

Chino Basin Watermaster Twenty-Seventh Annual Report

Fiscal Year 2003-04



Working Together to Maximize the Benefits of Chino Basin

Welcome From the Chief Executive Officer

The Optimum Basin Management Program is the roadmap that Watermaster follows in carrying out its mission:

"To manage the Chino Groundwater Basin in the most beneficial manner, and to equitably administer and enforce the provisions of the Chino Basin Watermaster Judgment."

Case No. RCV 51010
(formerly Case
No. SCV 164327)

During 2003-04, Watermaster underwent some key changes while making major progress in its transition from planning to implementation of the Optimum Basin Management Program.

John Rossi, who had been CEO of Watermaster, left toward the end of the fiscal year. Sheri Rojo, Watermaster's Finance Manager, stepped in as Chief of Watermaster from May through September 2004, supported by the Watermaster Board's Executive Oversight Committee, and with extra support by staff. I was appointed in September, 2004.

Meanwhile, during the year, Watermaster moved ahead on a wide front:

- *Monitoring programs were reorganized to better support Watermaster's many water supply and water quality programs, including a greatly expanded use of key wells to provide better information, faster and at less cost.*
- *A two-year, \$50 million project to improve and expand 20 recharge basins was initiated.*
- *A Dry Year Yield Storage Agreement with MWD for 100,000 acre-feet of storage was implemented.*
- *In what is expected to be a model agreement throughout California, the Regional Water Quality Control Board recognized Watermaster's accomplishments in managing the Basin by approving a Basin Plan Amendment. This agreement gives Watermaster wider latitude in meeting supplemental water objectives using reclaimed and imported water, in a manner that is expected to save tens of millions of dollars over the long run.*
- *Numerous cooperative programs were advanced, including the use of flood control basins for recharge and the development of regional water quality and supply databases.*
- *Watermaster began developing a better database to manage its voluminous data and updated its sophisticated computer model used to analyze the Basin.*

These advances in Watermaster's programs, in addition to continuation of others, made 2003-04 a year of major progress for Watermaster. The progress reflected an enhanced spirit of cooperation among stakeholders, who worked together to maximize the benefits of the Basin. We look forward to continued success and progress in the years ahead.

*Kenneth R. Manning,
CEO, Chino Basin Watermaster*

Watermaster's Five Key Responsibilities

Watermaster's fundamental role is to manage the Chino Basin Groundwater Basin, thereby protecting and improving its water supply and water quality.

Basin management activities are guided by a detailed Optimum Basin Management Program. In managing the basin, Watermaster brings together the diverse Chino Basin stakeholders—literally hundreds of public and private water suppliers, cities, businesses, dairies, farmers and other entities that pump, treat, use, buy, sell and deliver water in the Basin.

Watermaster has been vested with five key responsibilities:

Maintaining and increasing the water supply by acquiring and spreading replenishment water, and facilitating the storage of supplemental water in the Basin.

Ensuring a fair division of the water by determining the amount of groundwater each producer is entitled to extract without incurring a replenishment obligation.

Providing cooperative leadership by developing consensus plans regarding management of the Basin.

Monitoring and increasing the understanding of the Basin by collecting information on water production, water quality, water level and other relevant data from producers.

Maintaining and improving water quality by coordinating and actively participating in local efforts to restore and preserve the quality of groundwater in the Basin.

Chino Basin: Our Underground Water Supply

Chino Basin comprises 220 square miles beneath portions of San Bernardino,

Serving 750,000 People, Thousands of Businesses and Agriculture

Because of the strategic location of the Chino Basin, Watermaster is able to exchange water via the Metropolitan Water District system, and cooperates with many water agencies throughout the region.



Two Trillion Gallons, 800 Wells

Each year, over 800 wells pump more than 140,000 acre-feet of groundwater from the Basin, which has a storage capacity estimated between 5 and 7 million acre-feet, or about two trillion gallons.

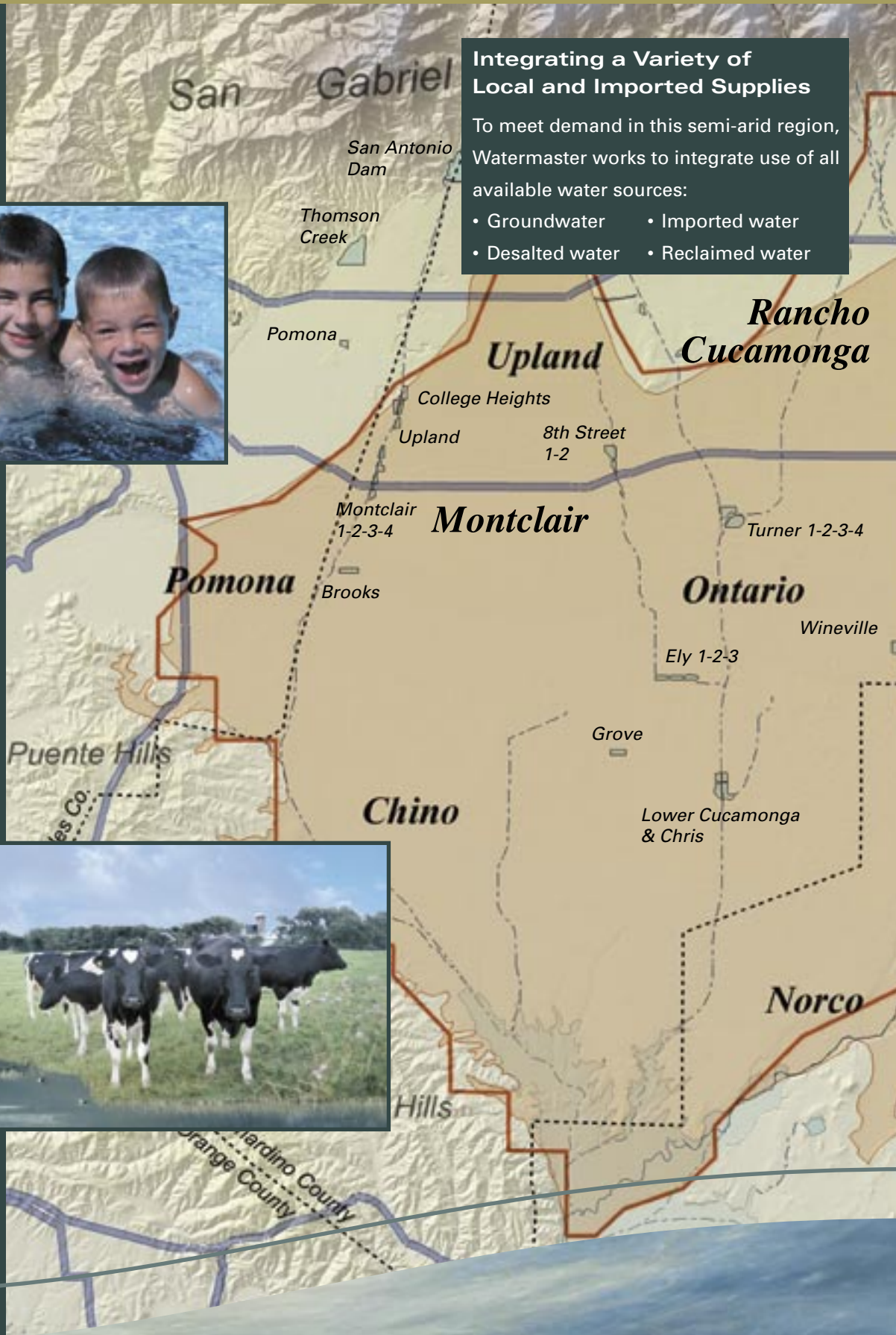
Besides being one of the fastest growing regions in California, the Chino Basin area also is home to a thriving agricultural industry, including some of the most intensive dairy farming in the state.



Integrating a Variety of Local and Imported Supplies

To meet demand in this semi-arid region, Watermaster works to integrate use of all available water sources:

- Groundwater
- Imported water
- Desalted water
- Reclaimed water



Riverside and Los Angeles Counties.



Fire and Flood

During October 2003, serious fires raged in parts of the Basin and many members of Watermaster used their water resources to help fight the fires, as exemplified by this fire fighting helicopter scooping water from a recharge basin. Heavy rains later in the year caused destruction throughout the region and sent tremendous amounts of silt, soot and ash down the canyons and into water recharge basins, clogging them and stopping percolation. The Basins have nearly all been cleaned since then.

Tremendous Growth in Population and Need for Water

The intensive pace of growth in the area—one of the fastest growing regions in California—is expected to continue in coming decades. Projections of growth indicate millions more people and businesses in coming years, with corresponding increases in water use.

Optimum Basin Management Program: Recipe for a Healthy Basin

The actions and solutions outlined in the OBMP provide the following benefits:

- Providing additional water supplies to meet growth in the Basin
- Improving water quality
- “Drought proofing” the region
- Enhancing economic development; and
- Improving environmental quality.

Protecting and Improving Water Supply and Quality

The Optimum Basin Management Program (OBMP) is a detailed action plan with hundreds of specific projects that are identified, prioritized, budgeted and scheduled for implementation over two decades. Despite its immense detail, it is flexible enough to meet the changing needs of the Basin and its many stakeholders.

The OPMB is composed of nine separate but related program elements:

1. **Comprehensive monitoring of the Basin**, including groundwater levels and water quality, to gather data for more effective water management.
2. **Comprehensive recharge** of imported, reclaimed and stormwater to maintain and improve groundwater levels, making more water available to producers.
3. **Water supply plan for impaired areas**, focusing on the shift of production in the southern basin away from agricultural uses toward increased urban uses in order to avoid higher water levels and uncontrolled groundwater losses.
4. **Management Zone 1 strategies** to reduce unacceptable land subsidence and fissuring.
5. **Regional supplemental water program** to improve water quality and increase use of treated, desalted water.
6. **Cooperative programs** with the Regional Water Quality Control Board and other agencies to improve Basin quality and management.
7. **Salt management programs** to develop a more detailed understanding of salt loads in groundwater, develop objectives and define the benefits of salt removal.
8. **Groundwater storage management** to allow for large increases in groundwater storage by local and outside agencies.
9. **Conjunctive use programs** to store excess water available in wet years for use in dry years.



Groundwater Monitoring: Our Underground “Eyes and Ears”

Development of a key well program during 2003-04 was a major step forward in groundwater monitoring that was coupled with increased groundwater recharge and continued implementation of the groundwater Dry Year Yield and Storage and Recovery programs.

These measures are aimed at increasing available water supplies to meet current and future demands in a fast-growing region, and to ultimately “drought proof” the Basin, which is subjected to weather cycle extremes ranging from years of below average rainfall to near-record rains.

The Chino Groundwater Basin is essentially a giant underground water reservoir hidden under portions of three counties. In order to manage, protect and improve water supply and water quality, Watermaster undertakes a substantial monitoring program that allows it to understand what is happening in the underground basin through hundreds of tests and monitoring wells.

Watermaster has three active groundwater-level monitoring programs in the Chino Basin:

- A semiannual Basin-wide program.
- An intensive key well monitoring program associated with the effects of desalter activities and the Hydraulic Control Monitoring Program.
- An intensive piezometric monitoring program associated with land subsidence and ground fissuring in Management Zone 1.

Basin-Wide Groundwater-Level Monitoring Program

Watermaster manually measures water levels in about 340 agricultural wells twice each year to determine the effects of water production on groundwater levels.

Development of Key Well Program Will Improve Efficiency and Lower Costs

Hundreds of groundwater wells are spread throughout the Basin, and Watermaster has historically monitored many of them. A current focus of Watermaster's monitoring efforts is to analyze and prioritize specifically which wells should be monitored and what tests should be carried out in order to get the most water quality and water supply benefit at the lowest reasonable cost. This key well program also involves installing automated testing equipment that reduces the need for manual testing, and records information as often as every 15 minutes. The result is faster, more efficient, and more useful information gathering. The number of wells being monitored for water level for the desalter activities and Hydraulic Control Monitoring Program has been reduced by more than 75-percent per month.



Groundwater Monitoring: Our Underground “Eyes and Ears” (continued)

Watermaster has developed a comprehensive groundwater quality monitoring program that includes collecting data and checking water quality from its own samples as well as samples provided by Appropriators, the Department of Health Services, Department of Toxic Substance Control, and Regional Water Quality Control Board.

In addition, Watermaster undertakes special testing such as for volatile organic compounds, including 1,2,3 TCP in areas where they are suspected, as well as for perchlorate in all wells.

MZ-1 Monitoring Program to Prevent Subsidence

Watermaster collects groundwater level data at 35 wells in the southern portion of Management Zone 1 with the purpose of understanding and preventing any ground subsidence due to changes in groundwater levels. Related to this are Cooperative Aquifer Stress Tests that measure water production versus groundwater levels and are done in cooperation with the cities of Chino and Chino Hills.

