ANNUAL WATER QUALITY REPORT

Reporting Year 2025

Presented By

DavidsonWater
INCORPORATED

PWS ID#: NC02-29-025

Este informe contiene información muy importante sobre su agua potable. Tradúzcalo o hable con alguien que lo entienda bien.

Our Commitment

We are pleased to present to you this year's annual water quality report. This report is a snapshot of last year's water quality covering all testing performed between January 1 and December 31, 2025. Included are details about your source of water, what it contains, and how it compares to standards set by regulatory agencies. Our constant goal is to provide you with a safe and dependable supply of drinking water. We want you to understand the efforts we make to continually improve the water treatment process and protect our water resources. We are committed to ensuring the quality of your water and providing you with this information because informed customers are our best allies.

Source Water Assessment

The North Carolina Department of Environment Quality (NCDEQ), Public Water Supply (PWS) Section, Source Water Assessment Program (SWAP) conducted assessments for all drinking water sources across North Carolina. The purpose of the assessments was to determine the susceptibility of each drinking water source (well or surface water intake) to potential contaminant sources (PCSs). The results of the assessment are available in SWAP assessment reports that include maps, background information, and a relative susceptibility rating of higher, moderate, or lower.

> "Water is the driving force of all nature."
>
> –*Leonardo da Vinci*

The relative susceptibility rating of each source was determined by combining the contaminant rating (number and location of PCSs within the assessment area) and the inherent vulnerability rating (i.e., characteristics or existing conditions of the well or watershed and its delineated assessment area). It is important to understand that a higher susceptibility rating does not imply poor water quality, only the system's potential to become contaminated by PCSs in the assessment area. The assessment findings are summarized in the table below.

SUCEPTIBILITY OF SOURCES TO POTENTIAL CONTAMINANT SOURCES (PCSS)

SOURCE NAME	SUSCEPTIBILITY RATING	CONTAMINATE RATING	SWAP REPORT DATE
Yadkin River WS-IV Direct Stream is Source Location	Higher	Moderate	September 5, 2017

The complete SWAP assessment report may be viewed online at ncwater.org/?page=600. Note that because SWAP results and reports are periodically updated by the PWS section, the results available on this website may differ from the results that were available at the time this Consumer Confidence Report was prepared. If you are unable to access your SWAP report online, you may mail a written request for a printed copy to: Source Water Assessment Program – Report Request, 1634 Mail Service Center, Raleigh, NC 27699-1634, or email requests to swap@ncdenr.gov. Please indicate your system name and number and provide your name, mailing address, and phone number. If you have any questions about the SWAP report, please contact the Source Water Assessment staff at (919) 707-9098.

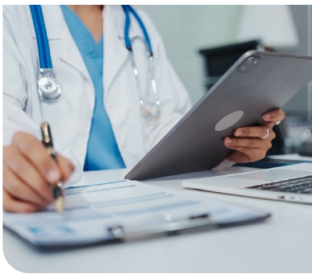
Where Does My Water Come From?

The Gregg W. Stabler Plant and the C. O. Pickle Plant are both located on Koontz Road near Highway 64 West, Lexington. Our source 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 it. The Yadkin then feeds into the W. Kerr Scott Dam Reservoir. The W. Kerr 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 that holds up to 112,000 acre-feet of water, or 36.5 billion gallons. (An acre-foot is one acre of water one foot deep, or 325,000 gallons.) A minimum flow must be released through the dam to keep a constant supply of water flowing down the Yadkin.

During 2025, Davidson Water purchased water from the City of Winston-Salem alone and none from the City of Archdale (usually we purchase water from Archdale, but not this year) to supplement peak usage or emergency needs. To obtain a water quality report from the City of Winston-Salem, please call (336) 727-8000.

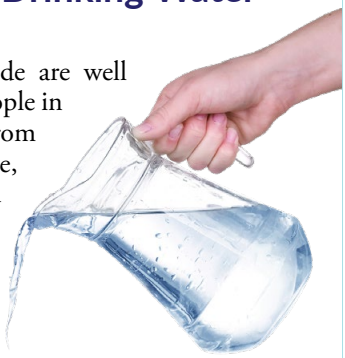
Important Health Information



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 can be particularly at risk from infections. These people should seek advice about drinking water from their health-care providers. U.S. Environmental Protection Agency (U.S. EPA)/Centers for Disease Control and Prevention (CDC) 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 or epa.gov/safewater.

