

Community Participation

If you want to learn more, please attend any of our regularly scheduled meetings by appointment. They are held the fourth Monday of each month at 7:30 p.m. at our Operations Facility, 7040 Old U.S. Highway 52, Welcome, North Carolina.

We also hold an annual meeting on the second Monday in March at the courthouse in either Lexington or Thomasville, North Carolina. A notice is mailed immediately prior to the annual meeting. The annual meeting in 2007 was held at the courthouse in Thomasville. President Thad Hartley presided. John Greer, Secretary, read the minutes from the previous year; Bob Biesecker from Turlington and Company went over our financial statements; and Gregg Stabler, Manager, reported on operations and maintenance of the water system along with capital improvements to the system. Five board members were elected to serve three-year terms on the Board of Directors of Davidson Water, Inc.:

Section 1 - *John Faust*

Section 2 - *Chad Young*

Section 3 - *James Louya*

Section 4 - *Rick Hunt*

At Large - *Theresa Matthews*

Thad Hartley attended his last regular board meeting on February 26, 2007. He served on the West Davidson Board from June 1970 through August 1973 as secretary, and when the five water systems merged in September 1973 to form Davidson Water, Inc., he became secretary of the newly formed organization. Three members from each of the five original water systems made up the new fifteen-member board of directors. Hartley served as secretary until March 2001, when he took over as president. He brought a new level of structure to the board and management. Hartley is the last board member of the original fifteen Davidson Water Board members. His leadership and devotion will always be remembered. Benjamin Franklin said, "Well done is better than well said." Thad Hartley will not be remembered for the harvest he reaped, but for the seeds he planted. Thank you Thad, for a job "Well Done."

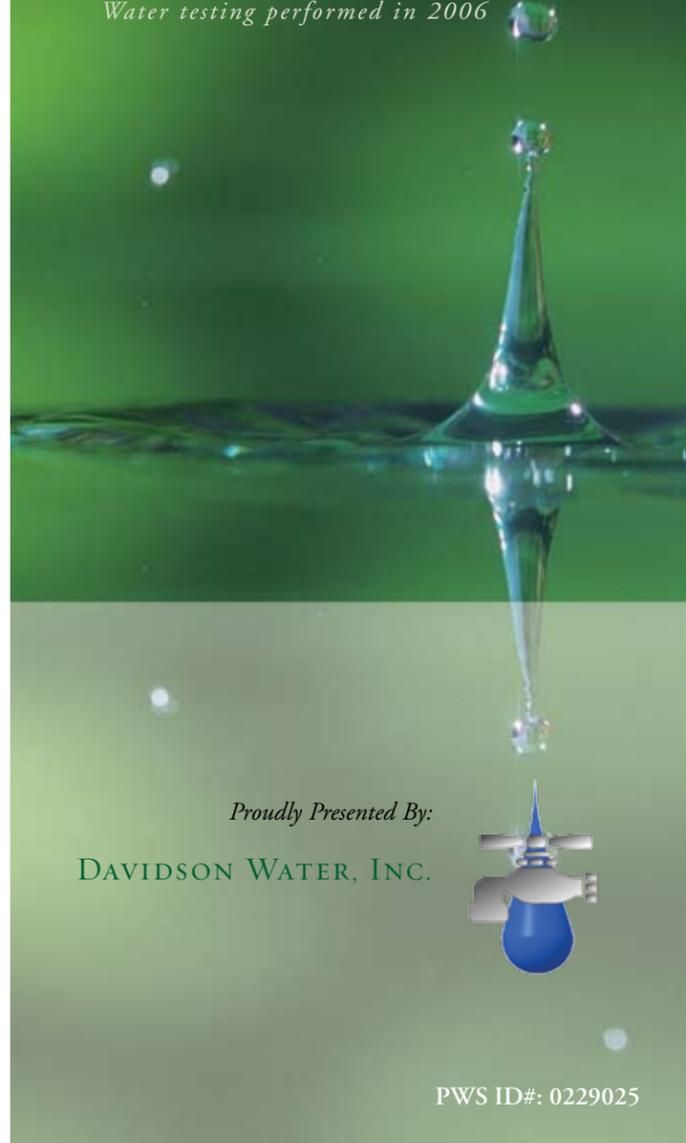
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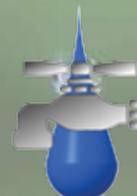
ANNUAL WATER QUALITY REPORT

Water testing performed in 2006



Proudly Presented By:

DAVIDSON WATER, INC.



PWS ID#: 0229025



Where Does My Water Come From?