Hydraulic Control to Prevent Loss of Groundwater to the Santa Ana River

Hydraulic Control is a means of protecting water quality and supply by controlling the flow of water between the Chino Groundwater Basin and the Santa Ana River. Watermaster, Inland Empire Utilities Agency, Orange County Water District and the Santa Ana Regional Water Quality Control Board agreed in 2003-04 to construct nine new monitoring wells as part of the Hydraulic Control Monitoring Program.

These monitoring wells are needed because existing well locations and well construction are not sufficient to measure the extent of hydraulic control occurring and because of the loss of monitoring by agricultural wells that are being gradually destroyed in the conversion of the land from agriculture to urban uses.

Monitoring VOC Plumes

As part of its enhanced and more proactive water quality programs, Watermaster is monitoring wells within or near the two volatile organic compound (VOC) plumes south of the Ontario and Chino Airports. In addition Watermaster is tracking the general mineral content and general physical parameters of the water in the plumes.

Surface-Water Monitoring of Groundwater Recharge Basins

Currently, Watermaster monitors the water quality in 20 recharge basins. Each is sampled three to five times a year, including immediately after storms. The sampling rate is scheduled to increase during 2004-05 for basins that will receive reclaimed water.



Increasing Water Supplies: a Key Watermaster Responsibility

\$50 Million Recharge Chino Basin Facilities Improvement Project Advances

The two-year project to improve and expand 20 recharge basins got underway in 2003-04 and the first construction projects were completed during the fiscal year. About half the cost will be paid by Proposition 13 funds.

Recharge of groundwater is a key ingredient of the OBMP. By storing excess water during wet years and reclaimed water year-round, the overall water supply in the Basin is increased.

Watermaster does not own recharge basins. To develop recharge plans, Watermaster cooperated with three agencies, including Inland Empire Utilities Agency, San Bernardino County Flood Control District and the Chino Basin Water Conservation District.

Progress on Reclaimed Water Project for Recharge

As stated above, reclaimed water plays a part in the recharge effort. Inland Empire Utilities Agency is developing a large-scale reclaimed water project that ultimately will produce 22,000 acre-feet of water for recharge.

Desalters to Treat Water

Water with high dissolved solids and high nitrate levels will be treated by new desalters, in quantities up to 20 million gallons a day.

Groundwater Storage Management Moves Towards Implementation

The Dry Year Yield (DYY) storage program is continuing to evolve, moving from the planning to the implementation stage during 2003-04, and is expected to advance more rapidly in the coming year. The program will initially involve 100,000 acre-feet of storage in cooperation with Metropolitan Water District (MWD). In total, the Storage and Recovery program has an ultimate goal of 500,000 acre-feet.



Watermaster has made considerable progress in recharge, moving from policy to implementation.

With advances in the Dry Year Yield Program underway, Watermaster is continuing to explore additional future storage and recovery programs.

Protecting and Maintaining Water Quality: Another Core Watermaster Responsibility

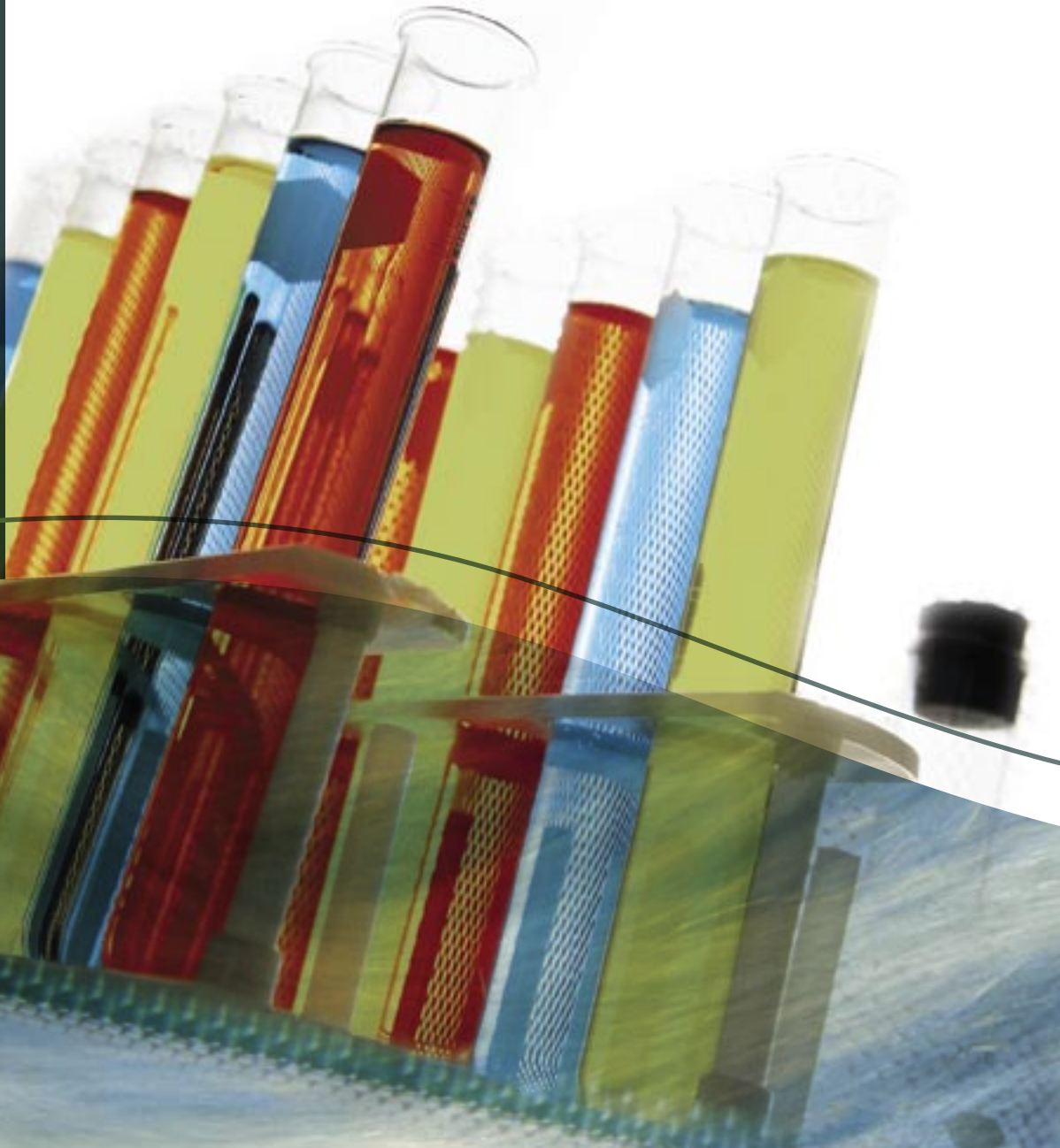
Watermaster continues to update its understanding of water quality and improve its water quality management, in particular targeting monitoring and treatment activities for maximum benefit and cost efficiency.

Basin Plan Amendment Approved by Regional Board

Recognizing the accomplishments of Watermaster in managing the Basin, the Regional Water Quality Control Board during 2003-04 approved the Basin Plan Amendment. This action allows Watermaster to meet supplemental water objectives using reclaimed and imported water in the Basin without costly and unproductive mitigation measures.

Changes to the nitrate and salt objectives, approved by the Regional Board, promote maximum beneficial use of waters in the Basin, ultimately saving many tens of millions of dollars in water quality and water supply costs.

Watermaster also worked with the Regional Water Quality Control Board and the Department of Toxic Substances Control to track perchlorate contamination.



Water Quality Committee

An ad hoc Water Quality Committee continued to meet during 2003-04. The committee was formed the prior year to bring additional Board-level focus and oversight to water quality issues. The Committee has facilitated many Basin water supply improvements. Through the efforts of the Committee and new technical efforts, Watermaster is taking a more proactive approach in identifying water quality challenges, seeking to develop solutions before they become crises.

Mitigation Activities

Watermaster has refined its water quality efforts to focus on the following key areas:

1) identify and characterize water quality anomalies in areas such as Chino Airport and Ontario International Airport; 2) remain active in the process of developing the Total Maximum Daily Loads (TMDLs) used to determine revisions to water quality regulations for the Santa Ana River and other bodies of water in the Lower Chino Basin; and 3) assist the Regional Water Quality Control Board—which has been impacted by State budget cuts—with research, monitoring, and the crafting of Investigative Orders and Cleanup and Abatement Orders for potential dischargers involved with the anomaly near Ontario International Airport.



Success Through Good Management, Cooperation and Technology

Watermaster moved into larger offices with several meeting rooms that make it easier to arrange and efficiently conduct the numerous meetings that are required for both staff and Watermaster's many stakeholders.

Cooperation Replaces Old Turf Wars

Notable in 2003-04 was Watermaster's continued success in mobilizing stakeholders to work together to obtain even greater joint benefits by approaching challenges and opportunities in a more entrepreneurial and cooperative fashion.

For example, during an important testing phase of the Chino Basin Facilities Improvement Project, when Watermaster was unable to obtain imported water from its normal sources, Orange County Water District allowed Watermaster to divert flow into a recharge basin. Similarly, San Bernardino County Flood Control District has allowed Watermaster unprecedented access to flood control basins to serve as recharge basins. Such cooperative actions will provide increasing benefits and cost savings for all involved.

Regional Database to be Created

Taking Basin wide cooperation to a new level, efforts began during 2003-04 to develop a regional database, currently called DOGS (Data Organizational Group and Subgroups), to share data among agencies in the Basin, and streamline data collection and analysis while eliminating duplication of effort.

During 2003-04, the project was in the development stage and is scheduled to be implemented in multiple phases over subsequent fiscal years. The shared databases will incorporate extensive information and data, including: water production, water quality, water level, and deliveries of imported and reclaimed water.

Watermaster Improves Use of Technology

There are many other examples of how Watermaster uses advanced technology to improve the way it operates. For example: during 2003-04, Watermaster completely redesigned and rebuilt its website, adding a public calendar and many other new features; the production database was upgraded with new tools that make it much easier to develop useful reports, including a rolodex that sends out automatic requests for updated information from the many producers that supply data to Watermaster, and; staff worked systematically to scan and archive older paper documents.



A History of Struggle and Success

HISTORY

Confronted with a multitude of water issues—a falling groundwater table, land subsidence, reduction in groundwater quality, and others—concerned water producers conducted studies in the early 1970s that led to a Memorandum of Agreement for the Chino Basin.

The State Legislature then dedicated \$2 per each acre-foot pumped from the Basin to finance development of a Basin management plan and an agreement on the allocation of water rights among producers.

To complete the framework, Chino Basin Watermaster was established in 1977 under a Judgment by the Superior Court in San Bernardino County. Watermaster was charged with administering adjudicated water rights and managing groundwater resources within the Chino Groundwater Basin.

Watermaster and Basin Stakeholders Build on Past Successes

Chino Basin Watermaster is at its core a consensus-based organization that facilitates the enhancement and beneficial use of the Chino Groundwater Basin for its many stakeholders: cities, water districts, water companies, agricultural, commercial and other interests.

Watermaster is actively implementing the Basin's Optimum Basin Management Program, a 20-year water quality and supply plan that incorporates extensive monitoring, development of recharge capabilities, storage and recovery projects, managing salt loads, and developing new supplies such as the use of reclaimed water and stormwater recharge, while continuing to work with other agencies and entities to enhance this significant natural resource.

Over the years, Watermaster and the basin stakeholders have successfully moved through many stages of progress: first learning to settle differences and work together, then to develop initial technical plans; next to raise local and grant funding, and most recently to begin rapidly implementing numerous water supply and quality projects. Looking to the future, Watermaster will be focusing on obtaining even broader benefits through greater cooperation and by finding new efficiencies and tighter focus on those projects that provide the most benefit for the investment.



Watermaster Governance and Membership

Watermaster is Structured to Accommodate All Stakeholders

To draw together in a single organization all the diverse interests in the Basin, three groups or producer Pools were formed to represent the majority of producer interests:

- Agricultural Pool to represent dairymen, farmers, and State interests.
- Non-Agricultural Pool to represent commercial and industrial producers.
- Appropriative Pool to represent cities, water districts and water companies.
- An Advisory Committee and Watermaster Board, each representing all stakeholder groups.