Purpose of Fluoride in Drinking Water

Community Water Fluoridation



The safety and benefits of fluoride are well documented. For over 70 years, people in the United States have benefited from drinking water containing fluoride, which has helped improve dental health. Drinking fluoridated water helps keep teeth strong and has been shown to reduce tooth decay by approximately **25% in both children and adults.**

Over the past several decades, there have been significant improvements in oral health. However, tooth decay remains one of the most common chronic diseases of childhood. Community water fluoridation has been identified as one of the most **cost-effective methods** of delivering fluoride to all members of a community, regardless of age, education level, or income.

Nearly all water contains some naturally occurring fluoride, but usually not enough to help prevent tooth decay or cavities. Public water systems can adjust fluoride levels in drinking water to the **optimal level for preventing tooth decay**.

Community water fluoridation is recommended by nearly all major public health, medical, and dental organizations in the United States. Because of its contribution to the dramatic decline in tooth decay, the Centers for Disease Control and Prevention named community water fluoridation **one of the greatest public health achievements of the 20th century**. *(Courtesy of CDC: cdc.gov/fluoridation)*

Natural fluoride occurs in most rivers and groundwater sources. In the Yadkin River basin, natural fluoride levels are typically around **0.1 mg/L**, which is well below the **0.7 mg/L level recommended for dental health benefits**.

Our water system is treated with fluoride to ensure safe and healthy drinking water. Fluoride is added at the level recommended by the Centers for Disease Control and Prevention — **0.7 mg/L** — while the regulated maximum allowed level established by the U.S. Environmental Protection Agency is **4.0 mg/L**.

Community water fluoridation is supported by the U.S. Environmental Protection Agency, the Centers for Disease Control and Prevention, the U.S. Department of Health and Human Services, the American Dental Association, the American Water Works Association, the National Institutes of Health, the American Academy of Pediatrics, and the World Health Organization.

Fluoride helps prevent tooth decay and improve long-term dental health. This benefit is especially important for children who may not always brush their teeth thoroughly. In addition, chlorine is used to disinfect drinking water and eliminate harmful bacteria as recommended by the U.S. Environmental Protection Agency.

Both fluoride and chlorine levels are carefully **monitored and tested daily** to maintain safe, consistent levels. Our system follows strict federal and state guidelines and conducts regular testing to ensure the water meets all **safety and quality standards** for our community.

Water Treatment Process

The treatment process consists of a series of steps. First, raw water is drawn from our water source and sent through a series of three reservoirs to allow natural settling of silt and particulate matter. Chlorine dioxide is the first chemical added in the treatment process. It acts as a disinfectant for the raw water, as well as an effective method of iron and manganese control. The water then goes to a mixing tank where ferric sulfate and pH adjusting chemicals are added. The addition of these substances causes small particles to adhere to one another (called floc), making them heavy enough to be removed from the water in a set of sedimentation basins. Sodium hypochlorite (bleach) is then added for disinfection. At this point, the water is filtered through layers of fine anthracite coal and silicate sand. As smaller suspended particles are removed, turbidity disappears and clear water emerges.

Sodium hypochlorite is added again as a precaution against any bacteria that may still be present throughout the distribution system. (We carefully monitor the amount of Sodium hypochlorite, adding the lowest quantity necessary to protect the safety of your water without compromising taste.) Seasonally, a portion of filtered water is processed through granular activated carbon filters to polish it, removing taste- and odor-causing compounds, as well as reducing potential disinfection by-products. Finally, caustic soda (used to adjust the final pH and alkalinity), fluoride (used to prevent tooth decay), and a corrosion inhibitor (used to protect distribution system pipes) are added before the water is pumped to clear wells (on-site storage used to give chemicals contact time with the water), water towers, and your homes and businesses.

