

THINK • PLAN • PERFORM • CONSERVE



Riverside Highland
WATER COMPANY®

2013

*CONSUMER CONFIDENCE
& SHAREHOLDERS REPORTS*

This brochure is a summary of the quality of water that Riverside Highland Water Company provided to its customers in 2013. Included are details about where your drinking water comes from, what it contains, and how it compares to State and Federal Standards. The enclosed tables show the results of our monitoring for the period of January 1st to December 31st, 2013. In some instances, the results are from prior years because not all constituents in water are required to be tested every year according to the vulnerability of the water being pumped from certain basins.

In an effort to keep our customers informed, we are providing you with updated information because we feel *well informed customers/shareholders are our best allies*. If, after reading this report, you have any questions or concerns, please call Don Hough, General Manager, or Craig Gudgeon, Distribution Superintendent, at (909) 825-4128.

Also included in this brochure are our Annual Shareholders Letter and Financial Statements for 2013.

Incorporated February 21, 1898, Riverside Highland Water Company is proud to be celebrating its **116th year of continuous operation**. This achievement could not have been attained without the ongoing support and involvement of our shareholders.

In 2013, your drinking water met all Environmental Protection Agency (EPA) and State of California drinking water health standards. Riverside Highland Water Company diligently safeguards

your water supply and will continue to improve our water delivery system in an effort to maintain our high water quality standards.

The ongoing goal of Riverside Highland Water Company's Management and Staff is to provide you, our customers/shareholders, with safe and reliable drinking water. We are committed to providing excellent customer service and will respond **24 hours a day, seven days a week**, if you have a problem. All you have to do is call (909) 825-4128.

The company is managed by a nine member Board of Directors, of which, three are elected each year. The Board members for 2013 were William McKeever, President; Karen McHugh, Vice President; James McNaboe, Secretary/Treasurer; Wendell Baker, Robert Best, George Saunders, Denis Kidd, Donald Larkin, Jr. and Burt Seuylemezian. The daily operation of the company was the responsibility of Don Hough, General Manager; Jennifer Gimpel, Administrative Secretary/Treasurer and Craig Gudgeon, Distribution Superintendent.

The company's annual shareholders' meeting is the fourth Thursday of March at 9:00 a.m. The location of the meeting is included in the shareholders' packet. The Board of Directors meet on the fourth Thursday of each month. For additional information regarding Board meetings or this report, please call Mr. Hough at (909) 825-4128.

Riverside Highland Water Company Request Consumers to Reduce Water Use

Due to significant drought conditions throughout California, Governor Jerry Brown has declared a drought emergency and, as a partial remedy, is encouraging conservation. While Riverside Highland Water Company is not enforcing mandatory rationing, we are requesting that all of our customers make an effort to conserve water.

Some of the ways you can conserve water in the home include:

- ❖ Check your toilets for leaks. You can easily do this by putting a few drops of food coloring into the tank. If the color shows up in the bowl, it's time to replace the flapper.
- ❖ Replace your older toilet with a newer, more efficient low-flow toilet.
- ❖ You can easily repair a dripping faucet by replacing the worn out washers.
- ❖ Take a short shower instead of a long bath.
- ❖ Install low-flow showerheads.
- ❖ Remember to turn the water off while you are brushing your teeth.
- ❖ Only run the dishwasher and clothes washer when they have a full load.
- ❖ Keep a cold jug of water in the refrigerator instead of letting the tap run until it's cold.

Outside water conservation includes:

- ❖ Use a broom to clean your driveway – not a hose.
- ❖ Fix leaky pipes and hose bibs as soon as possible.
- ❖ Adjust your sprinklers so only the lawn gets watered, not the streets or sidewalks.
- ❖ Check your sprinkler system frequently for broken sprinkler heads.
- ❖ Properly set the irrigation timer as to not overwater.

In addition to the duration of watering, the time of day you water has an impact on the efficiency of your outdoor water use.