Watermaster Board

Calendar Year 2004

Agricultural Pool Representatives

MEMBER	REPRESENTING
Paul Hofer	Crops
Geoffrey Vanden Heuvel	Dairy

Non-Agricultural Pool Representatives

REPRESENTATIVE	MEMBER ENTITY
Bob Bowcock	Vulcan Materials Company (Calmat Division)

Appropriative Pool Representatives

REPRESENTATIVE	MEMBER ENTITY
Robert Neufeld, Chair Alternate: Michael Whitehead	Fontana Union Water Company
Dan Rodriguez/Paula Lantz	Pomona, City of
W.C. "Bill" Kruger	Chino Hills, City of

Municipal Water District Representatives

REPRESENTATIVE	MEMBER ENTITY
Terry Catlin, Vice Chair Alternate: John L. Anderson	Inland Empire Utilities Agency
Bob Kuhn, Secretary Alternate: David DeJesus	Three Valleys Municipal Water District
Donald Schroeder Alternate: Donald Harriger	Western Municipal Water District

Advisory Committee

Calendar Year 2004

Agricultural Pool Representatives

REGULAR MEMBERS	REPRESENTING
Nathan deBoom, Vice-Chair	Dairy
Robert Feenstra	Dairy
Joe Delgado	State
Glen Durrington	Crops
Pete Hall	State
Gene Koopman	Dairy
Peter Hettinga	Dairy
Wayne Davidson	State
Barbara Swanson	State
Jeff Pierson	Crops
John Huitsing	Crops

Non-Agricultural Pool Representatives

REPRESENTATIVE	MEMBER ENTITY
Mike Thies	Space Center Mira Loma
Bob Bowcock	Vulcan Materials Company (Calmat Division)

Appropriative Pool Representatives

REPRESENTATIVE	MEMBER ENTITY
Dave Crosley	Chino, City of
Mike Maestas	Chino Hills, City of
Ken Jeske, Chair	Ontario, City of
Henry Pepper	Pomona, City of
Rob Turner	Upland, City of
Robert DeLoach	Cucamonga Valley Water District
Gerald Black	Fontana Union Water Company
Jim Bryson	Fontana Water Company
Carole McGreevy	Jurupa Community Services District
Mark Kinsey	Monte Vista Water District
Ray Wellington	San Antonio Water Company
J. Arnold Rodriquez	Santa Ana River Water Company

Agricultural Pool Committee

Calendar Year 2004

REGULAR MEMBERS

Nathan deBoom, Chair
Gene Koopman, Vice-Chair
Robert Feenstra
Pete Hall
Glen Durrington
Wayne Davidson
Barbara Swanson
Joe Delgado
Jeff Pierson
Peter Hettinga
John Huitsing

REPRESENTING

Dairy
Dairy
Dairy
State of California-CIM
Crops
State of California-CIW
State of California - CIM
Boys Republic
Crops
Dairy
Crops

ALTERNATES

Don Galleano
Syp Vander Dussen
Duffy Blau

REPRESENTING

Crops
Dairy
Boys Republic

Non-Agricultural Pool Committee

Calendar Year 2004

REPRESENTATIVE

Mark Ward
Eric Vaughn
Les Richter
Steve Arbelbide
Mike Del Santo
Mark Gage/Lisa Hamilton
David Starnes

R.E. Thrash III
Vic Barrion, Vice-Chair
James Jenkins

Michael Thies
David Cooper
Bob Bowcock, Chair

MEMBER ENTITY

Ameron Products
Angelic Rental Service
California Speedway
California Steel Industries (CSI)
CCG Ontario, LLC (Catellus)
General Electric Company
Mobile Community Management
(Swan Lake Mobile Home Park)
Praxair
Reliant Energy, Etiwanda LLC
San Bernardino County
Department of Airports
Space Center Mira Loma
Sunkist Growers Incorporated
Vulcan Materials Company
(Calmat Division)

Appropriative Pool Committee

Calendar Year 2004

REPRESENTATIVE

Patrick Bauer
Arrowhead Mountain Spring Water
Mike Maestas, Chair
Dave Crosley, Vice-Chair
Robert DeLoach
Gerald Black
Mike McGraw
Curtis Aaron
Rich Atwater
Carole McGreevy
Kevin Sullivan
Bill Stafford
Mark Kinsey
Mark Kinsey
Joe Schenk
Ken Jeske
Henry Pepper
Ray Wellington
Phil Krause

MEMBER ENTITY

Chino Hills, City of
Chino, City of
Cucamonga Valley Water District
Fontana Union Water Company
Fontana Water Company
Fontana, City of
Inland Empire Utilities Agency
Jurupa Community Services District
Los Serranos Country Club
Marygold Mutual Water Company
Monte Vista Irrigation Company
Monte Vista Water District
Norco, City of
Ontario, City of
Pomona, City of
San Antonio Water Company
San Bernardino, County of
(Prado Shooting Park)
Santa Ana River Water Company
Southern California Water Company
Upland, City of
West End Consolidated Water District
West Valley Water District

Staff

Calendar Year 2004

John V. Rossi,
(January - June)
Chief Executive Officer

Kenneth R. Manning,
(September - December)
Chief Executive Officer

Sheri Rojo, CPA,
Finance Manager

Gordon Treweek, PE, PhD,
Project Engineer

Danielle Maurizio, PE,
Senior Engineer

Jim Theirl,
Water Resource Engineer

Sherri Lynne Molino,
Executive Assistant

Janine Wilson,
Secretary

Paula Molter,
Secretary

Justin Nakano,
Intern

Appendices

A - S

COURT HEARINGS AND ORDERS FISCAL YEAR 2003-2004

During the fiscal year 2003-04, several hearings were held relating to implementation of the Optimum Basin Management Program (OBMP). Hearings were held as follows with the Honorable Judge J. Michael Gunn presiding:

Hearing Date	Primary Subject Matter
July 16, 2003	<ul style="list-style-type: none"> • Notice of Ex Parte Motion and Motion for an Order Shortening Time for filing of Motion for Continuance of July 17, 2003 Workshop Re: MZ1 Interim Subsidence Plan • Special Referee's Comments Regarding CBWM Motion to Continue the Workshop Re: MZ1 Interim Subsidence Plan • Order Granting Motion to Continue July 17, 2003 Workshop MZ1 Interim Subsidence Plan
September 4, 2003	<ul style="list-style-type: none"> • Notice of Motion for Approval of Seventh Amendment to Cyclic Storage Agreement • Order Approving Seventh Amendment to Cyclic Storage Agreement
September 5, 2003	<ul style="list-style-type: none"> • Notice Regarding Participation in MZ1 Interim Plan Forbearance
October 24, 2003	<ul style="list-style-type: none"> • Transmittal of OBMP Status Report Nos. 7 and 8
March 8, 2004	<ul style="list-style-type: none"> • Transmittal of Annual Reports 25th and 26th; OBMP Status Report No.9; Production Reports; Technical Memorandum
April 22, 2004	<ul style="list-style-type: none"> • Joint Request Order to Continue Hearing on MVWD Motion to Compel Watermaster to Establish a Program to Equitably Allocate Benefits from Water Quality Mitigation Measures under the Physical Solution to June 24, 2004 • Notice of Motion for an Order Directing Watermaster to Proceed in Accordance with the Peace Agreement as Amended by the First Amendment to the Peace Agreement
June 24, 2004	<ul style="list-style-type: none"> • Notice of Motion and Motion of Defendant MVWD for Order Compelling Watermaster to establish a Program to Equitably Allocate Benefits from Water Quality Mitigation Measures Under the Physical Solution; Declaration of Mark Kinsey; Memo of Points and Authorities • Joint Request Order to Continue for a Second Time the MVWD Motion to Compel Watermaster to Establish a Program to Equitably Allocate Benefits from Water Quality Mitigation Measures under the Physical Solution to June 24, 2004 (Continue new hearing to Sept 2, 2004) • Order Approving Storage and Recovery Program on Storage Agreement Re: Implementation of Dry Year Yield Storage Project • Transmittal of OBMP Status Report No. 10

RESOLUTIONS FISCAL YEAR 2003-2004

Resolution	Adopted	Summary of Resolution
04-01	January 29, 2004	<p><i>Establishing a Watermaster Investment Policy</i></p> <ul style="list-style-type: none"> The authority to invest and reinvest funds of Watermaster is delegated to the Watermaster Finance Manager subject to the provisions of said Investment Policy and the ongoing review and control of Watermaster and the Watermaster Advisory Committee. This resolution shall take effect from and after its date of adoption and Resolution 00-09 is rescinded in its entirety.
04-02	January 29, 2004	<p><i>Electing to Raise and Fix the Employer's Contribution Under the Public Employees' Medical and Hospital Care Act at an Amount at or Greater than that Prescribed by Section 22825 of the Government Code</i></p> <ul style="list-style-type: none"> The executive body appoints and directs, and it does appoint and direct, the Chief Executive Officer of the Watermaster to file with the Board of Administration of the Public Employee's Retirement System a verified copy of this Resolution, and to perform on behalf of said Public Agency all functions required of it under the Act and Regulations of the Board of Administration. Beginning January 1, 2004, the employer's contribution for each employee or annuitant shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members, in a health benefits plan or plans up to a maximum of \$32.20 per month, plus administrative fees and Contingency Reserve Fund assessments. The employer's contribution for each employee or annuitant shall increase according to the schedule as provided by Section 22825. The employer's contributions and maximums enunciated shall not serve to amend, prohibit, or limit any pre-existing settlements or agreements already in place to which the Public Agency is a signatory, except as required by law.
04-03	September 30, 2004	<p><i>To Proceed in Accordance with the Peace Agreement as Amended</i></p> <ul style="list-style-type: none"> The goals and plans in the Phase I Report and their implementation as provided in and consistent with the Implementation Plan and the Peace Agreement as amended by the First Amendment are in furtherance of the physical solution set forth in the Judgment and Article X, Section 2 of the California Constitution. Although not a signatory, the Chino Basin Watermaster Board supports and approves the Peace Agreement negotiated by the parties thereto and as amended by the First Amendment to the Peace Agreement. Subject to the unanimous approval of the First Amendment to the Peace Agreement by the Parties, Watermaster will proceed in accordance with the OBMP Implementation Plan and the Peace Agreement as amended. The Watermaster Board will transmit a request to the Court to issue an Order authorizing and directing Watermaster to proceed in accordance with this Resolution.

HISTORY OF INTERVENTIONS AFTER THE JUDGMENT

Fiscal Year	Appropriative	Non-Agricultural	Agricultural
03-04			
02-03	Niagara Bottling Company		
01-02	Nicholson Trust		
00-01		Loving Savior of the Hills Lutheran Church CCG Ontario, LLC (Catellus Commercial Group)	
99-00			
98-99			
97-98			Louis Badders Paul Russavage
96-97		Mountain Vista Power Generation Company, LLC California Speedway Corporation	Ambrosia Farms, Chin T. Lee
95-96	City of Fontana	General Electric Company	Elizabeth H. Rohrs Richard Van Loon S.N.S. Dairy Wineside 45 Frank Lizzaraga
94-95			
93-94			
92-93			
91-92	Arrowhead Mountain Springs Water Co.	California Steel Industries, Inc.	
90-91			
89-90	Fontana Water Company		Gary Teed
88-89			
87-88			Que Fullmer
86-87		American Diversified Capital Corporation	Robert Barth Richard Lambeth Jim Nace Lemon D. and Louise Thrall Whispering Lakes Community Church
85-86			Carlos Palacio Jay Park Andy Sytsma Fred Scane Bob DeJager Chino Valley Investment John Vander Poel
84-85			Eric Daale James Idsinga
83-84			Marvin H. Belville Los Serranos Golf Club, Inc. Rick and Debbie Mouw Geoffrey Vanden Heuvel
82-83			Manual Moreno Ronald C. and Kristine Pietersma Francisco Islas Gene and Geneva Burbridge Dick Bosma Richard Lorenz

HISTORY OF INTERVENTIONS AFTER THE JUDGMENT CONT.

