

THINK  PLAN  PERFORM  CONSERVE



Riverside Highland
WATER COMPANY®



2015 *CONSUMER CONFIDENCE
& SHAREHOLDERS REPORTS*

This brochure is a summary of the quality of water that Riverside Highland Water Company provided to its customers in 2015. 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, 2015. 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 2015.

Incorporated February 21, 1898, Riverside Highland Water Company is proud to be celebrating its **118th year of continuous operation**. This achievement could not have been attained without the ongoing support and involvement of our shareholders.

Once again, in 2015, 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 2015 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.

The Drought's Impact on Riverside Highland Water Company

Last year was the fourth year of one of the worst droughts in California recorded history. Reservoirs had dropped to historic lows, the Sierra snowpack was just five percent of normal and rainfall totals were less than average.

Early in 2015, the Governor tasked the California Department of Water Resources to issue mandatory water reductions for every water agency in the State. These reductions were based on the amount of water each agency pumped between the months of July and September of 2013. Because of the time of year that the baseline was determined, water agencies in our region were required to reduce water more than most areas of the State.

We at Riverside Highland Water Company were required by the State of California to reduce water production by 36 percent. While we did not meet our State mandated goal, we did do better than most other districts in our area. As a result, we were not issued fines by the Department of Water Resources as some other agencies were.

Ultimately, the drought was very costly to Riverside Highland Water Company, both in actual costs and lost revenue.

The greatest economic impact was lost revenue. While many people falsely believe that less revenue is offset with less cost, this is not completely true. While there are a few costs that may be slightly reduced because of less water delivered, most costs continue regardless of the amount of water delivered. This is true for all water agencies.

Whether Riverside Highland Water Company delivers even a drop of water, we still have bills that have to be paid. Insurance, taxes, water monitoring, State and Federal reporting and routine maintenance are just some of the many ongoing costs associated with operating a water system. In fact, during this drought the State required much more oversight and reporting as well as forcing us to do more monitoring.

The only true costs that were reduced because of the drought were the costs of producing the water. This includes energy and treatment and these costs are not proportional to the amount of water pumped. Because Southern California Edison has stand by charges that we must pay

whether we pump water or not and because our only water treatment is a small amount of chlorine we add as mandated by the State, we have minimal treatment costs.

At this time we, as well as most other water agencies, are reviewing last year's costs and revenue to evaluate what steps we need to take to recover any losses due to the drought. Some water agencies have already implemented rate adjustments such as East Valley Water District in Highland, or are planning rate increases such as the City of Redlands.

While we can reduce some costs by either foregoing or delaying some capital costs, we feel this is not in the best interest for the future of the Company. One of the reasons we have the lowest rates in the area is because of our Capital Improvement Plan.

In 1985 Riverside Highland Water Company had 139 water main leaks and an unaccounted for water loss of 39 percent. Unaccounted for water is the difference between the amount of water pumped and the amount of water delivered. All water systems experience some water loss as an ordinary part of operations such as inaccurate metering, theft and fire hydrant usage. A water Agency's goal is to achieve the industry standard of 10 percent unaccounted for water. Over the last 5 years we have averaged just 2 water main leaks per year and have averaged 5 percent unaccounted for water. Since 1986 we have replaced over 36 miles of water mains, built 7 reservoirs, drilled 5 water wells and constructed a new corporate facility. Because of the capital program we do not need to buy water from any other agency, have no outstanding debt and our operating budget remains low. Every year since 1986 a portion of your water bill goes towards capital improvement as we budget between \$500,000 and \$1,000,000 annually to upgrade the water system.

Riverside Highland Water Company would like to thank our shareholders and customers for their efforts in conservation throughout this past year. We understand that without your diligence we would not have been able to achieve the water reduction we did. Riverside Highland Water Company Board of Directors and staff want you to know that we are dedicated to serving the best quality water at a reasonable cost while insuring the future of the Company.