Watering during the hot afternoon is the least effective time to water outside. The sun will simply evaporate the water, and the afternoon winds will blow it away. If you have sprinklers with timers, set them to run at night between 11 p.m. and 8 a.m. Also remember to reduce your station times in the fall as the days are shorter and cooler, and always turn off your sprinklers when it rains.

There are many more ways to conserve water. Come by our office if you need more information. Remember – water wasted is money flushed down the drain.

Non-English Translation

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

WATER MONITORING RESULTS

Microbiological Contaminants

Contaminant	Violation Y/N	Highest No. of detections	Number of months in Violation	Unit Measurement	MCLs in CCR units	PHG	MCLG	Typical Source of Bacteria
Total Coliform Bacteria (Total Coliform Rule)	N	0	0	0	For systems that collect less than 40 samples per month: no more than 1 positive sample	0	0	Naturally present in the environment
Fecal coliform and E.coli (Total Coliform Rule)	N	0	0	0	A routine sample and repeat sample are total coliform positive, and one is also fecal coliform or <i>E. coli</i> positive	0	0	Human & animal fecal waste

Radioactive Contaminants

Contaminant	Violation Y/N	Level Detected	Range	Unit Measurement	MCLs in CCR units	PHG	MCLG or MRDLG	Likely Source of Contamination
Gross Alpha	N	5.5	1.6/9.9	pCi/L	15	N/A	N/A	Erosion of natural deposits
Uranium	N	4.3	ND/9.3	pCi/L	20	0.43	N/A	Erosion of natural deposits

Inorganic Contaminants

Contaminant	Violation Y/N	Level Detected	Range	Unit Measurement	MCLs in CCR units	PHG	MCLG or MRDLG	Likely Source of Contamination
Arsenic	N	0.5	ND/2.5	ppb	10.0	0.004	0.004	Erosion of natural deposits; runoff from orchards; glass and electronics production wastes
Fluoride	N	0.7	0.3/0.9	ppm	2.0	1	1	Erosion of natural deposits; water additive that promotes strong teeth; discharge from fertilizer and aluminum factories
Nitrate (as No3)	N	19.2	7/27	ppm	45	45	45	Runoff and leaching from fertilizer use; leaching from septic tanks and sewage; erosion of natural deposits
Total Chromium	N	0.2	ND/1.2	ppb	50	N/A	100	Discharge from steel and pulp mills and chrome plating; erosion of natural deposits

Disinfection Byproducts, Disinfectant Residual

Contaminant	Violation Y/N	Level Detected	Range	Unit Measurement	MCLs in CCR units	PHG	MCLG or MRDLG	Likely Source of Contamination
TTHMs Total Trihalomethanes	N	3.3	2.6/4.8	ppb	80	N/A	N/A	Byproduct of drinking water disinfection
HAA5's	N	N/D	ND	ppb	60	N/A	N/A	Byproduct of drinking water disinfection
Chlorine	N	0.58	0.52/0.63	ppm	4.0	4	4	Drinking water disinfection added for treatment

Definitions

NA	Not available or not determined.	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 are set by the U.S. Environmental Protection Agency.
ND	Non-detected or below detection limit; constituent is not present or detectable.	PHG	Public Health Goals: The level of a contaminant in drinking water below which there is no known or expected risk to health. PHGs are set by the California Environmental Protection Agency.
ppm or mg/L	Parts per Million: approximately one minute in two years.	Range	The lowest and highest level of constituent testing during the period.
ppb or ug/L	Parts per Billion: approximately one minute in two thousand years.	MRDL	The highest level of disinfectant allowed in drinking water. There is convincing evidence that addition of a disinfectant is necessary for control of microbial contaminants.
pCi/L	Pico curies per liter: is a measure of radioactivity in water.	MRDLG	The level of 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.
NTU	Nephelometric Turbidity Units – measure of the clarity of water. Turbidity in above 5 NTU is just noticeable with the eye.		
PDWS	Primary Drinking Water Standards: MCLs for contaminants that affect health along with their monitoring and reporting requirements, and water treatment requirements.		
MCL	Maximum Contaminant Level: The highest level of a contaminant that is allowed in drinking water. Primary MCLs are set as close to the PHGs (or MCLGs) as is economically and technologically feasible. Secondary MCLs are set to protect the odor, taste, and appearance of drinking water.		