Information on the Internet

The U.S. EPA (goo.gl/TFAMKc) and CDC (cdc.gov) websites provide a substantial amount of information on many issues relating to water resources, water conservation, and public health. Also, the nonprofit organization Clean Water for North Carolina has a website (goo.gl/na06hQ) that provides complete and current information on water issues in North Carolina, including valuable information about our watershed.

Questions?

For more information about this report, or for any questions relating to your drinking water, please contact Rodney Darr, director of Water Plant Operations, at (336) 843-2554 or rdarr@davidsonwater.com.

BY THE NUMBERS

82 The average number of gallons of water an American uses per day.

27% The percent of household water use attributable to toilets.

700 The average number of gallons that a household can save each year with water-efficient fixtures.

50-100 The typical design lifespan of underground drinking water pipes, in years.

<1% The percent of Earth's water that is readily available as fresh drinking water.

Tip Top Tap

The most common signs that your faucet or sink is affecting the quality of your drinking water are discolored water, sink or faucet stains, a buildup of particles, unusual odors or tastes, and a reduced flow of water. The solutions to these problems may be in your hands.

Kitchen Sink and Drain

Handwashing, soap scum buildup, and the handling of raw meats and vegetables can contaminate your sink. Clogged drains can lead to unclean sinks and backed-up water in which bacteria (i.e., pink or black slime growth) can grow and contaminate the sink area and faucet, causing a rotten egg odor. Disinfect and clean the sink and drain area regularly and flush with hot water.

Faucets, Screens, and Aerators

Chemicals and bacteria can splash and accumulate on the faucet screen and aerator, which are located on the tip of faucets and can collect particles like sediment and minerals, resulting in a decreased flow from the faucet. Clean and disinfect the aerators or screens on a regular basis.

Check with your plumber if you find particles in the faucet screen, as they could be pieces of plastic from the hot water heater dip tube. Faucet gaskets can break down and cause black, oily slime. If you find this slime, replace the faucet gasket with a higher-quality product. White scaling or hard deposits on faucets and showerheads may be caused by water with high levels of calcium carbonate. Clean these fixtures with vinegar or use water softening to reduce the calcium carbonate levels for the hot water system.

Water Filtration/Treatment Devices

A smell of rotten eggs can be a sign of bacteria on the filters or in the treatment system. The system can also become clogged over time, so regular filter replacement is important. (Remember to replace your refrigerator filter!)

Benefits of Chlorination

Disinfection, a chemical process used to control disease-causing microorganisms by killing or inactivating them, is unquestionably the most important step in drinking water treatment. By far, the most common method of disinfection in North America is chlorination.

Before communities began routinely treating drinking water with chlorine (starting with Chicago and Jersey City in 1908), cholera, typhoid fever, dysentery, and hepatitis A killed thousands of U.S. residents annually. Drinking water chlorination and filtration have helped to virtually eliminate these diseases in the U.S. Significant strides in public health are directly linked to the adoption of drinking water chlorination. In fact, the filtration of drinking water and the use of chlorine are probably the most significant public health advancements in human history.

How chlorination works:

- Potent Germicide: Reduction of many disease-causing microorganisms in drinking water to almost immeasurable levels.
- Taste and Odor: Reduction of many disagreeable tastes and odors from foul-smelling algae secretions, sulfides, and decaying vegetation.
- Biological Growth: Elimination of slime bacteria, molds, and algae that commonly grow in water supply reservoirs, on the walls of water mains, and in storage tanks.
- Chemical: Removal of hydrogen sulfide (which has a rotten egg odor), ammonia, and other nitrogenous compounds that have unpleasant tastes and hinder disinfection. It also helps to remove iron and manganese from raw water.

Tap vs. Bottled

Thanks in part to aggressive marketing, the bottled water industry has successfully convinced us all that water purchased in bottles is a healthier alternative to tap water. However, according to a four-year study conducted by the Natural Resources Defense Council (NRDC), bottled water is not necessarily cleaner or safer than most tap water. In fact, about 40 percent of bottled water is actually just tap water, according to government estimates.

The FDA is responsible for regulating bottled water, but these rules allow for less rigorous testing and purity standards than those required by the U.S. EPA for community tap water. For instance, the high mineral content of some bottled waters makes them unsuitable for babies and young children. Further, the FDA completely exempts bottled water that's packaged and sold within the same state, which accounts for about 70 percent of all bottled water sold in the United States.