Fiscal Year	Appropriative	Non-Agricultural	Agricultural
81-82		Anaheim Citrus Products	Joe Heim Louis Struikman George Noble Everett/Charles, Inc. Abel Villalpando Ontario Planned Residential Joint Venture
80-81			Pete Boersma David Chez Judith Collins Sharon Schact Andy Dyt J.D. Smith Charlie Tadema Maynard Troost Ralph D. Wenger Walter W. Wurster Jeannette Wurster Theodore Zwicker
79-80			Ray Albers Intex Corporation Dutchmen Properties Frank Jacques Mobile Home Partners of California Alfred B. and Sandra Tourigny Leon Weaver
78-79			Jim and Linda Carroll Richard Haagsma John R. and Claudell Moore Jack Pinheiro A.C. Pinheiro Mary Pinheiro August Vandenberg Andrew W. Vandenberg Ben Vandenberg Turn Key Associates, Inc. Albert Levinson, Tomlev, Inc. R.C. Land Company Frans and Cornelia Aardema Sylvester and Arlene Vander Tuig
77-78			Mira Loma Thoroughbred Farm Sky Country Development Co., Magnolia Farms George Yamamoto Carol A. Larsen and Mary L. Rawitser Tex L. and Phyllis T. Rexius Paul C. and Linda E. Sackin Chino Grain and Mill, Inc. Amil and Helen Steiner Anthony H. and Darlene Olive Osterkamp Pete Borba and Sons

**WATERMASTER'S "NOTICE OF INTENT" TO
CHANGE THE OPERATING SAFE YIELD OF THE
CHINO GROUNDWATER BASIN**

PLEASE TAKE NOTICE that on this 29th day of January 2004, Chino Basin Watermaster hereby files this 'NOTICE OF INTENT' to change the operating safe yield of the Chino Groundwater Basin Pursuant to the Judgment entered in Chino Basin Municipal Water District v. City of Chino, et al., San Bernardino Superior Court, Case No. RCV 51010 (formerly Case No. 164327) (Exhibit I, Paragraph 2b, Page 80).

**Approved by
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE**

**CHINO BASIN WATERMASTER
BOARD OF DIRECTORS**

By: /s/ Ken Jeske
Ken Jeske
Chairman, Advisory Committee

By: /s/ Robert Neufeld
Robert Neufeld
Chairman, Watermaster Board

ATTEST:

By: /s/ Bob Kuhn
Bob Kuhn
Secretary, Watermaster Board

**APPROPRIATIVE RIGHTS
(ORIGINAL PER JUDGMENT)**

<u>Party</u>	<u>Appropriative Right (Acre-Feet)</u>	<u>Share of Initial Operating Safe Yield (Acre-Feet)</u>	<u>Share of Operating Safe Yield (Percent)</u>
City of Chino	5,271.70	3,670.07	6.69
City of Norco	289.50	201.55	0.37
City of Ontario	16,337.40	11,373.82	20.74
City of Pomona	16,110.50	11,215.85	20.45
City of Upland	4,097.20	2,852.40	5.20
Cucamonga County Water District	4,431.00	3,084.79	5.63
Jurupa Community Services District	1,104.10	768.66	1.40
Monte Vista County Water District	5,958.70	4,148.34	7.57
West San Bernardino County Water District	925.50	644.32	1.18
Etiwanda Water Company	768.00	534.67	0.98
Feldspar Gardens Mutual Water Company	68.30	47.55	0.09
Fontana Union Water Company	9,188.30	6,396.74	11.67
Marygold Mutual Water Company	941.30	655.32	1.20
Mira Loma Water Company	1,116.00	776.94	1.42
Monte Vista Irrigation Company	972.10	676.76	1.23
Mutual Water Company of Glen Avon Heights	672.20	467.97	0.85
Park Water Company	236.10	164.37	0.30
Pomona Valley Water Company	3,106.30	2,162.55	3.94
San Antonio Water Company	2,164.50	1,506.89	2.75
Santa Ana River Water Company	1,869.30	1,301.37	2.37
Southern California Water Company	1,774.50	1,235.38	2.25
West End Consolidated Water Company	1,361.30	947.71	1.73
Total	78,763.80	54,834.00	100.00

APPROPRIATIVE RIGHTS (AS OF JUNE 30, 2004)

<u>Party</u>	<u>Appropriative Right (Acre-Feet)</u>	<u>Share of Initial Operating Safe Yield (Acre-Feet)</u>	<u>Share of Operating Safe Yield (Percent)</u>
City of Chino ^A	5,794.60	4,034.14	7.36
City of Chino Hills ^B	3,033.20	2,111.66	3.85
City of Norco	289.50	201.79	0.37
City of Ontario	16,337.40	11,373.67	20.74
City of Pomona	16,110.50	11,215.75	20.45
City of Upland	4,097.20	2,852.47	5.20
Cucamonga Valley Water District ^C	5,199.20	3,619.59	6.60
Jurupa Community Services District ^D	2,960.70	2,061.21	3.76
Monte Vista County Water District ^E	6,928.80	4,823.75	8.80
West Valley Water District ^F	925.50	644.30	1.18
Fontana Union Water Company ^G	9,188.30	6,392.00	11.66
Fontana Water Company ^H	-	1.97	0.00
Los Serranos County Club ^I	-	-	-
Marygold Mutual Water Company	941.30	655.27	1.20
Monte Vista Irrigation Company	972.10	676.65	1.23
Niagara Bottling Company ^J	-	-	-
Nicholson Trust ^K	-	4.00	0.01
San Antonio Water Company	2,164.50	1,506.84	2.75
Santa Ana River Water Company	1,869.30	1,301.21	2.37
Southern California Water Company ^L	590.70	411.26	0.75
West End Consolidated Water Company	1,361.30	947.53	1.73
San Bernardino County (Shooting Park) ^M	-	-	-
Arrowhead Mountain Springs Water Company ^N	-	-	-
City of Fontana ^O	-	-	-
Total	78,764.10	54,835.03	100.00

^A In 1990, Chino received a portion of San Bernardino County Water Works #8 (WW#8) OSY (363.790 AF) as a result of a permanent transfer.

^B City of Chino Hills incorporated in 1991 and assumed the responsibility for providing the public services formerly provided by WW#8.
WW#8 acquired a portion of the rights of Park and Pomona Valley Water Companies in 1983.

^C CVWD acquired the rights to Etiwanda Water Company (upon dissolution in 1986). CCWD changed their name to CVWD in 2004.

^D JCSD acquired the rights of Mira Loma Water Company (776.940 AF), Feldspar Gardens (47.549 AF) and Mutual Water Company of
Glen Avon Heights (467.974 AF).

^E In 1990, MVWD received 675.610 AF of WW#8 OSY as a result of a permanent transfer.

^F WSBCWD changed their name to WVWD in 2003.

^G In FY 2001-02 5.00 AF of Safe Yield was reassigned, 1.00 AF to FWC and 4.00 AF to the Nicholson Trust.

^H FWC intervened in FY 91-92 and was assigned 1.00 AF of OSY as a result of a permanent transfer of water rights from FUWC.

^I Los Serranos intervened in FY 83-84.

^J Niagara Bottling Company intervened in FY 02-03.

^K Nicholson Trust intervened in FY 01-02.

^L SCWC permanently transferred 823.900 AF of OSY to Park Water Company in 1980. Park Water Co was acquired by WW#8, which was
subsequently acquired by the City of Chino Hills.

^M San Bernardino County Prado Tiro (now known as Prado Shooting Park) was involuntarily reassigned to the Appropriative Pool from the
Ag Pool in 1985.

^N Arrowhead intervened in FY 92-93.

^O Fontana intervened in FY 98-99.

**OVERLYING NON-AGRICULTURAL RIGHTS
(ORIGINAL PER JUDGMENT)**

<u>Party</u>	<u>Total Overlying Non-Agricultural Rights (Acre-Feet)</u>	<u>Share of Safe Yield Acre-Feet</u>
Ameron Steel Producers, Inc.	125.00	97.86
County of San Bernardino (Airport)	171.00	133.87
Conrock Company	406.00	317.84
Kaiser Steel Corporation	3,743.00	2,930.27
Red Star Fertilizer	20.00	15.66
Southern California Edison Co.	1,255.00	982.50
Space Center, Mira Loma	133.00	104.12
Southern Service Co. dba Blue Seal Linen	24.00	18.79
Sunkist Growers, Inc.	2,393.00	1,873.40
Carlsberg Mobile Home Properties, Ltd '73	593.00	464.24
Union Carbide Corporation	546.00	427.45
Quaker Chemical Co.	-	-
Total	9,409.00	7,366.00

**OVERLYING NON-AGRICULTURAL RIGHTS
(AS OF JUNE 30, 2004)**

<u>Party</u>	<u>Total Overlying Non-Agricultural Rights (Acre-Feet)</u>	<u>Share of Safe Yield Acre-Feet</u>
Ameron Steel Producers, Inc.	125.00	97.86
County of San Bernardino (Airport)	171.00	133.87
Vulcan Materials Company ^A	406.00	317.84
CCG Ontario LLC ^B	805.00	630.27
West Venture Development Co. ^C	-	-
Southern California Edison Co. ^D	37.00	27.96
Reliant Energy, Etiwanda ^E	1,219.00	954.54
Space Center, Mira Loma	133.00	104.12
Angelica Rental Service ^F	24.00	18.79
Sunkist Growers, Inc.	2,393.00	1,873.40
Swan Lake Mobile Home Park ^G	593.00	464.24
California Steel Industries ^H	1,660.00	1,300.00
Praxair ^I	546.00	427.45
General Electric Company ^J	-	-
California Speedway ^K	1,277.00	1,000.00
Loving Savior of the Hills Lutheran Church ^L	-	-
Total	9,389.00	7,350.34

^A Conrock became Calmat and in FY 99-00 became Vulcan Materials Co.

^B Kaiser Steel Corporation became Kaiser Resources and then Kaiser Venture, Inc. Kaiser sold portions of its property to CSI & Speedway, its last property holdings and all its remaining water rights to CCG Ontario LLP on 8-16-00.

^C Anaheim Citrus became Red Star Fertilizer, West Venture Development. West Venture went out of business in 91-92.

^D A portion of SCE was sold in FY 98-99. SCE retained 27.959 AF OSY.

^E Mountain Vista Power Generating Company (MVPG) purchased the Etiwanda Generating Facility owned by SCE in FY 98-99. MVPG became Reliant Energy, Etiwanda with 954.540 AF OSY.

^F Southern Service Company became Angelica Rental Service.

^G Carlsberg Mobile Home Properties became Mobile Community Management and is known as Swan Lake Mobile Home Park.

^H California Steel Industries (CSI) intervened in FY 91-92 after purchasing land from Kaiser.

^I Union Carbide Corp. became Praxair, Inc.

^J General Electric Company intervened in FY 95-96.

^K California Speedway intervened in FY 96-97 after purchasing land from Kaiser. On August 16, 2000, Catellus permanently transferred 525 AF OSY to Speedway.

^L Loving Savior of the Hills Lutheran Church intervened in FY 00-01.

HISTORY OF TOTAL ANNUAL GROUNDWATER PRODUCTION BY POOL (ACRE-FEET)

Fiscal Year	Appropriative	Agricultural	Non-Agricultural	Total
74-75	70,312	96,567	8,878	175,757
75-76	79,312	95,349	6,356	181,017
76-77	72,707	91,450	9,198	173,355
77-78	60,659	83,934	10,082 ¹	154,675
78-79	60,597	73,688	7,127	141,412
79-80	63,834	69,369	7,363	140,566
80-81	70,726	68,040	5,650	144,416
81-82	66,731	65,117	5,684	137,532
82-83	63,481	56,759	2,395	122,635
83-84	70,558	59,033	3,208	132,799
84-85	76,912	55,543	2,415	134,870
85-86	80,859	52,061	3,193	136,113
86-87	84,662	59,847	2,559	147,068
87-88	91,579 ²	57,865	2,958	152,402
88-89	93,617 ³	46,762	3,619	143,998
89-90	101,344 ⁴	48,420	4,856	154,620
90-91	86,658 ⁵	48,085	5,407	140,150
91-92	91,982 ⁶	44,682	5,240	141,904
92-93	86,367 ⁷	44,092	5,464	135,923
93-94	80,798 ⁸	44,298	4,586	129,682
94-95	93,419 ⁹	55,022	4,327	152,768
95-96	101,606 ^{10, 11}	43,639	5,424	150,669
96-97	110,163 ¹¹	44,809	6,309	161,281
97-98	97,435 ¹²	43,345	4,955 ¹³	145,735
98-99	107,723	47,538	7,006	162,267
99-00	126,645	44,401	7,774	178,820
00-01	113,437 ^{11,14}	39,954	8,084	161,475
01-02	121,489 ^{11,15}	39,494	5,548	166,531
02-03	120,557 ^{11,16}	38,487 ¹¹	4,853	163,897
03-04	136,834 ¹⁷	41,978	2,915	181,727

¹ Includes 3,945 AF of mined water pumped by Edison as agent for IEUA.

² Does not include 7,674.3 AF exchanged with MWDSC.

³ Does not include 6,423.6 AF exchanged with MWDSC.

⁴ Does not include 16,377.1 AF exchanged with MWDSC.

⁵ Does not include 14,929.1 AF exchanged with MWDSC.

⁶ Does not include 12,202.4 AF exchanged with MWDSC.

⁷ Does not include 13,657.3 AF exchanged with MWDSC.

⁸ Does not include 20,194.7 AF exchanged with MWDSC.

⁹ Does not include 4,221.9 AF exchanged with MWDSC.