Secondary Standards

Contaminant	Violation Y/N	Level Detected	Range	Unit Measurement	MCLs in CCR units	PHG	MCLG or MRDLG	Likely Source of Contamination
Chloride	N	31.0	3.2/59	ppm	500	N/A	N/A	Runoff/leaching from natural deposits; seawater influence
PH	N	7.4	7.1/7.7	STD unit	6.5/8.5	N/A	N/A	Comparison of "Alkalinity" & "Acidity" of water
Specific Conductance	N	632	360/970	US	1600	N/A	N/A	Substances that form ions when in water; seawater influence
Sulfate	N	56	16/110	ppm	500	N/A	N/A	Runoff/leaching from natural deposits; industrial wastes
Total Dissolved Solids (TDS)	N	390	200/670	ppm	1000	N/A	N/A	Runoff/leaching from natural deposits
Turbidity	N	0.09	ND/0.27	NTU	5	N/A	N/A	Soil Runoff

Additional Constituents Analyzed

Contaminant	Violation Y/N	Level Detected	Range	Unit Measurement	MCLs in CCR units	PHG	MCLG or MRDLG	Likely Source of Contamination
Calcium	N	64	49/90	ppm	N/A	N/A	N/A	Natural in limestone, marble, chalk
Total Hardness CA CO3	N	212	160/300	ppm	N/A	N/A	N/A	Total concentration of calcium and magnesium
Total Alkalinity	N	188	140/280	ppm	N/A	N/A	N/A	Bicarbonates and hydroxide components in raw water
Bicarbonate	N	232	170/340	ppm	N/A	N/A	N/A	Bicarbonate components in water
Magnesium	N	12.3	8.1/19	ppm	N/A	N/A	N/A	Metallic chemical element in soil
Potassium	N	3.4	2/4.6	ppm	N/A	N/A	N/A	Nutritional element in soil for humans
Sodium	N	44	9.8/69	ppm	N/A	N/A	N/A	Alkaline element industrial and chemical manufacturing

Unregulated Contaminants

Unregulated contaminant monitoring helps the EPA and the California Department of Health Services to determine where certain contaminants occur and whether the contaminants need to be regulated.

Chemical	Notification Level ppb	Level Detected	Range	Health Effects
Vanadium	50	2.6	ND/4.4	The babies of some pregnant women who drink water containing vanadium in excess of the notification level may have an increased risk of development effects, based on studies in laboratory animals.
Hexavalent Chromium	N/A	0.2	ND/1.1	N/A

Lead & Copper

Lead & Copper Rule became effective in 1993. The Company has performed seven rounds of sampling. The last round was performed in July 2012. Another round is scheduled for August 2015. All samples are taken from the first draw of morning water. The first two rounds were from 40 single-family residences with copper pipe with lead solder installed since 1982. Due to favorable results in earlier rounds, the 1997, 2000, and 2003 rounds included only 20 single-family residences. Because of the increase in our customer base, the 2006, 2009 and 2012 round of testing required to us to sample 30 single-family residences.

Contaminant	90th Percentile	Unit Measurement	MCLs in CCR Units	PHG	MCLG	Likely Source of Contamination
Lead	ND	ppb	AL 15	0.2	0	Internal corrosion of household plumbing system, discharge industrial mfg. erosion of natural deposits
Copper	0.31	ppb	AL 1300	170	1300	Internal corrosion of household system, erosion of natural deposits

Important Health Information

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 indicate that water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the USEPA's Safe Drinking Water Hotline (1-800-426-4791).

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised 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. USEPA/Centers for Disease Control (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.