People spend 10,000 times more per gallon for bottled water than they typically do for tap water. If you get your recommended eight glasses a day from bottled water, you could spend up to $1,400 annually. The same amount of tap water would cost about 49 cents. Even if you installed a filter device on your tap, your annual expenditure would be far less than what you'd pay for bottled water. For a detailed discussion on the NRDC study results, visit goo.gl/Jxb6xG.

Substances That Could Be in Water

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 and, in some cases, radioactive material and can pick up substances resulting from the presence of animals or from human activity. Contaminants 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, and wildlife.

Inorganic Contaminants, such as salts and metals, which can occur naturally in the soil or groundwater 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 can also come from gas stations, urban stormwater runoff, and septic systems.

Radioactive Contaminants, which can occur naturally or be the result of oil and gas production and mining activities.

To ensure that tap water is safe to drink, the U.S. EPA prescribes regulations that limit the amount of certain contaminants in water provided by public water systems. Food and Drug Administration (FDA) 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 contaminants does not necessarily mean that water poses a health risk. More information about contaminants and potential health effects can be obtained by contacting the U.S. EPA by calling the Safe Drinking Water Hotline at (800) 426-4791 or visiting epa.gov/safewater.

What's a Cross-Connection?

Cross-connections that contaminate drinking water distribution lines are a major concern. A cross-connection is formed at any point where a drinking water line connects to equipment (boilers), systems containing chemicals (air-conditioning systems, fire sprinkler systems, irrigation systems), or water sources of questionable quality. Cross-connection contamination can occur when the pressure in the equipment or system is greater than the pressure inside the drinking water line (backpressure). Contamination can also occur when the pressure in the drinking water line drops due to fairly routine occurrences (main breaks, heavy water demand), causing contaminants to be sucked out from the equipment and into the drinking water line (backsiphonage).

Outside water taps and garden hoses tend to be the most common sources of cross-connection contamination at home. The garden hose creates a hazard when submerged in a swimming pool or attached to a chemical sprayer for weed killing. Garden hoses that are left lying on the ground may be contaminated by fertilizers, cesspools, or garden chemicals. Improperly installed valves in your toilet could also be a source of cross-connection contamination.

Community water supplies are continuously jeopardized by cross-connections unless appropriate valves, known as backflow prevention devices, are installed and maintained. We have surveyed industrial, commercial, and institutional facilities in the service area to make sure that potential cross-connections are identified and eliminated or protected by a backflow preventer. We also inspect and test backflow preventers to make sure that they provide maximum protection.

For more information on backflow prevention, contact the Safe Drinking Water Hotline at (800) 426-4791.