The Davidson Water, Inc.'s water plant is located on Koonz Road near Highway 64 West. Our source of water is the Yadkin River. The Yadkin River begins in Blowing Rock, where it starts out as a small stream and follows along Highway 321 and then along State Road 268, deepening as other tributaries feed into the Yadkin. The Yadkin then feeds into the W. Keer Scott Dam Reservoir. The W. Keer Scott Dam is an earthen dam built in 1960 by the Army Corps of Engineers for flood control. The reservoir has 125 miles of shoreline and holds up to 112,000 acre-feet of water, or 36.5 billion gallons (an acre foot is one acre of one-foot-deep water, or 325,800 gallons). A minimum flow must be released through the dam to keep a constant supply of water flowing down the Yadkin.

KEEP IT CLEAN!

You can help keep our water safe and clean. If water pressure drops a backflow could occur. This means water could flow backward into the system, creating a potential hazardous condition.

Take the following precautions:

1. Never submerge a garden hose into any tank or pool (maintain an air gap).
2. Install and have tested a backflow preventer on lawn irrigation systems.
3. Make sure that a private well is not connected with the water system.

With your help we can ensure safe drinking water for all of our customers.

Substances That Might Be in Drinking Water

To ensure that tap water is safe to drink, the U.S. EPA prescribes regulations limiting the amount of certain contaminants in water provided by public water systems. U.S. Food and Drug Administration regulations establish limits for contaminants in bottled water, which must provide the same protection for public health. Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of these contaminants does not necessarily indicate that the water poses a health risk. The sources of drinking water (both tap water and bottled water) include rivers, lakes, streams, ponds, reservoirs, springs, and wells. As water travels over the surface of the land or through the ground, it dissolves naturally occurring minerals, in some cases, radioactive material, and substances resulting from the presence of animals or from human activity. Substances that may be present in source water include:

- **Microbial Contaminants**, such as viruses and bacteria, which may come from sewage treatment plants, septic systems, agricultural livestock operations, or wildlife;
- **Inorganic Contaminants**, such as salts and metals, which can be naturally occurring or may result from urban stormwater runoff, industrial or domestic wastewater discharges, oil and gas production, mining, or farming;
- **Pesticides and Herbicides**, which may come from a variety of sources such as agriculture, urban stormwater runoff, and residential uses;
- **Organic Chemical Contaminants**, including synthetic and volatile organic chemicals, which are by-products of industrial processes and petroleum production, and may also come from gas stations, urban stormwater runoff, and septic systems;
- **Radioactive Contaminants**, which can be naturally occurring or may be the result of oil and gas production and mining activities.

For more information about contaminants and potential health effects, call the U.S. EPA's Safe Drinking Water Hotline at (800) 426-4791.



Important Health Information

Some people may be more vulnerable to contaminants in drinking water than the general population. Immunocompromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants may be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. The U.S. EPA/CDC (Centers for Disease Control and Prevention) guidelines on appropriate means to lessen the risk of infection by *Cryptosporidium* and other microbial contaminants are available from the Safe Drinking Water Hotline at (800) 426-4791.

Information on the Internet

The U.S. EPA Office of Water (www.epa.gov/waterhome) and the Centers for Disease Control and Prevention (www.cdc.gov) Web sites provide a substantial amount of information on many issues relating to water resources, water conservation and public health. Also, the North Carolina Department of Environment and Natural Resources has a Web site (www.enr.state.nc.us) that provides complete and current information on water issues in North Carolina, including valuable information about our watershed.



Continuing Our Commitment

Once again we proudly present our annual water quality report. This edition covers all testing completed from January 1 through December 31, 2006. We are pleased to tell you that our compliance with all state and federal drinking water laws remains exemplary. As in the past, we are committed to delivering the best quality drinking water. To that end, we remain vigilant in meeting the challenges of source water protection, water conservation, and community education while continuing to serve the needs of all of our water users. For more information about this report, or for any questions relating to your drinking water, please call Ron Farnsworth, Plant Superintendent, or Tim Gwaltney at (336) 787-5800, or e-mail waterplant@davidsonwater.com.

Sampling Results

During the past year we have taken hundreds of water samples in order to determine the presence of any radioactive, biological, inorganic, volatile organic or synthetic organic contaminants. The table below shows only those contaminants that were detected in the water. Although all of the substances listed here are under the Maximum Contaminant Level (MCL), we feel it is important that you know exactly what was detected and how much of the substance was present in the water.

The state requires us to monitor for certain substances less than once per year because the concentrations of these substances do not change frequently. In these cases, the most recent sample data are included, along with the year in which the sample was taken.