If present, elevated levels of 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. Riverside Highland Water Company is responsible for providing high quality drinking water, but cannot control the variety of materials used in plumbing components. When your water has been sitting for several hours, you can minimize the potential for lead exposure by flushing your tap for 30 seconds to 2 minutes before using water for drinking or cooking. If you are concerned about lead in your water, you may wish to have your water tested. Information on lead in drinking water testing methods, and steps you can take to minimize exposure is available from the Safe Drinking Water Hotline or at <http://www.epa.gov/safewater/lead>

Source Water Protection Plan

In 2013, Riverside Highland Water Company pumped all of its water from company owned wells from several groundwater basins. Groundwater basins are deep natural underground storage compartments separated by earthquake faults or other natural barriers. Basins are replenished as water travels over the surface of the land or through the ground. That is why it is so important to control surface contamination.

In 2002, San Bernardino Valley Water Conservation District, with

An Important Message About Drinking Water Sources

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 that may come from sewage treatment plants, septic systems, agricultural livestock operations, and wildlife.

Inorganic Contaminants, such as salts and metals, that can be naturally-occurring or result from urban storm water runoff, industrial or domestic wastewater discharges, oil and gas production mining, or farming.

Pesticides and Herbicides, that may come from a variety of sources such as agriculture, urban storm water runoff, and residential uses.

Organic Chemical Contaminants, including synthetic and volatile chemicals that are by-products of industrial processes and petroleum production, and can also come from gas stations, urban storm water runoff, agricultural applications and septic systems.

Radioactive Contaminants, that can be naturally-occurring or be the result of oil and gas production and mining activities,

Regulations: In order to ensure that tap water is safe to drink, the U.S. Environmental Protection Agency (USEPA) and the State Department of Health Services (Department) prescribes regulations that limit the amount of certain contaminants in water provided by public water systems. Department regulations also establish limits for contaminants in bottled water that must provide the same protection for public health.

input from Riverside Highland Water Company, completed a study to assess the vulnerability of water wells in the Lytle Creek and Riverside North Basins. The study indicated that sources of possible contamination are gas stations, dry cleaners and underground storage tanks.

To obtain a copy of the complete Source Water Assessment, contact your local Department of Health Services.

Water Quality

Riverside Highland Water Company consumers are reminded that the water you drink is tested and monitored to assure its healthfulness. While filtered or bottled water may appeal to some personal tastes, fear for your health should never be a reason to purchase a home filtration system or buy bottled water. Your tap water, by far the least expensive water you can obtain, consistently meets all State and Federal Health Standards.

“I need to have the water at my house turned off for repairs. What should I do?”

If for any reason your water needs to be turned off at the meter so you can make repairs either inside the home or on your sprinkler system, please call us! We will be more than happy to come out at any time and at no charge to you. We have the personnel available 24 hours a day, seven days a week.

The turnoff valve on your water meter requires a special tool to turn it

off. If the wrong tool is used, the meter or valve can be easily damaged. If you try to turn the water off yourself and damage the turn-off valve, we will come out to fix it for you – but your water account will be charged for the cost of the repair.

So please remember – all you have to do is call us at (909) 825-4128 and we will take care of the rest for you.

RIVERSIDE HIGHLAND WATER COMPANY

BALANCE SHEETS

DECEMBER 31, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 318,613	\$ 264,288
Accounts receivable – trade	449,862	431,351
Accounts receivable – other	110,716	18,522
Interest receivable	2,220	2,302
Prepaid expenses	58,037	68,841
Total Current Assets	<u>939,448</u>	<u>785,304</u>
INVESTMENTS		
Certificate of deposit – restricted	21,000	21,000
Marketable securities	793,441	886,200
Muscoy Mutual Water Company stock	100	100
	<u>814,541</u>	<u>907,300</u>
PROPERTY & EQUIPMENT		
Land	2,570,155	2,570,155
Depreciable assets	26,800,463	26,307,479
	29,370,618	28,877,634
Less: Accumulated depreciation	11,833,146	11,240,019
	17,537,472	17,637,615
Construction in progress	50,566	54,900
	<u>17,588,038</u>	<u>17,692,515</u>
OTHER ASSETS		
Water Rights	316,191	-
TOTAL ASSETS	<u>\$ 19,658,218</u>	<u>\$ 19,385,119</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	2013	2012
CURRENT LIABILITIES		
City of Grand Terrace	\$ 7,746	\$ 127,489
Accounts payable	54,219	68,192
Accrued liabilities	38,338	26,324
Customer deposits	76,216	48,714
Total Current Liabilities	<u>176,519</u>	<u>270,719</u>
DEFERRED INCOME TAXES	<u>155,288</u>	<u>155,288</u>
Total Liabilities	<u>331,807</u>	<u>426,007</u>
SHAREHOLDERS' EQUITY		
Capital stock, par value \$10 per share; 80,000 shares authorized; 21,248 shares issued; 19,140 shares outstanding	191,400	191,400
Paid-in capital	291,033	291,033
	482,433	482,433
Retained earnings	18,892,600	18,495,773
Accumulated other comprehensive income (loss)	(48,622)	(19,094)
Total Shareholders' Equity	<u>19,326,411</u>	<u>18,959,112</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 19,658,218</u>	<u>\$ 19,385,119</u>