¹⁰ Does not include 6,167.2 AF exchanged with MWDSC.

¹¹ Reflects corrected production after reporting errors were accounted for.

¹² Does not include 4,275.4 AF exchanged with MWDSC.

¹³ Does not include 216.5 AF exchanged with MWDSC.

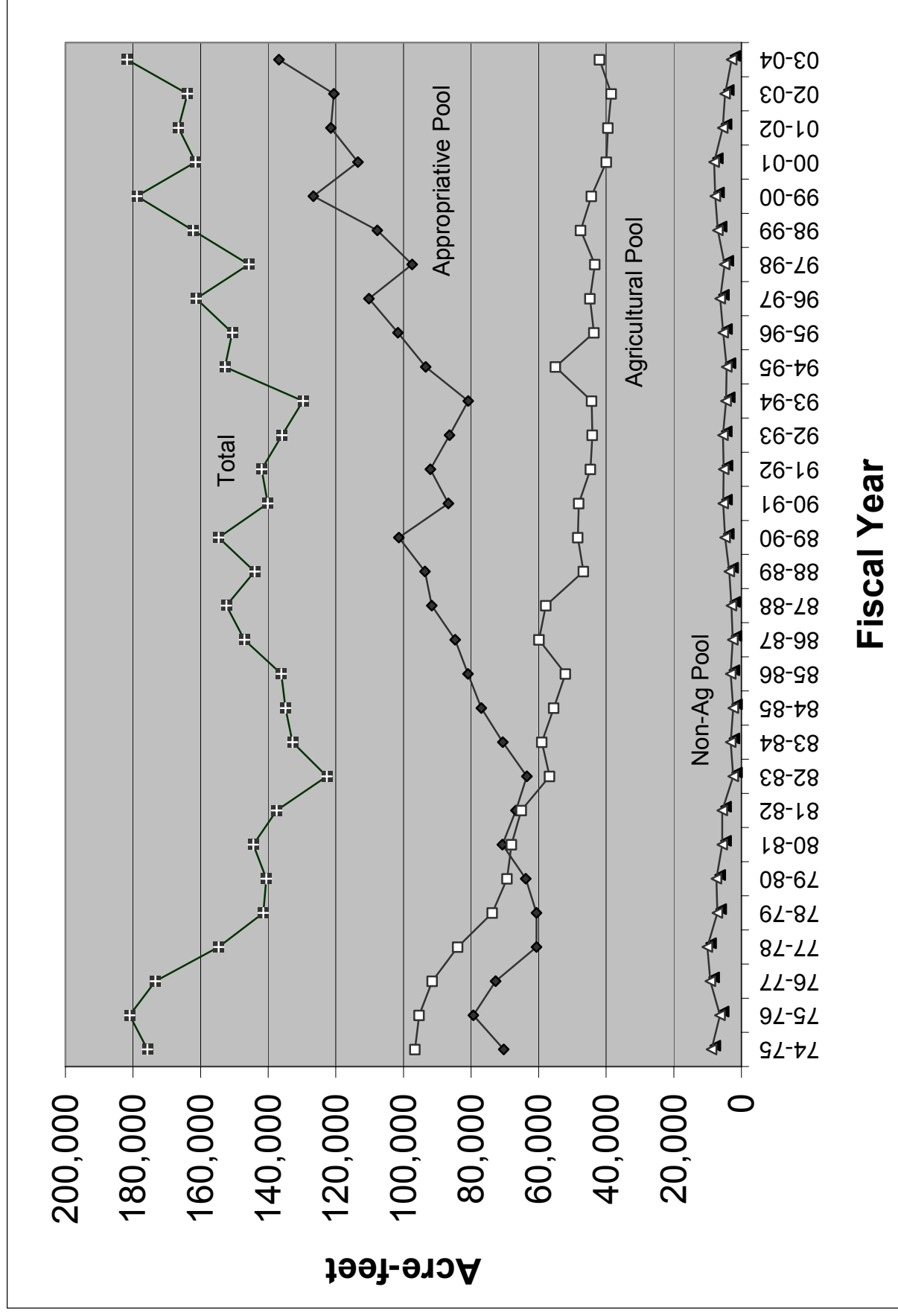
¹⁴ Does not include 7,989 AF Desalter production or 99.8 AF Dept. of Toxic Substances Control (DTSC) production.

¹⁵ Does not include 9,458 AF Desalter production.

¹⁶ Does not include 10,439 AF Desalter production or 79.1 AF Dept. of Toxic Substances Control (DTSC) production.

¹⁷ Does not include 10,605 AF Desalter production or 79.1 AF Dept. of Toxic Substances Control (DTSC) production.

HISTORY OF TOTAL ANNUAL GROUNDWATER PRODUCTION BY POOL



HISTORY OF REALLOCATION OF UNPRODUCED AGRICULTURAL POOL SAFE YIELD¹ (ACRE-FEET)

Fiscal Year	Land Use Conversions	Remaining 50% Allocated	Balance Available	Total Ag Pool Reallocated to Appropriators
74-75				
75-76				
76-77				
77-78				
78-79				
79-80				
80-81				
81-82				
82-83				
83-84	297	297	25,762	26,355 ²
84-85	297	297	18,543	19,136
85-86	406	406	21,091	21,902
86-87	406	406	36,348	37,159
87-88	2,028	2,028	74,433	78,489 ³
88-89	406	406	24,124	24,935
89-90	406	406	35,227	36,038
90-91	406	406	33,569	34,380
91-92	406	406	33,904	34,715
92-93	406	406	37,307	38,118
93-94	406	406	37,897	38,708
94-95	3,246	406	34,850	38,502
95-96	5,855	5,855	16,067	27,778
96-97	6,310	6,310	26,541	39,161
97-98	7,213	7,213	23,565	37,991
98-99	8,511	8,511	22,433	39,455
99-00	10,471	N/A	63,191	73,662 ⁴
00-01	13,920	N/A	28,926	42,846
01-02	14,133	N/A	29,173	43,306
02-03	16,480	N/A	27,833	44,313
03-04	17,510 ⁵	N/A	23,312	40,822

¹ Source: Watermaster Annual Reports and Assessment Packages.

² First year reallocation occurred under the Judgment.

³ Appropriators agree to pay Ag Pool assessments. Reallocation procedure changed by agreement.

⁴ Peace Agreement signed. Appropriators agree to pay Ag Pool assessments for life of Peace Agreement. Procedure changed by agreement. Ag Pool Annual Safe Yield is 82,800 AF.

⁵ After duplication of conversion areas were identified, Jurupa's Pre-Peace Agreement acres were adjusted (337.6), and Post-Peace Agreement acres were adjusted (846.4).

**SUMMARY OF REPLENISHMENT, SUPPLEMENTAL AND CYCLIC ACTIVITIES
FISCAL YEAR 2003-2004
(ACRE-FEET)**

Month	Replenishment Water Purchased from Cyclic	Supplemental Water Deliveries	Total
July	-	-	-
August	-	-	-
September	-	-	-
October	-	1,611.0	1,611.0
November	-	1,616.8	1,616.8
December	-	1,425.2	1,425.2
January	-	496.9	496.9
February	-	362.6	362.6
March	-	280.5	280.5
April	-	805.4	805.4
May	-	525.5	525.5
June	-	458.4	458.4
Total	0.0	7,582.3	7,582.3

**SUMMARY OF MWDSC DELIVERIES
FISCAL YEAR 2003-2004
(ACRE-FEET)**

Month	Water Facilities Authority - CB-12					
	Upland	MVWD	Ontario	Chino	Chino Hills	Total
July	1,346	1,508	1,639	613	-	5,106
August	1,329	1,720	1,827	713	28	5,616
September	1,240	1,543	1,700	726	-	5,209
October	1,082	1,130	1,563	685	-	4,460
November	382	861	1,124	492	-	2,859
December	202	666	1,162	381	-	2,412
January	136	423	806	366	-	1,730
February	57	506	1,077	382	-	2,023
March	335	730	953	531	-	2,548
April	474	902	1,213	667	-	3,255
May	958	1,351	1,631	765	-	4,705
June	804	1,081	1,077	632	-	3,593
Total	8,343	12,420	15,772	6,953	28	43,516

Month	Reliant	Cucamonga Valley Water District			Pomona	Total
	CB-01	CB-07	CB-16	Sub-Total		
July	0.2	248	3,857	4,105	384	9,595
August	-	324	4,242	4,566	538	10,721
September	-	329	3,975	4,305	412	9,925
October	-	354	3,892	4,246	324	9,030
November	-	376	2,011	2,387	151	5,397
December	-	205	1,723	1,928	70	4,409
January	-	108	1,359	1,467	336	3,532
February	-	9	1,379	1,388	72	3,483
March	-	-	2,556	2,556	120	5,224
April	-	3	2,807	2,809	172	6,236
May	-	-	3,779	3,779	375	8,860
June	-	31	3,095	3,126	442	7,161
Total	0.2	1,986	34,676	36,662	3,396	83,574

**SUMMARY OF SUPPLEMENTAL SUPPLIES
FISCAL YEAR 2003-2004
(ACRE-FEET)**

Member Agency	Other Basins	Surface Diversions	SBVMWD MWDSC Imported Deliveries	Recycled Water	Total
Chino, City of	-	-	-	1,549.2	1,549.2
Chino Hills, City of	-	-	-	1,061.8	1,061.8
Cucamonga Valley Water District ¹	5,468.7	1,785.3	-	10.7	7,264.7
Inland Empire Utilities Agency ²	-	-	-	144.4	144.4
Fontana Water Company ³	16,452.3	1,968.3	1,657.9	-	20,078.5
Marygold Mutual Water Company ⁴	1,228.7	-	-	-	1,228.7
MWDSC ⁵	-	-	80,177.9	-	80,177.9
Monte Vista Water District	-	-	-	2.3	2.3
Ontario, City of	-	-	-	1,171.8	1,171.8
Pomona, City of ⁶	2,467.7	1,481.9	3,395.9	-	7,345.5
San Antonio Water Company ⁷	7,155.2	1,076.3	-	-	8,231.5
San Bernardino, County of	-	-	-	1,501.7	1,501.7
State of California, CIM ⁸	-	-	-	934.6	934.6
Upland, City of ⁹	3,351.8	718.4	-	14.3	4,084.5
West End Consolidated Water Company	1,950.8	-	-	-	1,950.8
West Valley Water District ¹⁰	7,260.6	-	-	-	7,260.6
Total	45,335.8	7,030.2	85,231.7	6,390.8	143,988.5

¹ Includes groundwater produced from Cucamonga Basin and surface water from Lloyd Michaels, Royer-Nesbit, and Arthur H. Bridge WTPs, and Deer Canyon.

² IEUA provided 5,407.5 AF of recycled water as follows: 1,501.7 AF to San Bernardino County; 1,160.0 AF to Ontario; 1,544.2 AF to the City of Chino, and 1,057.2 AF to the City of Chino Hills. Ely Basin Groundwater Recharge in the amount of 37.3 AF is shown as allocated to the individual participants.

³ Imported groundwater produced from Colton/Rialto and "unnamed" basin. Surface water deliveries are from Lytle Creek.

⁴ Imported groundwater produced from wells located in the Rialto Basin.

⁵ MWDSC/SBVMWD deliveries (See Appendix E-1 for individual agencies breakdown).

⁶ Includes 1518.4 AF of groundwater from Six Basins and 949.3 AF of groundwater from Spadra Basin. Imported water was delivered through TVMWD.

⁷ An amount of 1,076.318 AF was treated local canyon flow used in the overlying Chino Basin. The imported groundwater was 1,014.184 AF from San Antonio Tunnel, 5,059.72 AF from Cucamonga Basin and 1,081.3 AF from Six Basins.

⁸ Recycled wastewater that was applied to fields, including water held in storage ponds.

⁹ Includes 1590.417 AF from Cucamonga Basin. Surface water deliveries are from the San Antonio Canyon WTP. Recycled water includes water from the Upland Hills Country Club Sewage Treatment Plant.

¹⁰ Listed amount was delivered to "meter book" service area.