Lead in Home Plumbing

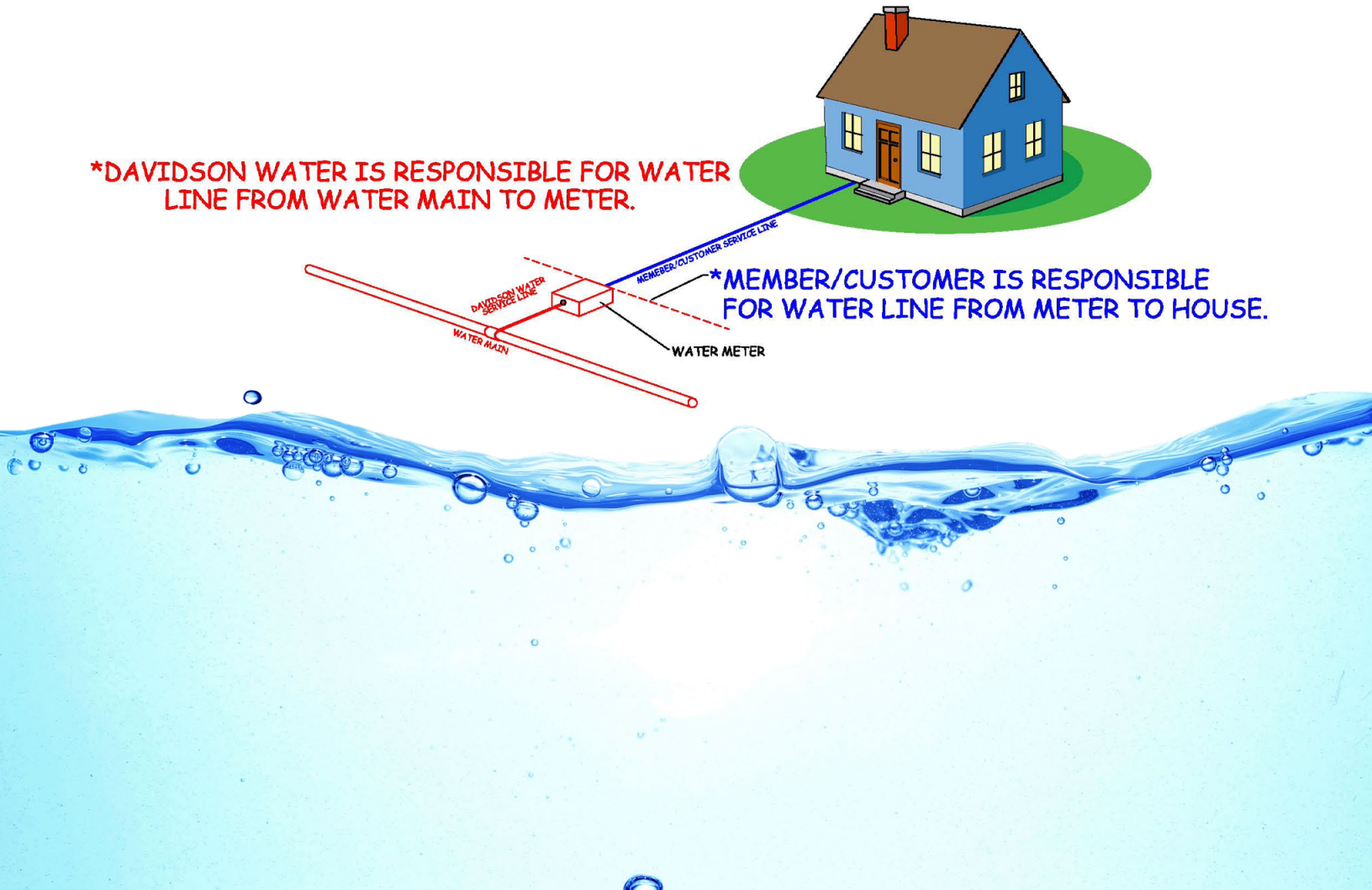
Lead can cause serious health problems, especially for pregnant women and young children. Lead in drinking water is primarily from materials and components associated with service lines and home plumbing. Davidson Water Inc. is responsible for providing high-quality drinking water and removing lead pipes but cannot control the variety of materials used in plumbing components in your home. You share the responsibility for protecting yourself and your family from the lead in your home plumbing. You can take responsibility by identifying and removing lead materials within your home plumbing and taking steps to reduce your family's risk. Before drinking tap water, flush your pipes for several minutes by running your tap, taking a shower, doing laundry or a load of dishes. You can also use a filter certified by an American National Standards Institute-accredited certifier to reduce lead in drinking water. If you are concerned about lead in your water and wish to have it tested, contact DWI Water Treatment Supervisor Rodney Darr: rdarr@davidsonwater.com. Information on lead in drinking water, testing methods, and steps you can take to minimize exposure is available at epa.gov/safewater/lead.

To address lead in drinking water, public water systems were required to develop and maintain an inventory of service line materials by October 16, 2024. Developing an inventory and identifying the location of lead service lines (LSL) is the first step for beginning LSL replacement and protecting public health. The lead service inventory may be found online at https://www.davidsonwater.com/MemberInfo/LeadCopper.aspx. Please contact us if you would like more information about the inventory or any lead sampling that has been done.

We want to assure our members that Davidson Water has never installed lead service lines on the utility-owned portion of our water system. Our infrastructure has always adhered to high safety and material standards, ensuring the delivery of clean, safe drinking water to our community.

In addition to evaluating the utility-owned portion, we have reviewed the member-owned service lines, particularly for homes or businesses built before the 1987 federal lead ban. We estimate that there are approximately 33,800 connections within our system that fall into this category.