RIVERSIDE HIGHLAND WATER COMPANY

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	2013	2012
REVENUE		
Assessments	\$ 657,717	\$ 620,028
Water sales	2,159,806	1,970,269
Leased water rights	92,100	-
Penalties, transfers, and inspection fees	86,339	72,744
Total Revenue	<u>2,995,962</u>	<u>2,663,041</u>
EXPENSES		
Operations and Maintenance		
Pumping expense and water spreading	335,705	300,975
Transmission and storage	150,334	217,510
Quality control	90,570	93,963
Customer accounting	96,643	87,039
Automotive and other	110,690	105,103
Total Operations and Maintenance	<u>783,942</u>	<u>804,590</u>
General and Administrative		
Salaries	355,970	353,058
Payroll taxes	53,210	60,824
Employee benefits	217,300	230,906
Vacation, holiday, and sick pay	51,184	49,415
Office expense	30,944	31,802
Insurance	104,456	101,672
Professional services	72,700	88,241
Directors' fees	20,950	19,800
Dues, subscriptions, and water studies	10,181	10,638
Building maintenance	27,523	23,760
Rentals and easements	-	1,062
Property taxes	85,255	86,045
State regulatory agency fees	55,098	24,862
Interest expense	-	227
Depreciation	747,960	731,279
Other	9,494	7,059
Total General and Administrative	<u>1,842,225</u>	<u>1,820,650</u>
TOTAL EXPENSES	<u>\$ 2,626,167</u>	<u>\$ 2,625,240</u>

STATEMENTS OF COMPREHENSIVE INCOME (Continued)

	2013	2012
INCOME FROM OPERATIONS	\$ 369,795	\$ 37,801
OTHER INCOME		
Charges for new service connections	7,827	59,963
Investment income	21,979	29,655
Rents and royalties	9,200	9,700
Sewer billing services	968	978
Gain (loss) on disposal of assets	(10,626)	(7,270)
Gain (loss) on sale of securities	(366)	1,747
Other	-	1,068
	<u>28,982</u>	<u>95,841</u>
INCOME BEFORE INCOME TAXES	398,777	133,642
INCOME TAXES	1,950	2,901
NET INCOME	<u>396,827</u>	<u>130,741</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized Gains (Losses) on Securities		
Unrealized gains (losses) arising during the year	(29,894)	(9,673)
Reclassification adjustment for (gains) losses realized	366	(1,747)
Other Comprehensive Income (Loss)	<u>(29,528)</u>	<u>(11,420)</u>
COMPREHENSIVE INCOME	<u>\$ 367,299</u>	<u>\$ 119,321</u>

OFFICE HOURS

Monday thru Thursday 7:30 am to 5:00 pm
1st & 3rd Friday 7:30 am to 4:00 pm
Closed on the 2nd & 4th Friday

If at any time you notice any unusual activity, damage, or graffiti at Riverside Highland Water Company Facilities, please call us at (909) 825-4128.

The Board of Directors, Management, and Staff of Riverside Highland Water Company are proud to serve the water needs of our shareholders and customers.

William J. McKeever – President Don Hough – General Manager