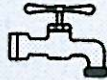


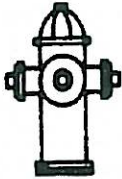
DAVIDSON WATER, INC.

WELCOME, N. C.



FEBRUARY, 1992

The Nation's Largest Rural Water System



SINCE 1969



ANNUAL MEETING OF MEMBERS OF DAVIDSON WATER, INC.

PLACE:	Davidson County Courthouse Court Room B, Lexington, North Carolina
TIME:	Monday, March 9, 1992 at 7:30 P. M.
PURPOSE OF MEETING:	Election of Directors, Election of Director for the Unexpired Term of C. Boyce Sink, Unfinished Business, New Business

We hope that you will take time to be with us at our annual meeting on March 9, 1992. 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 our business, we need 3% of our members present in person or by proxy. We now have 35,435 members.

This past year has been a good year for Davidson Water, Inc. We made 1,052 new water taps and extended numerous lines into areas that did not have service available. A new 24" ductile iron water transmission line from the water plant to the middle of our system was put into service. This will give us a backup transmission line plus allow for future growth. A one million gallon storage tank was finished and put into service in the West Davidson area. A 250,000 gallon tank located on Shirley Road should be completed by early spring to serve the southern part of our service area. This will give us a total of 12,875,000 gallons of storage throughout our system. Enterprise pump station has been updated to improve the northern part of our system.

During 1992, plans will be made to update and increase our capacity at our filtration plant. We hope that construction can begin in late 1992 or early 1993. We plan to increase our capacity from 12 million gallons a day to either 16 or 20 million gallons a day. There are still more improvements, water tanks and pump stations that will be needed in the future to make sure that Davidson Water, Inc. is able to meet your needs, and we will continue to strive to make these improvements in a timely fashion.

WINTER FREEZE TIPS

Always securely replace lid on meter box. If lid is missing or broken, contact Davidson Water for a replacement.

Make sure the area around the meter box is filled with dirt and that the line from the meter box to the house is sufficiently covered and compacted with dirt.

If the service line from the main water line to the meter is exposed, contact Davidson Water so that the line can be lowered and properly covered to prevent freezing.

Do not attempt to build a fire in the meter box. This can result in damage to the water meter and to your water line. You will be responsible for any damage that may incur.

Mobile homes should be properly underpinned and houses with vents should close or cover vents to prevent freezing.

Heat tape can be placed on pipes to help prevent freezing.

The frost line in our area is approximately 6 to 8 inches. This can vary in different soils and in shady areas.

"A FRIEND TO RURAL WATER"

Davidson Water, Inc. lost a valued board member on December 23, 1991. C. Boyce Sink, president of Davidson Water, Inc. since its conception, died of a heart attack. He was one of the original concerned citizens that met in 1965 and decided that a safe dependable water system was needed not only for Welcome, but for the northern end of Davidson County. On March 1, 1967, North Davidson Water, Inc. a non profit corporation was chartered to construct and operate the proposed water system. C. Boyce Sink was elected to the board and served as president. Shortly after North Davidson Water, Inc. proved the feasibility of a water system, four other systems were chartered, West Davidson, Hasty, Wallburg and East Central. These systems consolidated in 1973 and formed Davidson Water, Inc. and elected C. Boyce Sink to serve as president. The water system has grown from 2,800 members to over 35,000. We have members in Davidson, Randolph, Forsyth and Guilford Counties.

C. Boyce Sink was instrumental in helping to form the North Carolina Rural Water Association and the National Rural Water Association. In 1991 he received a cherished award, "A Friend to Rural Water" from the North Carolina Rural Water Association, naming him a friend of rural water users everywhere. Only with dedication and hard work of men like this could Davidson Water, Inc. become a reality.

ANNUAL FINANCIAL STATEMENT

Davidson Water, Inc.'s fiscal year ended September 30, 1991. The annual audit was completed by Turlington and Company, Lexington, N. C.

Davidson Water, Inc.

Balance Sheet

September 30, 1991

ASSETS

Utility plant at cost	\$ 42,404,486	
Less, accum depreciation	14,197,406	\$ 28,207,080
Construction work in process		2,006,954
Current Assets		3,902,527
Other Assets		327,349
		<u>\$ 34,443,910</u>

Member's Equity and Liabilities

Member's Equity		
Memberships issued	\$ 881,917	
Contributions in aid	658,416	
Other equity	<u>\$ 16,447,328</u>	\$ 17,987,661
Long-term debt less current maturities		14,316,690
Current liabilities including current maturities		1,449,085
Customer Advances for construction		690,474
		<u>\$ 34,443,910</u>

Davidson Water, Inc.

Statement of Income

September 30, 1991

Operating revenues		\$6,023,714
Operating revenue deductions		
Salaries and wages	\$ 880,954	
Office expenses	127,351	
Electricity	533,115	
Depreciation	1,335,330	
All other operating deductions	<u>919,420</u>	\$ 3,796,170
Net operating revenue		<u>\$ 2,227,544</u>
Interest on long-term debt		1,426,578
Net income before interest		<u>\$ 800,966</u>
Interest Income		\$ 304,382
Net income before extraordinary item		<u>\$ 1,105,348</u>
Gain/loss on sale of utility plant assets		\$ (834)
Net income for the year		<u>\$ 1,104,514</u>