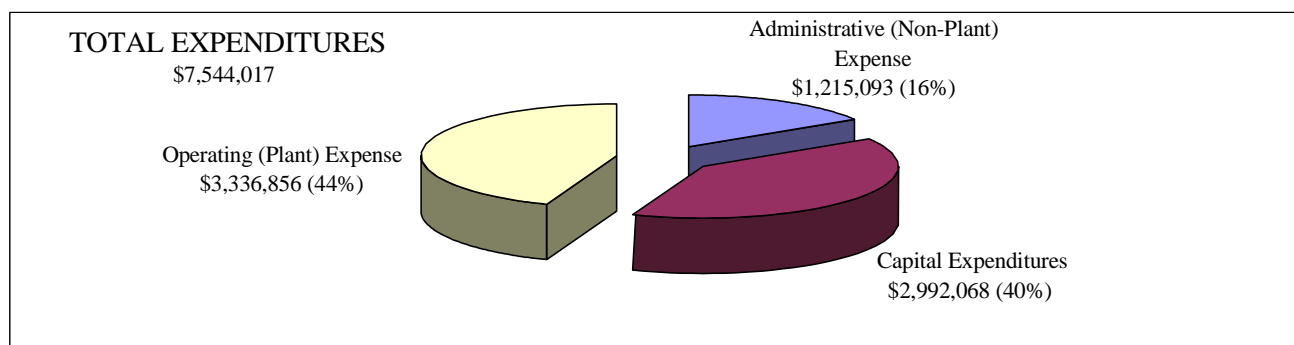


FINANCIAL STATEMENTS

BALANCE SHEETS	YEARS ENDED APRIL 30		STATEMENTS OF OPERATIONS	YEARS ENDED APRIL 30	
	2006	2005		2006	2005
Current Assets					
Cash and cash equivalents	\$ 1,250,553	\$ 1,375,971	Water sales	\$ 5,058,051	\$ 4,529,737
Certificates of deposit	4,219,000	3,434,000	Other revenue	3,040,147	1,467,897
Accounts receivable	359,783	425,023		<u>8,098,198</u>	<u>5,997,634</u>
Inventory	364,880	341,667	Plant Operating Expenses		
Prepaid expenses	115,915	102,463	Salaries and wages	677,613	534,499
	<u>6,310,131</u>	<u>5,679,124</u>	Benefits	361,349	334,134
Property and Equipment, net of accumulated depreciation					
	28,430,904	25,827,318	Electricity and gas	697,566	704,428
Long-term Investments					
	<u>631,716</u>	<u>477,006</u>	Insurance	147,805	141,028
			Repairs	393,641	393,128
TOTAL ASSETS	<u>\$ 35,372,751</u>	<u>\$ 31,983,448</u>	Depreciation	647,930	608,249
Current Liabilities					
Accounts payable	\$ 131,590	\$ 280,935	Other plant expense	410,952	532,571
Customer deposits	112,509	378,606		<u>3,336,856</u>	<u>3,248,037</u>
Accrued vacation and sick pay	254,344	190,148	Non-Plant Operating Expenses		
Other accrued expenses	337,864	306,224	Office salaries and wages	542,300	482,767
Other current liabilities	-	483,396	Benefits	159,042	159,673
	<u>836,307</u>	<u>1,639,309</u>	Meter reading service	113,151	104,663
Shareholders' Equity					
Common stock	107,447	107,461	Office expense	111,374	143,660
Contributed capital	2,262,363	1,854,788	Professional fees	38,400	41,193
Retained earnings	32,166,634	28,381,890	Insurance expense	34,282	32,714
	<u>34,536,444</u>	<u>30,344,139</u>	Depreciation	48,846	50,914
			Other non-plant expense	167,698	150,062
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 35,372,751</u>	<u>\$ 31,983,448</u>		<u>1,215,093</u>	<u>1,165,646</u>
			Operating revenue	<u>3,546,249</u>	<u>1,583,951</u>
			Non-Operating Revenue		
				250,116	103,220
			Income Tax Expense		
				(11,635)	(10,628)
				<u>238,481</u>	<u>92,592</u>
			NET REVENUE**	<u>\$ 3,784,730</u>	<u>\$ 1,676,543</u>

**AMWC Note: The net revenue does not reflect the \$2,992,068 and \$3,507,592 spent for capital improvements in 2006 and 2005, respectively.



This information is reprinted from AMWC's 2006 and 2005 financial reports, which were audited by Barbich, Longcrier, Hooper, and King. Copies of the complete report can be obtained at the AMWC office at 5005 El Camino Real, Atascadero, or by calling (805) 466-2428.

SECURITY OF RESERVES

AMWC invests all capital and operating reserves only in FDIC-insured bank certificates and government securities. Detailed investment guidelines have been established by the Board of Directors to ensure that the reserves are secure and are as close to 100% invested as possible. AMWC's Treasurer, General Manager, and Board of Directors review investments monthly.

Atascadero Mutual Water Company
P.O. Box 6075
Atascadero, CA 93423

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Water Watch



July 2006

ATASCADERO MUTUAL WATER COMPANY

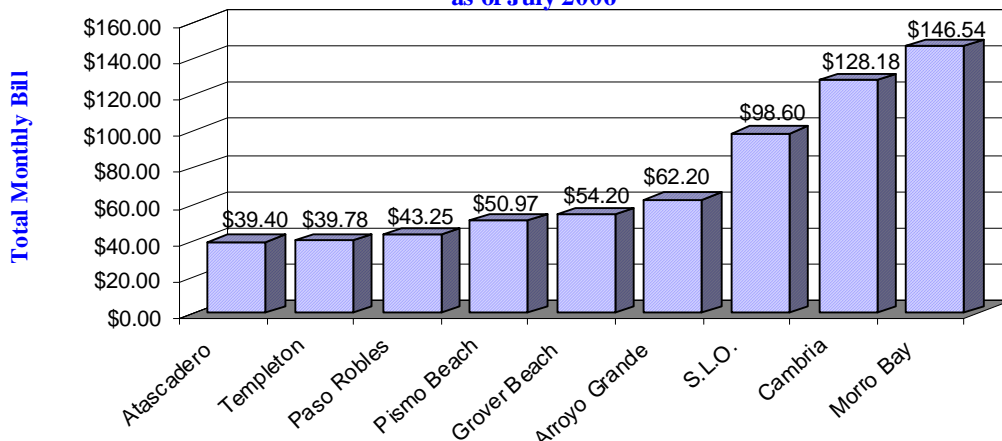
5-Year Capital Improvement Plan

AMWC's capital improvement plan anticipates average expenditures of approximately three million dollars per year over the next five years, including design expenditures for the Nacimiento Water Project (NWP). Capital expenditures are anticipated to increase with AMWC's participation in the NWP and payment of its share of the construction costs. Major projects currently programmed for the upcoming fiscal year (5/1/06 - 4/30/07) include: re-roofing the San Marcos Tank, design and construction of a new administrative office, the drilling and development of two new wells, update of the water system Master Plan, painting the exterior of the Chalk Mountain Tank, evaluation of the cast iron mains in the downtown area, and numerous other projects.

The cost of capital projects is in addition to the ongoing expenses associated with the operation and maintenance of AMWC's wells, booster stations, tanks, and distribution system.

Atascadero's Water Rates Lowest in SLO County!

Central Coast Area
Comparable Typical Residential Water Bills
as of July 2006



Based on 18,700 Gallons (2,500 CF)