To ensure that these lines are lead-free, Davidson Water followed the Service Line Inventory Statistical Methods and Predictive Modeling Guidance for North Carolina in conducting a statistical analysis of member-owned service lines. We performed over 5,500 visual inspections of service lines at the meter box—well above the 381 inspections required for statistical analysis. None of these inspections identified lead service lines. Based on this analysis, Davidson Water is able to state with 95 percent confidence that less than 1 percent of our service lines contain lead. Additionally, we declare that our distribution system has no lead service lines or galvanized requiring replacement service lines.



Test Results

We routinely monitor for over 150 contaminants in your drinking water according to federal and state laws. The following tables list all the drinking water contaminants that we detected in the last round of sampling for each particular contaminant group. The presence of contaminants does not necessarily indicate that water poses a health risk. Unless otherwise noted, the data presented in this table is from testing done January 1 through December 31, 2025.

The U.S. EPA and the state allow us to monitor for certain contaminants less than once per year because the concentrations of these contaminants are not expected to vary significantly from year to year. Some of the data, though representative of the water quality, is more than a year old.

REGULATED SUBSTANCES

SUBSTANCE (UNIT OF MEASURE)	YEAR SAMPLED	MCL [MRDL]	MCLG [MRDLG]	AMOUNT DETECTED	RANGE LOW-HIGH	VIOLATION	TYPICAL SOURCE
Chlorine (ppm)	2025	[4]	[4]	1.38	0.42-2.37	No	Water additive used to control microbes
Chlorine Dioxide (ppb)	2025	[800]	[800]	0.68	ND–0.68	No	Water additive used to control microbes
Chlorite (ppm)	2025	1	0.8	0.49	ND–0.49	No	By-product of drinking water disinfection
Haloacetic Acids [HAA5s] (ppb)	2025	60	NA	22.75[1]	20-26	No	By-product of drinking water disinfection
Total Organic Carbon [TOC] (ppm)	2025	TT[2]	NA	2.3	ND–2.3	No	Naturally present in the environment
Total Trihalomethanes [TTHMs] (ppb)	2025	80[3]	NA	36[1]	26-51	No	By-product of drinking water disinfection

TURBIDITY

SUBSTANCE (UNIT OF MEASURE)	YEAR SAMPLED	MCL	MCLG	AMOUNT DETECTED	RANGE	VIOLATION	TYPICAL SOURCE
Turbidity (NTU)	2025	TT= 1 NTU	NA	0.151	NA	No	Soil runoff
Turbidity (lowest monthly percent of samples meeting limit)	2025	95% of samples meet the limit	NA	100	NA	No	Soil runoff

Tap water samples were collected for lead and copper analyses from sample sites throughout the community

SUBSTANCE (UNIT OF MEASURE)	YEAR SAMPLED	AL	MCLG	AMOUNT DETECTED (90TH %ILE)	RANGE LOW-HIGH	SITES ABOVE AL/ TOTAL SITES	VIOLATION	TYPICAL SOURCE
Copper (ppm)	2025	1.3	1.3	0.164	0.050–0.282	0/52	No	Corrosion of household plumbing systems; Erosion of natural deposits
Lead (ppb)	2025	15	0	ND	ND–ND	0/52	No	Corrosion of household plumbing systems; Erosion of natural deposits

OTHER MISCELLANEOUS WATER CHARACTERISTICS CONTAMINANTS

SUBSTANCE (UNIT OF MEASURE)	YEAR SAMPLED	SMCL	AMOUNT DETECTED	RANGE LOW-HIGH	VIOLATION	TYPICAL SOURCE
pH (units)	2025	6.5–8.5	7.49 (average)	6.8–7.49	No	Naturally occurring
Sodium (ppm)	2025	NA	12.7	12.7–12.7	No	Naturally occurring
Sulfate (ppm)	2025	250	25	25–25	No	Runoff/leaching form natural deposits; Industrial waste.

Definitions

90th %ile: The levels reported for lead and copper represent the 90th percentile of the total number of sites tested. The 90th percentile is equal to or greater than 90% of our lead and copper detections.

