

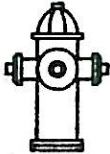
DAVIDSON WATER, INC.

WELCOME, N. C.



FEBRUARY, 1993

The Nation's Largest Rural Water System



SINCE 1969



ANNUAL MEETING OF MEMBERS OF DAVIDSON WATER, INC.

- PLACE:** The Court Room in City Hall
7 West Guilford Street,
Thomasville, North Carolina
- TIME:** Monday, March 8, 1993 at 7:30 P. M.
- PURPOSE OF MEETING:** Election of Directors, Unfinished Business, New Business

We hope that you will take time to be with us at our annual meeting on March 8, 1993. If you are unable to attend, please sign the enclosed proxy and return it to us with your water bill. In order to carry out business, we need 3% of our members present in person or by proxy.

Your water company was incorporated in 1967. A group of community leaders saw a need, worked hard and formed a non profit water system with 2,800 members at a cost of \$3,680,000. Over the past 25 years your water system has grown to 36,368 members and is now worth over \$30,000,000. We have reduced our long term debt from over \$24,000,000 to \$14,200,000. While reducing our debt, we have still continued to make improvements to our system allowing for continued growth and water availability for future generations.

Davidson Water, Inc. is governed by a 15 member board who set policy, rules and regulations. These board members are elected by the members. They come from all areas of our system including the North Davidson, West Davidson, Wallburg, Hasty and East Central Areas. Board members serve for three years. Terms are staggered so that five board members are elected each year at our annual meeting. A board member must be a member of Davidson Water, Inc. and be less than 70 years of age when their term begins. A five member nominating committee recommends eligible members for election at the annual meeting. This year's nominating committee is comprised of Adelaide Talbert, North Davidson Area; Richard Motsinger, Wallburg Area; Ed Kearns, East Central Area; Frank Austin, West Davidson Area; and Robert Saintsing, Jr.,

Hasty Area. The committee has recommended Ronnie Sink, Bennie Pugh, Franklin Swing, R. V. Potter, Jr. and Rodger Hedgecock, all of whom are serving on the board now, remain for another three year term.

Davidson Water, Inc. appreciates the support of our members and continues to look forward to serving you in the future.

FIRE HYDRANTS

Davidson Water, Inc. has implemented a new fire hydrant policy which will enable each fire district in our service area to earn a fire hydrant to be placed on any six or eight inch line in their district each year. In return the fire department will trim and clean around hydrants, paint all hydrants and test and flow each hydrant in their fire district. We are pleased with the response from all the fire districts, some of whom have already completed the requirements for their hydrant. The new policy has also helped Davidson Water, Inc. locate any hydrants that may not be working properly and repair them.

Davidson Water, Inc. also has a policy of installing a hydrant for any member or group of members wanting a hydrant placed on any six or eight inch line in our service area at half the installation cost. The cost is determined annually. Half the cost for the 1992-93 fiscal year is \$750.00

LEAD TESTING

Davidson Water, Inc. recently completed the second phase of testing for lead and copper concentrates at the customer's taps in accordance with the new Environmental Protection Agency's regulations. The new regulations require that all public water systems test a percentage of their customer's lines for homes built between 1983 and 1987 for levels of lead and copper concentrates.

Although we were in compliance with the EPA regulations during the first phase of testing, a small percentage of samples showed a higher than allowable lead concentration. After receiving these results, Davidson Water, Inc. began adding an approved corrosion inhibitor to our water treatment program. The corrosion inhibitor adds a thin coating to pipes and fittings, thus preventing lead and copper from leaching into the water. We are pleased to report that after retesting the sample sites during the second phase of testing, all of our sample sites were below EPA guidelines.

Anyone with homes built with copper pipe and lead solder may wish to run the water for approximately 30 seconds before using when the water has stood in the lines for more than six hours. This will remove any water into which the lead may have leached. Because hot water leaches more lead into it than cold water, you should never use hot water out of the spigot to drink or cook with.

This is an equal opportunity program. Federal law prohibits discrimination. Complaints of discrimination can be filed with the Administrator, FmHA, US Department of Agriculture, Washington, DC 20250-070.

ANNUAL FINANCIAL STATEMENTS

Davidson Water, Inc.'s fiscal year ended September 30, 1992. The annual audit was completed by Turlington and Company, Lexington, NC. During our 1991-92 year Davidson Water, Inc. added 981 new members to our water system. We also extended more than 35,000 feet of pipe on roads within our service area to people in need of water service. Our net income for this year will enable Davidson Water, Inc. to begin construction of a new 500,000 gallon water tank on West Lexington Avenue and a new pump station on Belmont Road. We have also begun a new project to install new 12" water transmission lines to the Linwood Southmont areas. A new 12" line on Bethesda Road has been started and will eventually be extended to serve the Gumtree, Wallburg, and Abbotts Creek communities. We hope to start our water plant expansion by the end of our 1992-93 year.

BALANCE SHEET

September 30, 1992

ASSETS

| | | |
|--------------------------|-----------------------------|---------------------|
| Utility Plant at cost | \$45,505,523 | |
| Less, accum depreciation | 15,440,785 | \$30,064,738 |
| | <u> </u> | |
| Current Assets | | 4,517,110 |
| Other Assets | | <u>365,491</u> |
| | | <u>\$34,947,339</u> |

MEMBERS' EQUITY AND LIABILITIES

| | | |
|--|-------------------|---------------------|
| Members' Equity | | |
| Memberships | \$ 909,207 | |
| Contributions in aid | 856,827 | |
| Other Equity | <u>17,485,953</u> | \$19,251,987 |
| Long-term debt less current maturities | | 13,788,967 |
| Current liabilities including current maturities | | 1,195,305 |
| Customer Advances for construction | | <u>711,080</u> |
| | | <u>\$34,947,339</u> |

STATEMENT OF INCOME

| | | |
|---|----------------|--------------------|
| Operating revenues | | \$ 6,357,997 |
| Operating revenue deductions | | |
| Salaries and wages | \$ 994,183 | |
| Office expenses | 139,757 | |
| Electricity | 566,164 | |
| Depreciation | 1,399,136 | |
| All other operating deductions | <u>977,326</u> | \$ 4,076,566 |
| Net operating revenue | | \$ 2,281,431 |
| Interest on long-term debt | | <u>1,383,442</u> |
| Net income before interest | | \$ 897,989 |
| Interest Income | | <u>\$ 157,174</u> |
| Net income before extraordinary item | | \$ 1,055,163 |
| Gain/loss on sale of utility plant assets | | <u>\$ (16,538)</u> |
| Net income for the last year | | \$ 1,038,625 |