REGULATED SUBSTANCES							
SUBSTANCE (UNIT OF MEASURE)	YEAR SAMPLED	MCL [MRDL]	MCLG [MRDLG]	AMOUNT DETECTED	RANGE LOW-HIGH	VIOLATION	TYPICAL SOURCE
Chlorine (ppm)	2006	[4]	[4]	1.94	0.9–3.0	No	Water additive used to control microbes
Fluoride (ppm)	2006	4	4	0.88	0.12–1.62	No	Erosion of natural deposits; Water additive to promote strong teeth; Discharge from fertilizer and aluminum factories
Haloacetic Acids [HAA] (ppb)	2006	60	NA	29.2	18.6–51.9	No	By-product of drinking water disinfection
TTHMs [Total Trihalomethanes] (ppb)	2006	80	NA	36.1	17.8–84.0	No	By-product of drinking water chlorination
Total Organic Carbon [TOC]-TREATED (ppm) ¹	2006	TT	NA	0.98	0.6–1.40	No	Naturally present in the environment
Turbidity (NTU) ²	2006	TT = 1 NTU	NA	0.17	0.04–0.17	No	Soil runoff
Turbidity (Lowest monthly percent of samples meeting limit) ²	2006	TT	NA	100	NA	No	Soil runoff

Tap water samples were collected from sample sites throughout the community

SUBSTANCE (UNIT OF MEASURE)	YEAR SAMPLED	ACTION LEVEL	MCLG	AMOUNT DETECTED (90 th tile)	SITES ABOVE ACTION LEVEL	VIOLATION	TYPICAL SOURCE
Copper (ppm)	2004	1.3	1.3	0.105	0	No	Corrosion of household plumbing systems; Erosion of natural deposits; Leaching from wood preservatives
Lead (ppb) ³	2004	15	0	4	3	No	Corrosion of household plumbing systems; Erosion of natural deposits

¹ Depending on the TOC in our source water, the system must remove certain percent of TOC or must achieve alternative compliance criteria. If we do not achieve that percentage of removal, there is an alternative removal percentage. If we fail to meet the alternative removal percentage, we are in violation of a treatment technique.

² Turbidity is a measure of the cloudiness of the water. We monitor it because it is a good indicator of the effectiveness of our filtration system. The turbidity rule requires that 95% or more of the monthly samples must be less than or equal to 0.3 NTU.

³ Infants and young children are typically more vulnerable to lead in drinking water than the general population. It is possible that lead levels at your home may be higher than at other homes in the community as a result of materials used in your home's plumbing. If you are concerned about elevated lead levels in your home's water, you may wish to have your water tested and flush your tap for 30 seconds to 2 minutes before using tap water. Additional information is available from the Safe Drinking Water Hotline at (800) 426-4791.

Table Definitions

AL (Action Level): The concentration of a contaminant which, if exceeded, triggers treatment or other requirements which a water system must follow.

MCL (Maximum Contaminant Level): The highest level of a contaminant that is allowed in drinking water. MCLs are set as close to the MCLGs as feasible using the best available treatment technology.

MCLG (Maximum Contaminant Level Goal): The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety.

MRDL (Maximum Residual Disinfectant Level): The highest level of a disinfectant allowed in drinking water. There is convincing evidence that addition of a disinfectant is necessary for control of microbial contaminants.

MRDLG (Maximum Residual Disinfectant Level Goal): The level of a drinking water disinfectant below which there is no known or expected risk to health. MRDLGs do not reflect the benefits of the use of disinfectants to control microbial contaminants.

NA: Not applicable

NTU (Nephelometric Turbidity Units): Measurement of the clarity, or turbidity, of water. Turbidity in excess of 5 NTU is just noticeable to the average person.

ppb (parts per billion): One part substance per billion parts water (or micrograms per liter).

ppm (parts per million): One part substance per million parts water (or milligrams per liter).

TT (Treatment Technique): A required process intended to reduce the level of a contaminant in drinking water.

Source Water Assessment

The North Carolina Department of Environment and Natural Resources, Public Water Supply Section, Source Water Assessment Program (SWAP), assessed all water sources across North Carolina. The assessments determined the susceptibility of each drinking water source to potential contaminants.

It is important to understand that a susceptibility rating of high does not imply poor water quality. Rather, susceptibility is an indication of a water supply's potential to become contaminated by the identified potential contaminant sources (PCSs) within the assessment area. The assessment finds are summarized in the table below:

Source	Yadkin River
Inherent Vulnerability	High
Contaminant Rating	Moderate
Susceptibility Rating	High

The complete SWAP Assessment Report for Davidson Water, Inc., Public Water Source ID No. 0229025, may be viewed on the Web at www.deh.enr.state.nc.us/pws/swap.