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	5.7	2.5/9.9	pCi/L	15	N/A	0	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	0.7	ND/3.3	ppb	10.0	0.004	N/A	Erosion of natural deposits; runoff from orchards; glass and electronics production wastes
Fluoride	N	0.6	0.3/0.9	ppm	2.0	1	N/A	Erosion of natural deposits; water additive that promotes strong teeth; discharge from fertilizer and aluminum factories
Nitrate - N	N	5.5	1.97/9.04	ppm	10	10	N/A	Runoff and leaching from fertilizer use; leaching from septic tanks and sewage; erosion of natural deposits
Total Chromium	N	0.77	ND/1.4	ppb	50	N/A	100	Discharge from steel and pulp mills and chrome plating; erosion of natural deposits
Hexavalent Chromium	N	0.56	ND/1.3	ppb	10	0.02	N/A	Discharge from electroplating factories, leather tanneries, wood preservation, chemical synthesis, refractory production and textile manufacturing facilities; 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	2.9	ND/7.0	ppb	80	N/A	N/A	Byproduct of drinking water disinfection
HAA5's	N	2.0	ND/6.2	ppb	60	N/A	N/A	Byproduct of drinking water disinfection
Chlorine	N	0.67	0.60/0.77	ppm	4.0	N/A	4.0	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 contaminates 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	39.4	3.2/66	ppm	500	N/A	N/A	Runoff/leaching from natural deposits; seawater influence
PH	N	7.5	7.2/7.7	STD unit	6.5/8.5	N/A	N/A	Comparison of "Alkalinity" & "Acidity" of water
Specific Conductance	N	716	360/1000	US	1600	N/A	N/A	Substances that form ions when in water; seawater influence
Sulfate	N	62	16/100	ppm	500	N/A	N/A	Runoff/leaching from natural deposits; industrial wastes
Total Dissolved Solids (TDS)	N	434	200/620	ppm	1000	N/A	N/A	Runoff/leaching from natural deposits
Turbidity	N	0.05	ND/0.23	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	77	51/96	ppm	N/A	N/A	N/A	Natural in limestone, marble, chalk
Total Hardness CA CO3	N	254	160/320	ppm	N/A	N/A	N/A	Total concentration of calcium and magnesium
Total Alkalinity	N	218	140/290	ppm	N/A	N/A	N/A	Bicarbonates and hydroxide components in raw water
Bicarbonate	N	268	170/360	ppm	N/A	N/A	N/A	Bicarbonate components in water
Magnesium	N	14.8	8.1/20	ppm	N/A	N/A	N/A	Metallic chemical element in soil
Potassium	N	3.7	2.0/4.7	ppm	N/A	N/A	N/A	Nutritional element in soil for humans
Sodium	N	51.2	9.8/85	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	3.5	2.9/4.0	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.

Lead & Copper

Lead & Copper Rule became effective in 1993. The Company has performed eight rounds of sampling. The last round was performed in August 2015. Another round is scheduled for August 2018. 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, 2012 and 2015 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	0.36	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>

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 USEPA and the State Water Resources Control Board (State Board) prescribe regulations that limit the amount of certain contaminants in water provided by public water systems. State Board regulations also establish limits for contaminants in bottled water that provide the same protection for public health.

Source Water Protection Plan

In 2015, 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 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 the California State Water Resources Control Board.