TOTAL WATER CONSUMPTION WITHIN THE CHINO BASIN¹
(ACRE-FEET)

Fiscal Year	Chino Basin Extractions²	Other Imported Supplies³	Total
1974-75	175,757	49,383	225,140
1975-76	181,017	57,686	238,703
1976-77	173,355	55,765	229,120
1977-78	154,675	61,567	216,242
1978-79	142,412 ⁴	75,864	218,276
1979-80	140,566	70,727	211,293
1980-81	144,416	77,765	222,181
1981-82	137,532	67,491	205,023
1982-83	122,635	76,000	198,635
1983-84	132,799	99,257	232,056
1984-85	134,870	92,952	227,822
1985-86	136,113	114,624	250,737
1986-87	147,068	126,493	273,561
1987-88	152,402	116,175	268,577
1988-89	143,998	128,167	272,165
1989-90	154,620	139,004	293,624
1990-91	140,151	116,493	256,644
1991-92	141,904	104,480	246,384
1992-93	135,923	117,205	253,128
1993-94	129,682	136,038	265,720
1994-95	152,768	116,797	269,565
1995-96	150,669 ⁴	130,494	281,163
1996-97	161,281 ⁴	115,031	276,312
1997-98	145,735	106,360	252,095
1998-99	162,267	113,040	275,307
1999-00	178,820	129,208	308,028
2000-01	161,475 ⁴	128,596	290,071
2001-02	165,898	140,907	306,805
2002-03	163,897	134,154 ⁴	298,051
2003-04	181,727	143,989	325,716

¹ Total includes water used over Cucamonga Basin.

² See Appendix B.

³ Total does not include cyclic deliveries, water delivered by exchange, or water from direct spreading that was used for replenishment.

⁴ Reflects corrected value.

APPROPRIATIVE POOL LOCAL STORAGE ACTIVITY **FISCAL YEAR 2003-2004**

Producer	Excess Carry Over Water Activity				Local Supplemental Water Activity (1)			
	Amount In Storage From June 30, 2003	Eligible for Storage In 2003-04	Transfer To/(From)	From Supply Water	Excess CO Yr End 2003-04	Local Supply Water July 1, 2003	Eligible for Storage In 2003-04	To Excess Carry Over
Arrowhead Mountain Spring Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Chino, City of	4,833.082	5,531.548	(5,600.000)	0.000	4,764.630	2,741.084	261.762	3,002.846
Chino Hills, City of	0.000	784.764	0.000	0.000	784.764	7,954.315	137.019	8,091.334
Cucamonga Valley Water District	343.003	5,101.823	(5,000.000)	633.345	1,078.171	13,681.996	234.864	(633.345)
Desalter Authority	22,678.288	0.000	(5,302.520)	0.000	17,375.768	0.000	0.000	13,283.515
Fontana Union Water Company	0.000	0.000	0.000	0.000	0.000	757.635	414.756	1,172.391
Fontana Water Company	0.000	0.000	0.000	0.000	0.000	0.249	0.071	0.320
Inland Empire Utilities Agency	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Jurupa Community Services District	8,847.112	0.000	(3,000.000)	0.000	5,847.112	732.982	133.745	866.727
Los Serranos Country Club	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Marygold Mutual Water Company	604.048	907.712	0.000	0.000	1,511.760	2,129.539	42.518	2,172.057
Metropolitan Water Dist of So Cal	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Monte Vista Irrigation Company	233.703	0.000	(12.893)	0.000	220.810	7,255.936	43.906	7,299.842
Monte Vista Water District	0.000	0.000	650.000	0.000	650.000	5,682.721	312.997	5,995.718
Niagara Bottling Company, LLC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Nicholson Trust	0.000	0.000	0.000	0.000	0.000	0.929	0.249	1.178
Norco, City of	319.407	0.000	0.000	0.000	319.407	71.758	13.093	84.851
Ontario, City of	0.000	0.000	0.000	0.000	0.000	13,268.424	738.000	14,006.424
Pomona, City of	0.000	0.000	(2,594.765)	2,594.765	0.000	15,422.187	727.753	(2,594.765)
Santa Ana River Water Company	0.000	0.000	0.000	0.000	0.000	288.361	84.431	372.792
San Antonio Water Company	8,967.941	1,599.259	0.000	0.000	10,567.200	535.844	97.774	633.618
San Bernardino County (Shooting Park)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Southern California Water Company	1,029.996	513.776	(2,000.000)	546.326	90.098	2,245.071	26.685	(546.326)
Upland, City of	2,592.267	2,822.624	0.000	0.000	5,414.891	7,844.711	185.087	8,029.798
West End Consolidated Water Company	14,832.971	1,576.939	0.000	0.000	16,409.910	336.950	61.482	398.432
West Valley Water District	6,046.777	1,072.175	(1,650.000)	0.000	5,468.952	229.118	41.807	270.925
Totals	71,328.595	19,910.619	(24,510.178)	3,774.436	70,503.472	81,179.810	3,558.000	(3,774.436)
								80,963.374

- (1) 93,862.143 AF quantified as supplemental water on 5/24/01 pursuant to Peace Agreement and Watermaster Rules and Regulations.
(2) 3,558 AF of supplemental water purchased and recharged in MZ1 pursuant to Peace Agreement and Watermaster Rules and Regulations.

OVERLYING (NON-AGRICULTURAL) POOL PRODUCTION FISCAL YEAR 2003-2004

Producer	Notes	Carry-Over From 2002-03	Share of Operating Safe Yield	Transfers	2003-04 Production & Exchange	Net Over Production	Carry-Over To 2004-05	Eligible for Local Storage	Amount In Storage From 2002-03	Storage Transfer	Local Storage At Yr End 2003-04
Ameron Steel		97,858	97,858	0.000	0.000	0.000	97,858	97,858	1,658,137	0.000	1,755,995
Angelica Rental Service	2, 11	0.000	18,789	0.000	28,124	9,335	0.000	0.000	0.000	0.000	0.000
California Speedway	9, 11	789,543	1,000,000	0.000	551,622	0.000	1,000,000	237,921	0.000	0.000	237,921
California Steel Industries (CSI)	3, 6, 11	1,300,000	1,300,000	0.000	0.000	0.000	1,300,000	1,300,000	0.000	0.000	1,300,000
CCG Ontario LLC	6, 9, 10, 11	630,274	630,274	0.000	0.000	0.000	630,274	630,274	6,962,866	0.000	7,593,140
Edison Company	11	27,959	27,959	0.000	0.000	0.000	27,959	27,959	111,836	0.000	139,795
General Electric -- Geomatrix	5, 11	0.000	0.000	0.000	20,220	0.607	0.000	0.000	0.000	0.000	0.000
Praxair Inc.	3, 11	427,446	427,446	0.000	145,257	0.000	427,446	282,189	3,530,304	0.000	3,812,493
Reliant Energy, Etiwanda	11	691,544	954,540	0.000	741,835	0.000	904,249	0.000	5,566,943	0.000	5,566,943
S. B. County, Chino Airport	8, 11	123,180	133,870	0.000	52,691	0.000	133,870	70,489	0.000	0.000	70,489
Space Center -- Mira Loma	4, 11	0.000	104,121	137,413	241,534	0.000	0.000	0.000	341,543	(137,413)	204,130
Sunkist	7, 11	1,873,402	1,873,402	0.000	736,143	0.000	1,873,402	1,137,259	8,804,730	0.000	9,941,989
Swan Lake	11	464,240	464,240	0.000	392,745	0.000	464,240	71,495	1,993,859	0.000	2,065,354
Vulcan Materials Co. (Calmat)	1, 11	317,844	317,844	0.000	4,603	0.000	317,844	313,241	7,879,804	0.000	8,193,045
West Venture Development	11		0.000								
Totals		6,743,290	7,350,343	137,413	2,914,774	9,942	7,177,142	4,168,685	36,850,022	(137,413)	40,881,294

- (1) Calmat Properties, formerly Conrock, became Vulcan Materials in 99-00.
- (2) Southern Service Company became Angelica Rental Service in FY 94-95.
- (3) Union Carbide Corp. became Praxair Inc. in FY 94-95. Fontana Water Company entered into two agency agreements with Praxair & CSI in calendar year 1996.
Praxair assigned 151,599 af. CSI did not assign water to FWC for service it provided to them in this FY.
- (4) JCSD assigned 232,656 AF of production to Space Center. Assignments over SY will reduce storage until Space Center has no water in storage, then assignments will be limited by SY per Michael Thies 9/9/03.
- (5) GE pumped and recharged after treatment, 1028,620 AF. By agreement, they are assessed 3% losses due to spreading.
- (6) Kaiser/CSI received court approval on settlement Dec 20, 1995. CSI was assigned 1,300,000 AF permanent right as of July 1, 1995, Kaiser 1000 AF & 630,274 AF of Joint Water Rights per Water Rights Agreement and Water Rights Acknowledgement dated in October 1995. The agreement allows for removal of water from storage to satisfy the assignment.
- (7) Sunkist and Ontario entered into an Agency Agreement for the assignment of water provided by Ontario to Sunkist, which was only 55,041 AF of their production in this FY.
- (8) San Bernardino County Department of Airports production has been increased by 76.2 AF from the City of Chino, whose production was decreased the same, under an Agency agreement approved by Watermaster.
- (9) Kaiser/SDC entered into a Water Rights agreement similar to Kaiser/CSI's on November 21, 1995. The agreement provides for 475 AF to be held as "tenants in common," with SDC having the first priority for use of the rights, but no carryover or storage rights for unused water. CCG Ontario LLP transferred an additional 525 AF to SDC effective August 16, 2000.
- (10) Kaiser Ventures sold its last property holdings and all water rights to CCG Ontario LLP on August 16, 2000. [(CCG-630,274) + (Calif Speedway-1000) + (CSI-1300) = (Original Kaiser--2,930,274 AF)]
- (11) West Venture dissolved and their Non Ag rights of 15,657 AF/yr were divided up between other Non Ag producers based on their percent share of safe yield for purposes of the volume vote calculation.

WATER TRANSACTIONS - RECAPTURE/SALES/TRANSFERS REPORTED FISCAL YEAR 2003-04

On January 29, 2004, the Watermaster Board approved the following water transactions:

- Lease and/or purchase of Water Production Right from the City of Pomona to the Monte Vista Water District in the amount of 2,500 acre-feet.
- Transfer of 1,040 acre-feet of Monte Vista Irrigation Company's Fiscal Year 2003-2004 Annual Production Right to Monte Vista Water District.

On March 1, 2004, the Watermaster Board approved the following water transaction:

- Purchase of Right to Produce Water in Storage from the West Valley Water District to the Cucamonga Valley Water District in the amount of 500 acre-feet.

On May 27, 2004, the Watermaster Board approved the following water transactions:

- Purchase of Water in Storage from the West Valley Water District to the Monte Vista Water District in the amount of 650 acre-feet. Water purchased through this transaction was placed in Monte Vista Water District's Local Storage Account.
- Purchase of Right to Produce Water in Storage and/or Water Production Right from the City of Pomona to the Fontana Water Company in the amount of 500 acre-feet.
- Purchase of Right to Produce Water in Storage from the Southern California Water Company to the Fontana Water Company in the amount of 2,000 acre-feet.

On July 22, 2004, the Watermaster Board approved the following water transactions:

- Purchase of Right to Produce Water in Storage and Annual Production Right from the Nicholson Trust to the Fontana Water Company in the amount of 6.475 acre-feet.
- Purchase of Right to Produce Water in Storage from the Cucamonga Valley Water District to the Fontana Water Company in the amount of 2,500 acre-feet.
- Purchase of Right to Produce Water in Storage from the City of Chino to the City of Ontario in the amount of 5,600 acre-feet.
- Purchase of Right to Produce Water in Storage from the Cucamonga Valley Water District to the Fontana Water Company in the amount of 2,500 acre-feet.
- Lease of Water Production Right from the Santa Ana River Water Company to the Jurupa Community Services District in the amount of 1,000 acre-feet.
- Purchase of Right to Produce Water in Storage from the Jurupa Community Services District to the City of Ontario in the amount of 3,000 acre-feet.

On August 26, 2004, the Watermaster Board approved the following water transaction:

- Purchase of Right to Produce Water in Storage from the West Valley Water District to the Fontana Water Company in the amount of 500 acre-feet.

SUMMARY OF WATER TRANSACTIONS FISCAL YEAR 2003-04

To	From	Quantity	Date Watermaster Approved	\$/AF	Total (\$)	Financial Impact on 85%/15% Producers		Watermaster Pays 15% To
						85%	15%	
Ontario	Chino	5,600.000	7/22/04	210.00	1,176,000.00	999,600.00	176,400.00	Chino
	JCSD	3,000.000	7/22/04	201.00	603,000.00	512,550.00	90,450.00	JCSD
MVWD	WVWD	650.000 (1)	5/27/04	N/A				
	Pomona	2,500.000	1/29/04	210.00	525,000.00	446,250.00	78,750.00	Pomona
	MVIC	1,040.000	1/29/04	218.00	226,720.00	192,712.00	34,008.00	MVIC
Fontana Water Co	Pomona	500.000	5/27/04	210.00	105,000.00	89,250.00	15,750.00	Pomona
	CVWD	5,000.000	7/22/04	216.90	1,084,500.00	921,825.00	162,675.00	CVWD
	SCWC	2,000.000	5/27/04	216.00	432,000.00	367,200.00	64,800.00	SCWC
	Nicholson Trust	6.475	7/22/04	216.90	1,404.43	1,193.76	210.66	FWC
	WVWD	500.000	8/26/04	210.00	105,000.00	89,250.00	15,750.00	FWC
CVWD	WVWD	500.000	3/1/04	N/A				
JCSD	Santa Ana	1,000.000	7/22/04	233.00	233,000.00	198,050.00	34,950.00	SARWC
Total		22,296.475			\$4,491,624.43	\$3,817,880.76	\$673,743.66	

(1) The 85/15 Rule does not apply to this transaction, as the water was purchased for storage and not to offset overproduction. The 650 AF transferred is to be put in MVWD's storage account pending approval of recapture plan.