“DIFFICULTIES EXIST TO BE SURMOUNTED.”

“NOTHING WILL EVER BE ATTEMPTED IF ALL POSSIBLE OBJECTIONS MUST BE FIRST OVERCOME.”

“PRESS ON, NOTHING IN THE WORLD CAN TAKE THE PLACE OF PERSISTENCE.”

“OUR TASK NOW IS NOT TO FIX THE BLAME FOR THE PAST, BUT TO FIX THE COURSE FOR THE FUTURE.”

All of the above quotes define the visionaries and founders of our water system.

Even though the difficulties seemed insurmountable and objections were abundant, our founding fathers were persistent in their pursuit and truly set the course for providing safe, abundant water for our communities



and for future generations.

Today difficulties still exist: new U.S. EPA regulations to meet aging and failing infrastructures, continued growth creating greater demands for water, fire protection, economic development, and increasing customer service demands. Having well-trained personnel to meet these needs is essential, as is keeping abreast of and using new technological advances in the office, in the field and at the water plant.

This past year we received a generator credit of \$27,242 at our Hyattown facility and office complex. Since installation of these generators, we have received \$197,796 in credits. Through peak shaving at our water filtration plant, we have been able to reduce our power cost by an additional \$170,000 annually since 1995. We produced 3.9 billion gallons of water in 2006, billing for 3.34 billion gallons with a water loss of 14.2%. We now have more than 55,000 accounts serving a population of more than 130,000.

We had a GIS needs assessment done last year and hope this year to move forward with a GIS project. GIS is a powerful software that can be tied into every facet of our organization to help manage our system more efficiently and provide better customer service.

We have concentrated on six of our strategic initiatives: workforce development, security, community involvement and image, asset management and sustainability, growth, local government and service area, water resource availability, IBT, and Randleman Dam. We also continue to look at other initiatives developed through our strategic planning, including range of services, customer service, financial stability, and continuous improvement.

Hazen and Sawyer, an engineering firm, has updated our capital improvement master plan, calibrated our hydraulic model, tested some of our pumps and helped us do our initial distribution system evaluation required by the U.S. EPA.

We have continued our capital improvement program, completing the 16-inch ductile iron line on Highway 62 originating on Tower Road crossing Interstate 85 and connecting at Highway 62 and Meadowbrook. The 16-inch and 12-inch water lines on Meadowbrook Road itself are still under construction. Our service line change-out program is now complete, having changed out 1,142 plastic services to copper this past year. Our service leaks have been reduced from a high of 1,214 in 1997 to only



84 in 2006. This past year along with 84 services repaired, we repaired 468 main line leaks, plus an additional 25 caused by contractors, moved 14 meters, repaired 11 hydrants, made 725 water taps, 282 valve boxes were raised and realigned and 87 valves were repaired or replaced. We continue with our meter replacement program, changing out 7,003 meters. We are continuing with our automatic meter read program, now having more than 15,000 in use. More than 620,000 meters were read, billed and payments posted. We cut off 4,500 meters due to non-payment, and 6,745 final readings were obtained when customers moved. These accounts also had to be cut back on and processed by our office personnel as customers move in, out and sign up for new taps. We continue to add new sign-up and payment alternatives, providing better customer service. A new phone system has been installed with additional lines and options for our customers' needs.

We will be erecting two new 1-million-gallon elevated tanks. One will be going in the Welcome zone and the other in the Hickory Tree zone.

SCADA will be upgraded at our filter plant and at our central station this year. The filter sweeps and piping are being upgraded. Our emergency river pumps have been tested and are ready if needed. Our engineer is working on a design for a new river intake with more capacity and dependability in low flow conditions. A new 16-inch transmission line will be designed from our 3-million-gallon reservoir to provide more water to the Welcome zone, which provides water to the Hickory Tree, Wallburg, Hasty and Prospect zones. A new 12-inch transmission line is also being designed from the Lower Hasty Tank on Old Greensboro Road, along Kanoy Road, Bonnie Reagan Road, Jacob Street and Whiteheart School Road. This line will be an upgrade and also a replacement of pipe that has a high failure rate. We will be building a new pump station under the 500,000-gallon elevated tank in Trinity. The City of Archdale has agreed to give us this tank and property, but it will continue to be a jointly used tank. The pump station will provide better pressure and water quality by more rapid turnover of the water and will help to meet peak demands now and in the future. Through these initiatives, we hope to provide better service to you our members now and in the future.