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

Herbicide: Any chemical(s) used to control undesirable vegetation.

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.

ND (Not detected): Indicates that the substance was not found by laboratory analysis.

Pesticide: Generally, any substance or mixture of substances intended for preventing, destroying, repelling, or mitigating any pest.

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).

SMCL (Secondary Maximum Contaminant Level): These standards are developed to protect aesthetic qualities of drinking water and are not health based.

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

INORGANIC SUBSTANCES

SUBSTANCE (UNIT OF MEASURE)	YEAR SAMPLED	SMCL	AMOUNT DETECTED	RANGE LOW-HIGH	VIOLATION	TYPICAL SOURCE
Fluoride (ppm)	2025	2.0	0.75	0.07–0.75	No	Erosion of natural deposits; Water additive that promotes strong teeth; Discharge from fertilizer and aluminum factories

UNREGULATED SUBSTANCES [4]

SUBSTANCE (UNIT OF MEASURE)	YEAR SAMPLED	AMOUNT DETECTED	RANGE LOW-HIGH	TYPICAL SOURCE
Perfluorobutanesulfonic Acid [PFBS] (ppb)	2023	ND	NA	NA
Perfluoroheptanoic Acid [PFHpA] (ppb)	2023	ND	NA	NA

[1] Running annual average.

[2] The value reported under Amount Detected for TOC is the lowest ratio of percentage of TOC actually removed to the percentage of TOC required to be removed. A value of greater than 1 indicates that the water system is in compliance with TOC removal requirements. A value of less than 1 indicates a violation of the TOC removal requirements.

[3] Some people who drink water containing trihalomethanes in excess of the MCL over many years may experience problems with their liver, kidneys, or central nervous system and may have an increased risk of getting cancer.

[4] Unregulated contaminants are those for which the U.S. EPA has not established drinking water standards. The purpose of unregulated contaminant monitoring is to assist the U.S. EPA in determining the occurrence of unregulated contaminants in drinking water and whether future regulations are warranted.

2026 Annual Meeting
Report on Operations of Davidson Water, Inc.
March 9, 2026

I would first like to introduce some members of the management team who are with us tonight: Ben Palmer, Director of Construction and Engineering; Eric Hege, Chief Information Officer; Josh James, Controller; Danny Thompson, Engineer and GIS Manager; Rodney Darr, Director of Water Plant Operations; Dale Draughn, Meter Department Supervisor; and Susan Little, Member Services Manager.

I am pleased to report that Davidson Water currently has 69,163 total connections and 62,877 active meters, which represents continued steady growth for our system.

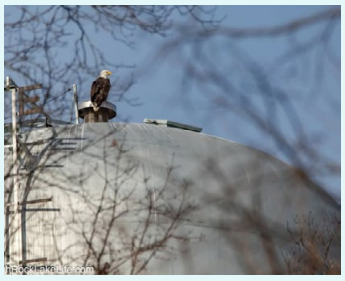
Supporting that growth requires ongoing work from our field crews. During 2025, our in-house tap crews installed 1,283 new services for developments across our service area.

At Davidson Water, we believe our employees are our most important asset. We currently have 84 full-time employees serving our members across our operations, engineering, member service, administrative, and field departments.

Over the past year we have made several improvements aimed at enhancing the overall employee experience. These include increasing the allowance employees receive for purchasing safety boots, covering annual certification and license fees, and providing physicals for employees who require them as part of their work responsibilities.

We also conducted an employee engagement survey this past year. The results showed that approximately 75 percent of our employees are engaged, which is significantly higher than the global average of about 21 percent. The survey also provided valuable insight into areas where we can continue improving, and we are using that feedback to guide our efforts going forward.

Distribution System



Our distribution system saw continued improvements during the past year. We completed 9 miles of new water line and 1.5 miles of replacement pipe, bringing our total system to approximately 1,962 miles of water lines.

We currently have approximately 41 active development projects, including 17 new townhome communities and subdivisions that have received Authorization to Construct and are beginning construction.

We are also working with the North Carolina Department of Transportation on several projects requiring water line relocation, including the Highway 109 and Old Highway 64 project, the I-85 ramp improvements, and the US 64 and Highway 109 traffic circle projects.