ASSIGNMENTS (2)

Norco	JCSD	286.387		N/A				
Santa Ana		567.183		N/A				
Space Center		241.534		N/A				
Swan Lake		392.746		N/A				
Praxair	FWC	145.257 (3)		85.00	18,445.29	15,678.49	2,766.79	FWC
Sunkist	Ontario	25.303		200.00	5,060.60	4,301.51	759.09	Ontario
Ag Pool Assign		183.900		N/A				
San Antonio WC		858.416						
Chino Airport	Chino	52.690		N/A				
Ag Pool Assign		1,201.301		N/A				
El Prado Golf		472.058		N/A				
El Prado Park		1,029.605		N/A				
Ag Pool Assign	MVWD	390.140		N/A				
Higgins Ranch	Chino Hills	9.851						
Boys Republic		163.118						
Los Serranos		257.255		N/A				
Total Assignments		6,276.744			\$23,505.89	\$19,980.00	3,525.88	

(2) Assignment of equivalent production based on metered service in net production shown by entity/pool. Reflected here for assessment adjustment page.

Subtotal Credits \$677,269.55

(3) FWC also paid prior year assessments for Praxair of: \$ 3,825.26

\$ 573.79

Total Credits \$677,843.34

Acre Feet

-10,605.039 Desalter Account reduced acre feet of production and increased rising water capture by 50%
5,302.520 of new yield from desalter operations.

79.090 Stringfellow/DTSC 1/10/86 Court Order - Up to 300,000 acre feet per year is exempt from assessment. Included in Ag Pool Production

Some water transferred from storage to eliminate a potential replenishment obligation due to water transactions & supplemental water designations.

**SUMMARY OF ASSESSMENTS PER ACRE-FOOT
FISCAL YEAR 2003-2004
PRODUCTION YEAR 2002-2003**

1) Non-Agricultural Pool

Assessments based on Production

Administrative Budget	<u>\$ 5.37</u>	Per AF Production
OBMP & Special Project Budget	<u>\$ 20.02</u>	Per AF Production
	<u>\$ 5.00</u>	Minimum

Replenishment Rates

100% Net Replenishment	<u>\$ 244.00</u>	Per AF
------------------------	------------------	--------

2) Appropriative Pool

Assessments based on Production

Administrative Budget	<u>\$ 2.95</u>	Per AF Production
OBMP & Special Project Budget	<u>\$ 19.95</u>	Per AF Production
	<u>\$ 5.00</u>	Minimum

Reallocated Ag Pool Right

Administrative Budget	<u>\$ 10.60</u>	Per AF Reallocated
OBMP & Special Project Budget	<u>\$ 23.50</u>	Per AF Reallocated

Replenishment Rates

100% Net Replenishment	<u>\$ 244.00</u>	Per AF
Gross - 15%	<u>\$ 5.91</u>	Per AF
Net - 85%	<u>\$ 207.40</u>	Per AF

HISTORIC ASSESSMENTS PER ACRE-FOOT OF PRODUCTION

Fiscal Year	Agricultural Pool¹ (\$/AF)	Non-Ag Pool (\$/AF)	Appropriative Pool² (\$/AF)	Gross Replenishment¹ Water Rate (\$/AF)
1977-78	0.29	0.32	0.42	
1978-79	0.65	1.29	0.77	51.00
1979-80	0.54	0.20	0.51	56.20
1980-81	0.32	0.00	0.00	62.51
1981-82	0.10	0.00	0.00	63.78
1982-83	0.10	0.00	0.00	81.46
1983-84	0.10	0.00	0.00	102.18
1984-85	0.10	0.00	0.10	154.00
1985-86	0.10	0.00	0.45	149.39
1986-87	0.10	0.00	0.41	155.10
1987-88	0.10	0.00	0.25	155.42
1988-89	0.09	0.00	0.67	155.33
1989-90	3.27	0.00	0.48	115.00
1990-91	2.31	0.00	0.43	117.55
1991-92	3.53	0.12	0.11	132.55
1992-93	7.03	4.07	3.41	169.89
1993-94	12.37	6.67	2.51	210.69
1994-95	9.86	3.24	2.06	222.00
1995-96	11.68	3.43	1.57	233.15
1996-97	19.70	7.55	3.69	233.15
1997-98	15.19	6.56	2.73	237.15
1998-99	19.04	9.85	7.77	243.00
1999-00	26.30	14.12	11.75	243.00
2000-01	18.15	25.79	24.74	242.00
2001-02	34.37	29.93	25.42	243.00
2002-03	35.69	26.72	21.35	244.00
2003-04	34.10	25.39	22.90	244.00

¹ \$/AF of water reallocated to the Appropriative Pool.

² Excludes amounts related to the debt service of the Recharge Improvement Project and supplemental and replenishment water purchases.

SUMMARY BUDGET FISCAL YEAR 2002-2003

	FY 01-02 June Actual	FY 02-03 December Actual	FY 02-03 Current Budget	FY 03-04 Proposed Budget	Current vs. Proposed
Ordinary Income/Expense					
4000 Mutual Agency Revenue	\$85,125	\$26,629	\$20,000	\$0	-\$20,000
4110 Admin Asmnts-Approp Pool	4,241,553	4,470,785	3,580,590	3,931,695	351,105
4120 Admin Asmnts-Non-Agri Pool	241,961	149,042	196,982	88,201	-108,781
4730 Prorated Interest Income	118,608	38,095	132,890	112,025	-20,865
Total Income	4,687,290	4,684,551	3,930,462	4,131,921	201,459
Administrative Expenses					
6010 Salary Costs	428,397	198,285	414,173	385,900	-28,273
6020 Office Building Expense	70,561	40,491	123,845	108,995	-14,850
6030 Office Supplies & Equip.	30,082	14,814	29,800	41,000	11,200
6040 Postage & Printing Costs	63,155	28,726	72,450	66,400	-6,050
6050 Information Services	95,905	43,348	101,800	105,750	3,950
6060 WM Special Contract Services	184,646	53,569	227,600	121,000	-106,600
6080 Insurance Expense	10,689	7,128	11,210	16,710	5,500
6110 Dues and Subscriptions	12,619	11,217	13,500	14,500	1,000
6150 Field Supplies & Equipment	4,258	1,907	3,950	4,250	300
6170 Vehicle Maintenance Costs	24,656	9,816	25,500	46,300	20,800
6190 Conferences & Seminars	11,682	10,952	14,500	16,000	1,500
6200 Advisory Committee Expenses	20,256	7,311	17,870	15,071	-2,799
6300 Watermaster Board Expenses	42,198	13,818	42,522	28,371	-14,151
6500 Education Fund Expenditures	375	0	375	375	0
8300 Appropriative Pool Administration	15,236	6,746	16,310	14,471	-1,839
8400 Agricultural Pool Administration	120,221	33,821	119,010	233,979	114,969
8500 Non-Agricultural Pool Administration	6,666	2,380	4,462	6,698	2,236
9500 Allocated G&A Expenditures	0	-119,852	-286,120	-309,073	-22,953
Total Administrative Expenses	1,141,602	364,479	952,757	916,697	-36,060
General OBMP Expenditures					
6900 Optimum Basin Mgmt Program	806,676	443,070	810,777	942,065	131,288
6950 Cooperative Efforts	103,504	38,156	2,500	85,004	82,504
9501 Allocated G&A Expenditures	0	33,419	80,857	91,999	11,142
Total General OBMP Expenditures	910,180	514,645	894,134	1,119,068	224,934
7000 OBMP Implementation Projects					
7101 Production Monitoring	28,488	14,174	61,062	79,283	18,221
7102 In-Line Meter Installation/Maintenance	222,973	187,302	439,399	131,380	-308,019
7103 Groundwater Quality Monitoring	194,891	101,120	321,829	274,613	-47,216
7104 Groundwater Level Monitoring	182,501	51,492	205,916	157,852	-48,064
7105 Surface Water Quality Monitoring	23,727	17,028	85,161	133,595	48,434
7106 Water Level Sensors Install	20,969	16,596	34,501	26,835	-7,666
7107 Ground Level Monitoring	51,302	367,981	801,070	202,283	-598,787
7108 Hydraulic Control Monitoring Program	0	0	0	718,227	718,227
7200 OBMP Pgm Element 2 - Comp Recharge Program	286,856	114,523	184,168	89,575	-94,593
7300 OBMP Program Element 3 & 5 - Water Supply Plan - Desalter	133,099	5,300	123,587	47,499	-76,088
7400 OBMP Pgm Element 4 - Mgmt Zone Mgmt Strategies	98,523	98,803	81,172	187,308	106,136
7500 OBMP Pgm Element 6 & 7 - Coop Efforts/Salt Mgmt	37,889	87,942	58,299	51,820	-6,479
7600 OBMP Pgm Element 8 & 9 Storage Mgmt/Conj Use	157,334	26,656	102,830	146,179	43,349
7700 Inactive Well Protection Program	0	0	0	30,447	30,447
7206 Comp Recharge - Basin Program O&M	0	0	0	441,859	441,859
7690 Recharge Improvement Debt Payment	0	429,250	620,000	429,250	-190,750
9502 Allocated G&A Expenditures	0	86,433	205,263	217,074	11,811
Total OBMP Implementation Projects	1,438,552	1,604,600	3,324,257	3,365,079	40,822
Total Expenses	3,490,334	2,483,725	5,171,148	5,400,844	229,696
Net Ordinary Income	1,196,956	2,200,826	-1,240,686	-1,268,923	-28,237
Other Income					
4210 Approp Pool-Replenishment	38,946	1,424,041	0	0	0
4220 Non-Ag Pool-Replenishment	9,329	8,567	0	0	0
4230 Groundwater Recharge Activity	1,579,500	1,586,000	2,285,049	2,189,500	-95,549
Total Other Income	1,627,776	3,018,609	2,285,049	2,189,500	-95,549
Other Expense					
5010 Groundwater Recharge	1,567,524	1,333,067	2,285,049	2,273,500	-11,549
5050 SB222 Cyclic Storage Program	0	0	0	0	0
Total Other Expense	1,567,524	1,333,067	2,285,049	2,273,500	-11,549
Net Other Income	60,252	1,685,541	0	-84,000	-84,000
9800 From / (To) Reserves	-1,257,208	-3,886,368	1,240,686	1,352,923	112,237
Net Income	\$0	\$0	\$0	\$0	\$0

**CHINO BASIN WATERMASTER
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED JUNE 30, 2004**

CHINO BASIN WATERMASTER
Basic Financial Statements and Supplemental Data
Year ended June 30, 2004

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Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

Independent Auditors' Report

We have audited the accompanying basic financial statements of the Chino Basin Watermaster as of and for the year ended June 30, 2004, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Chino Basin Watermaster's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Chino Basin Watermaster as of June 30, 2004 and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed further in the notes to the basic financial statements, the accompanying financial statements reflect certain changes in the presentation of financial data required as a result of the implementation of GASB No. 34 for the year ended June 30, 2004.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Board of Directors
Chino Basin Watermaster
Page Two

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis of the basic financial statements and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The scope of our audit did not include the statistical schedules listed in the table of contents and we do not express an opinion on them.

Conrad and Associates LLP

September 1, 2004



CHINO BASIN WATERMASTER

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND

The Chino Basin Watermaster (Watermaster) was established under a Judgment entered in the Superior Court of the State of California for the County of San Bernardino, entitled "Chino Basin Municipal Water District v. City of Chino, et al.," (originally Case No. SCV 164327, the file was transferred in August 1989 and assigned a new Case No. RCV 51010). The judgment prescribes Watermaster's authorities and specifies classes of water production assessments to be used to fund certain activities. Those assessment categories are: administration, OBMP, special project and replenishment. Each class of assessment has a prescribed purpose and water production base. Assessment revenue is Watermaster's principal source of income.