“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, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 272,858	\$ 445,975
Accounts receivable – trade	395,711	512,374
Accounts receivable – other	236,577	27,424
Interest receivable	3,707	3,641
Prepaid expenses	56,449	57,046
Total Current Assets	<u>965,302</u>	<u>1,046,460</u>
INVESTMENTS		
Certificate of deposit – restricted	21,000	21,000
Marketable securities		
At market value	591,452	916,493
At cost	343,331	323,004
Muscoy Mutual Water Company stock	100	100
	<u>955,883</u>	<u>1,260,597</u>
PROPERTY & EQUIPMENT		
Land	2,593,294	2,593,294
Depreciable assets	<u>28,359,362</u>	<u>27,114,645</u>
	30,952,656	29,707,939
Less: Accumulated depreciation	<u>12,924,431</u>	<u>12,304,699</u>
	18,028,225	17,403,240
Construction in progress	<u>40,329</u>	<u>147,422</u>
	<u>18,068,554</u>	<u>17,550,662</u>
OTHER ASSETS		
Water Rights	<u>335,933</u>	<u>335,933</u>
TOTAL ASSETS	<u>\$ 20,325,672</u>	<u>\$ 20,193,652</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	2015	2014
CURRENT LIABILITIES		
Accounts payable	\$ 74,403	\$ 110,557
Accrued liabilities	52,806	45,329
Customer deposits	64,398	55,755
Total Current Liabilities	<u>191,607</u>	<u>211,641</u>
DEFERRED INCOME TAXES	<u>155,288</u>	<u>155,288</u>
Total Liabilities	<u>346,895</u>	<u>366,929</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	<u>291,033</u>	<u>291,033</u>
	482,433	482,433
Retained earnings	19,514,613	19,348,107
Accumulated other comprehensive income (loss)	<u>(18,269)</u>	<u>(3,817)</u>
Total Shareholders' Equity	<u>19,978,777</u>	<u>19,826,723</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 20,325,672</u>	<u>\$ 20,193,652</u>

RIVERSIDE HIGHLAND WATER COMPANY

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	2015	2014
REVENUE		
Assessments	\$ 697,109	\$ 697,104
Water sales	2,019,049	2,313,066
Leased water rights	208,500	-
Penalties, transfers, and inspection fees	119,860	103,065
Total Revenue	<u>3,044,518</u>	<u>3,113,235</u>
EXPENSES		
Operations and Maintenance		
Pumping expense and water spreading	426,266	375,218
Transmission and storage	214,717	185,815
Quality control	113,353	109,759
Customer accounting	90,696	84,347
Automotive and other	84,829	92,254
Total Operations and Maintenance	<u>929,861</u>	<u>847,393</u>
General and Administrative		
Salaries	392,362	382,275
Payroll taxes	65,510	59,183
Employee benefits	311,446	278,529
Vacation, holiday, and sick pay	59,929	54,826
Office expense	33,461	28,354
Insurance	86,495	76,804
Professional services	75,202	83,653
Directors' fees	18,450	19,275
Dues, subscriptions, and water studies	7,807	6,861
Building maintenance	33,412	28,699
Property taxes	84,235	83,995
State regulatory agency fees	54,794	17,568
Depreciation	806,757	769,500
Other	11,045	17,429
Total General and Administrative	<u>2,040,905</u>	<u>1,906,951</u>
TOTAL EXPENSES	<u>\$ 2,970,766</u>	<u>\$ 2,754,344</u>

STATEMENTS OF COMPREHENSIVE INCOME (Continued)

	2015	2014
INCOME FROM OPERATIONS	\$ <u>73,752</u>	\$ <u>358,891</u>
OTHER INCOME		
Charges for new service connections	58,318	60,414
Investment income	30,028	28,440
Rents and royalties	9,700	10,425
Gain (loss) on disposal of assets	(2,243)	-
Gain (loss) on sale of securities	(522)	-
Other Income	910	738
	<u>96,191</u>	<u>100,017</u>
INCOME BEFORE INCOME TAXES	169,943	458,908
INCOME TAXES	<u>3,437</u>	<u>3,401</u>
NET INCOME	<u>166,506</u>	<u>455,507</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized Gains (Losses) on Securities		
Unrealized gains (losses) arising during the year	(14,974)	44,805
Reclassification adjustment for (gains) losses realized	522	-
Other Comprehensive Income (Loss)	<u>(14,452)</u>	<u>44,805</u>
COMPREHENSIVE INCOME	<u>\$ 152,054</u>	<u>\$ 500,312</u>

OFFICE HOURS

Monday thru Thursday 7:30 a.m. to 5:00 p.m.

1st & 3rd Friday 7:30 a.m. to 4:00 p.m.

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