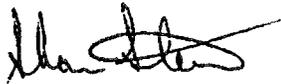
**Re: Comprehensive Compliance Investigation at:
Williamson County water system, Brushy Bend Subdivision, Round Rock (Williamson
County), Texas
TCEQ PWS ID No. 2460050, RN 101217701**

Dear Ms. Tullos:

On February 10, 2016, Claudia A. Chaffin of the Texas Commission on Environmental Quality (TCEQ) Austin Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Claudia A. Chaffin in the Austin Region Office at (512)339-2929.

Sincerely,



Shawn Stewart
Work Leader Water Program
Austin Region Office

SS/cac

cc: **Mr. Bill Carr, 16318 S. Great Oaks Dr., Round Rock, TX 78681-5685**

Attachment 9

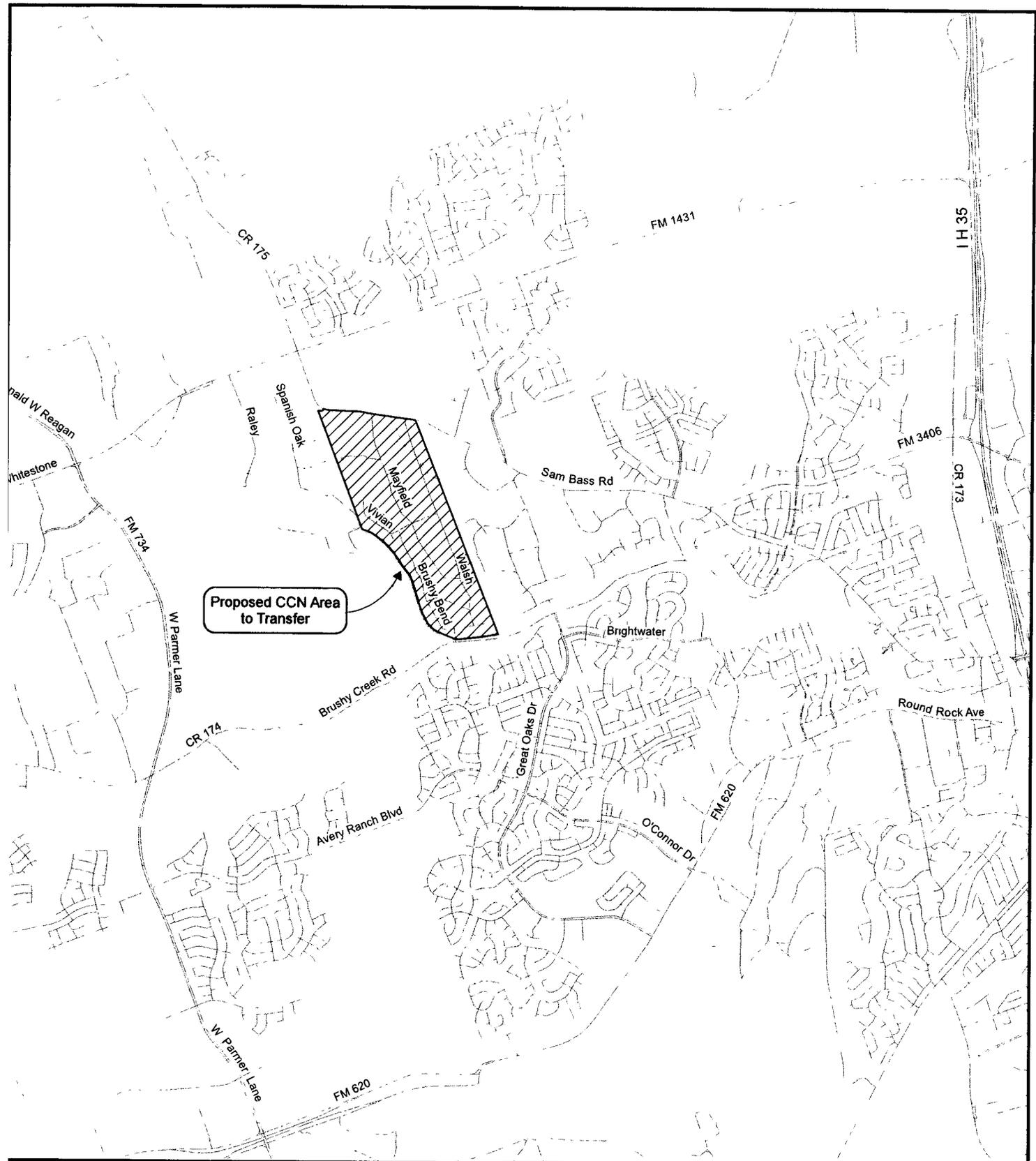


General Location Map

**Aqua Texas, Inc. d/b/a Aqua Texas
 To Transfer a Portion of Brushy Creek MUD, CCN No. 11773
 in Williamson County**

 **Proposed CCN Area to Transfer**





**Aqua Texas, Inc. d/b/a Aqua Texas
 To Transfer a Portion of Brushy Creek MUD, CCN No. 11773
 in Williamson County**

 **Proposed CCN Area to Transfer**



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 Feet 

Attachment 10

DISCLOSURE STATEMENT

BRUSHY BEND PARK WATER SYSTEM (PWS 2460050)

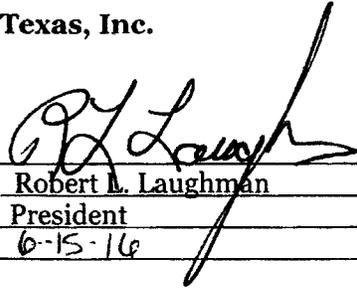
1. During Brushy Creek Municipal Utility District's ownership of the Brushy Bend Park Water System (PWS 24060050) ("System"), no portion of the System assets were funded with customer, developer or other contributions in aid of construction.
2. To the knowledge of Brushy Creek Municipal Utility District ("District"), no portion of the System assets constructed prior to acquisition thereof by the District were funded with customer, developer or other contributions in aid of construction.

Brushy Creek Municipal Utility District

By: 
Name: Mike Petter
Title: General Manager
Date: 6-9-16

The undersigned hereby acknowledges receipt of the foregoing Disclosure Statement:

Aqua Texas, Inc.

By: 
Name: Robert L. Laughman
Title: President
Date: 6-15-16