Water Treatment, Water Quality, and Significant Projects

Our average daily flow during the past year was approximately 11 million gallons per day, with a peak flow of just under 16.5 million gallons per day.

Water quality remains our top priority, and all test results continue to be well within EPA regulatory limits.

We continue to focus on improving system water quality. We installed additional automated flushing devices at targeted locations throughout the system to reduce water age. We are in the process of installing equipment in one of our tanks that will allow for better mixing and air turnover with a goal of improved quality. Results from this installation will help determine if this technology should be deployed to other tanks in the system.

Under the EPA's Fifth Unregulated Contaminant Monitoring Rule (UCMR5), quarterly testing was conducted to detect 30 specified contaminants in our water supply. Of these contaminants, 29 were PFAS compounds and one was lithium. All results were non-detect, meaning none of these contaminants were found in our water supply.

The Water Plant Generator Replacement Project was completed this year. This new 2,500-kilowatt generator, with a project cost of $4.8 million, ensures our ability to reliably treat and distribute water during power outages while meeting current environmental emissions requirements.

In addition, we completed our equipment canopy and paving project, which improves protection for critical equipment and enhances the functionality and safety of our operations yard.

Meter Services

The Meter Services Department continues expanding the use of Automatic Meter Reading (AMR) technology. AMR drive-by meters are being installed for high-demand large-meter customers, allowing for more detailed consumption tracking.

To further evaluate next-generation metering technology, we have installed ultrasonic meters with cellular endpoints at key accounts across our service area. These installations allow us to test the reliability and coverage of cellular communications across our large geographic footprint.

In addition, we will be launching two Advanced Metering Infrastructure (AMI) pilot programs during the second quarter of this year totaling more than 300 meters.

AMI technology will allow our members to access hourly water usage information, receive alerts for potential leaks, and allow Davidson Water to better understand system usage in near real time.

Information Technology

The past year has been defined by a strong focus on strengthening our core infrastructure systems to support future improvements to member services.

One of the most significant initiatives is our partnership with a new payment vendor, which will allow us to launch an upgraded member payment portal. This new system will provide additional payment options and allow members to securely store payment methods for faster transactions.

We are also implementing a new Interactive Voice Response (IVR) system, allowing members to make secure payments by phone through an automated system available 24 hours a day.

Members will also notice a change to their monthly billing statements. We are transitioning from the traditional postcard bill to a full-sized invoice delivered in a secure envelope, improving readability and allowing us to communicate important notices more effectively.

These upgrades will also support our long-term transition toward Advanced Metering Infrastructure (AMI).

Member Services

Davidson Water continues to offer members a variety of convenient payment options. Our office and drive-through windows remain available for in-person payments, while remote payment options include auto-draft, phone payment, and online payment.

Community Outreach

Davidson Water employees continue to support the communities we serve.

During the past year, our employees pledged $12,942 to the United Way of Davidson County workplace campaign.

Davidson Water also served as a campaign sponsor for both the United Way of Davidson County and the United Way of Randolph County.

Our employees also built, donated and delivered 10 picnic tables American Children's Home on Hwy 8.

In addition, the organization supported fundraising events for several charitable and educational organizations that directly benefit the communities and members we serve.

Scholarships

Davidson Water annually awards four $5,000 scholarships to deserving high school seniors entering a four-year college program through the Davidson Water Thad K. Hartley Memorial Scholarship Program.

This year's recipients were:

- Kaylee Waitman — East Davidson High School
- Samantha Koontz — North Davidson High School
- Chase Petteys — South Davidson High School
- DeAnna Cobb — Trinity High School

Davidson Water also awarded four $1,000 scholarships to students attending Davidson-Davie Community College.

Recipients included:

- Keffley Boozer — East Davidson High School
- Austin Gee — East Davidson High School
- Jaiden Luty — Ledford High School
- Zander Floyd — South Davidson High School

Conclusion

In closing, I want to emphasize our continued commitment to providing safe, reliable water service to our members at the lowest possible cost.

With the leadership of our Board of Directors, the dedication of our employees, and the continued support of our members, Davidson Water remains well positioned for the future.

Thank you.

Jonathan Ray
General Manager