Watermaster's operating revenues include not only funds for administrative, OBMP, special project and replenishment expenses collected in accordance with the annual budget but also includes money collected by appropriators to help pay for improvements to the recharge basins within our boundaries, as approved through the budget process.

Included in the Unrestricted Net Asset amount listed on the Statement of Net Assets is the result of assessments on production of water in excess of production rights. These funds will be used to purchase replenishment water to mitigate annual overdraft.

BASIC FINANCIAL STATEMENTS

To comply with new government accounting standards, all of Watermaster's assessment funds have been compiled into a single set of comprehensive interrelated financial statements. The financial statements that accompany this report include Statement of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows. Also included are various notes providing additional explanation and detail relating to this financial information.

The Statement of Net Assets states Watermaster's total assets, its liabilities, and its net assets, or the amount of assets free of debt, as of June 30, 2004. The Statements of Revenues, Expenses and Changes in Net Assets lists Watermaster's income for the year compared to its expenses. Additionally, these statements identify the gain or loss in net assets for 2004. Finally, the Statements of Cash Flows indicate how cash was received and spent throughout the past year highlighting the net change in cash and investments for 2004.

SUMMARY OF FINANCIAL INFORMATION

During the year ended June 30, 2004, Watermaster's Total Net Assets was \$8,491,708. This balance includes cash that will be required to purchase water to meet the replenishment obligation incurred during the previous fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

Assets

Current	\$ 8,967,186
Capital	<u>106,641</u>

Total Assets 9,073,827

Liabilities

Current	535,428
Non current	<u>46,691</u>

Total Liabilities 582,119

Net Assets

Invested in capital assets	106,641
Unrestricted	<u>8,385,067</u>

Total Net Assets \$ 8,491,708

REVIEW OF REVENUES AND EXPENSES

Administrative assessment revenue increased from the prior year by 2.5%. Replenishment assessment revenue also increased due to significant production in excess of rights.

Operating expenses (excluding replenishment activities) decreased over the prior year from \$4.88 million to \$4.36 million due to the completion of the In Line Meter Installation Program in fiscal year 2002-2003 and a significant reduction in water level monitoring from the prior year. This reduction in expenses was partially offset by increased costs related to Hydraulic Control Monitoring.

Interest income represented Nonoperating Revenue of \$91,863 for the year ending June 30, 2004, and reflected a 2.2% decrease from the previous year due to a continued decline in interest rates.

The financial condition of the Watermaster improved as indicated by the increase in Net Assets from the prior year in the amount of \$4.52 million. Though Watermaster's FY 2003-04 administrative budget anticipated a deficit to take advantage of past cost savings, this shortfall was more than offset by a reduction in water purchases from the previous year, resulting in an increase in net assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2004

	<u>2004</u>
Operating Revenues	
Administrative assessments	\$ 4,736,516
Mutual agency project revenue	301,209
Replenishment water	4,135,998
MZ1 supplemental water assessments	<u>1,585,854</u>
Total Operating Revenues	<u>10,759,77</u>
Operating Expenses	
Watermaster administration	755,442
Pool, Advisory and Board administration	311,099
Educational	375
Optimum Basin Management Plan	3,240,788
Mutual agency project costs	81,416
Groundwater replenishment	984,671
MZ1 imported water	<u>870,623</u>
Total Operating Expenses	<u>6,244,414</u>
Income from operations	<u>4,515,163</u>
Non-Operating Revenues	
Interest	<u>91,863</u>
Total Nonoperating Revenues	<u>91,863</u>
Change in net assets	4,607,026
Net assets at beginning of year, as restated	<u>3,884,682</u>
Total net assets at end of year	<u>\$ 8,491,708</u>

COMPARISON OF FY 2003-2004 ADMINISTRATION BUDGET TO ACTUAL REVENUES/EXPENSE

The revenue exceeded budget primarily resulting from assessments related to replenishment obligations incurred.

Actual expenses fell short of the budget by \$1.04 million. This was due to a reduction in planned expenses in monitoring programs especially hydraulic control and ground level monitoring, as well as a substantial shortfall in expense related to operating and maintenance expenses for the recharge basins.

Administration recorded an operating income of \$769,270 (before replenishment activities) for the year ending June 30, 2004, compared to a budgeted loss \$1.27 million. This planned operating deficit was as a result of a desired usage of accumulated net assets.

CHINO BASIN WATERMASTER

Statement of Net Assets

June 30, 2004

<u>Assets</u>	<u>2004</u>
Current assets:	
Cash and investments (note 2)	\$ 8,763,233
Accounts receivable	167,905
Prepaid expenses	<u>36,048</u>
Total current assets	<u>8,967,186</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation (note 3)	<u>106,641</u>
Total noncurrent assets	<u>106,641</u>
Total assets	<u>9,073,827</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	527,307
Accrued salaries and benefits	<u>8,121</u>
Total current liabilities	<u>535,428</u>
Noncurrent liabilities:	
Compensated absences (note 4)	<u>46,691</u>
Total noncurrent liabilities	<u>46,691</u>
Total liabilities	<u>582,119</u>
<u>Net Assets</u>	
Net assets:	
Invested in capital assets, net of related debt	106,641
Unrestricted	<u>8,385,067</u>
Total net assets	<u>\$ 8,491,708</u>

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2004

	<u>2004</u>
Operating revenues:	
Administrative assessments (note 1)	\$ 4,736,516
Mutual agency project revenue	301,209
Replenishment water	4,135,998
MZ1 supplemental water assessments	<u>1,585,854</u>
Total operating revenues	<u>10,759,577</u>
Operating expenses:	
Watermaster administration	755,442
Pool, advisory and Board administration	311,099
Educational	375
Optimum Basin Management Plan	3,240,788
Mutual agency project costs	81,416
Groundwater replenishment	984,671
MZ1 imported water	<u>870,623</u>
Total operating expenses	<u>6,244,414</u>
Income (loss) from operations	<u>4,515,163</u>
Nonoperating revenues (expenses):	
Interest	<u>91,863</u>
Total nonoperating revenues	<u>91,863</u>
Change in net assets	4,607,026
Net assets at beginning of year, as restated (note 3)	<u>3,884,682</u>
Total net assets at end of year	<u><u>\$ 8,491,708</u></u>

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER

Statement of Cash Flows

Year ended June 30, 2004

	<u>2004</u>
Cash flows from operating activities:	
Cash received from customers	\$ 4,603,399
Cash received from other agencies	301,209
Cash received from replenishment water	4,135,998
Cash received from M21 supplemental water assessments	1,585,854
Cash paid to employees for services	(923,760)
Cash paid to suppliers of goods and services	<u>(5,401,274)</u>
Net cash provided by (used for) operating activities	<u>4,301,426</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(90,177)</u>
Net cash provided by (used for) capital financing activities	<u>(90,177)</u>
Cash flows from investing activities:	
Interest received	<u>91,863</u>
Net cash provided by (used for) investing activities	<u>91,863</u>
Net increase (decrease) in cash	4,303,112
Cash and investments at the beginning of year	<u>4,460,031</u>
Cash and investments at the end of year	<u>\$ 8,763,143</u>
	(Continued)

CHINO BASIN WATERMASTER

Statement of Cash Flows

Year ended June 30, 2004

	<u>2004</u>
Reconciliation of operating income to net cash used for operating activities:	
Operating income	\$ 648,605
Adjustment to reconcile operating income (loss) to net cash used for operating activities:	
Depreciation	28,804
Other revenue (expenses)	3,866,558
(Increase) decrease in accounts receivable	(133,117)
(Increase) decrease in prepaid expenses	(4,173)
Increase (decrease) in account payable	(77,796)
Increase (decrease) in accrued salaries and benefits	(14,595)
Increase (decrease) in compensated absences	<u>(12,770)</u>
Net cash used for operating activities	<u>\$ 4,301,516</u>

Noncash investing, capital and financing activities:

There were no noncash investing, capital or financing activities during the fiscal year ended June 30, 2004.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

Year Ended June 30, 2004

(1) Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

The Chino Basin Watermaster ("Watermaster") was established under a judgment entered in Superior Court of the State of California for the County of San Bernardino as a result of Case No. RCV 51010 (formerly Case No. SCV 164327) entitled "Chino Basin Municipal Water District v. City of Chino, et al.", signed by the Honorable Judge Howard B. Wiener on January 27, 1978. The effective date of this Judgment for accounting and operations was July 1, 1977.

Pursuant to the Judgment, the Chino Basin Municipal Water District (CBMWD) five member Board of Directors was initially appointed as "Watermaster". Their term of appointment as Watermaster was for five years, and the Court, by subsequent orders, provides for successive terms or for a successor Watermaster. Pursuant to a recommendation of the Advisory Committee, the Honorable J. Michael Gunn appointed a nine-member board as Watermaster on September 28, 2000.

Under the Judgment, three Pool committees were formed: (1) Overlying (Agricultural) Pool which includes the State of California and all producers of water for overlying uses other than industrial or commercial purposes; (2) Overlying (Non-Agricultural) Pool which represents producers of water for overlying industrial or commercial purposes; and (3) Appropriative Pool which represents cities, districts, other public or private entities and utilities. The three Pools act together to form the "Advisory Committee".

The Watermaster provides the Chino Groundwater Basin service area with services which primarily include: accounting for water appropriations and components of acre-footage of stored water by agency, purchase of replenishment water, groundwater monitoring and implementation of special projects.

Watermaster expenditures are allocated to the pools based on the prior year's production volume (or the same percentage used to set the annual assessments). Allocations for fiscal year 2003-04 expenses are based on the 2002-03 production volume.

	<u>2002-03</u>	
	<u>Acre Feet</u>	<u>%</u>
Appropriative Pool	121,586	74.185
Agricultural Pool	37,457	22.854
Non-Agricultural Pool	<u>4,853</u>	<u>2.961</u>
Total Production	<u>163,896</u>	<u>100.000</u>

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

The Agricultural Pool members ratified an agreement with the Appropriative Pool at their meeting of June 16, 1988, wherein the Appropriative Pool assumes Agricultural Pool administrative expenses and special project cost allocations in exchange for an accelerated transfer of unpumped agricultural water to the Appropriative Pool. In addition the Agricultural Pool transferred all pool administrative reserves at June 30, 1988 to the Appropriative Pool effective July 1, 1988.

In July of 2000, the principal parties in the Basin signed an agreement, known as the Peace Agreement, which among other things formalized the commitment of the Basin parties to implement an Optimum Basin Management Program. The Peace Agreement was signed by all of the parties, and the Court has approved the agreement and ordered the Watermaster to proceed in accordance with the terms of the agreement. The Court has approved revisions to the Chino Basin Watermaster Rules and Regulations.

Basis of Accounting

The Watermaster is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Watermaster utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

Cash and Investments

Investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as interest income reported for that fiscal year.

Watermaster pools cash and investments of all fund balance reserves. Investment income earned by the pooled investments is allocated quarterly to the various reserves based on each reserve's average cash and investments balance.

Cash Equivalents

For the purposes of the Statements of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The Watermaster capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Computer equipment and software	5 years
Office furniture and fixtures	7 years
Leasehold improvements	10 years
Automotive equipment	7 years

Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Appropriative Interest Revenue Allocation

On August 30, 1979, the Appropriative Pool unanimously approved assessment procedures whereby any interest earned from the Watermaster assessments paid by Appropriative Pool members would reduce the total current assessment due from those members. Fiscal year 2002-03 interest revenue was allocated to the Appropriative Pool, resulting in a reduction of the 2003-04 assessments. Amount of administrative assessment received for the year ended June 30, 2004 was \$4,736,516.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments are classified in the accompanying Statements of Net Assets as follows:

	<u>2004</u>
Current assets:	
Cash	\$ 62,684
Investments	<u>8,700,549</u>
Total cash and investments	<u>\$8,763,233</u>

Cash and investments held by the Watermaster consisted of the following:

	<u>2004</u>
Petty cash	\$ 500
Deposits	62,184
Investments	<u>8,700,549</u>
	<u>\$8,763,233</u>

State statutes and the Watermaster's investment policy authorize the Watermaster to invest in certificates of deposit with financial institutions having an operating branch within the Watermaster's geographic area and the State of California Treasurer's Local Agency Investment Fund (LAIF).

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Deposits of governmental agencies are classified in three categories to give an indication of the level of custodial risk assumed by the entity. Category 1 includes deposits that are insured or collateralized with securities held by the Watermaster or its agent in the Watermaster's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Watermaster's name. Category 2 also includes deposits collateralized by an interest in an undivided collateral pool held by an authorized agent or depository and subject to certain regulatory requirements under state law. Category 3 includes deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Watermaster's name. Category 3 also includes any uncollateralized deposits.

At June 30, 2004, deposits are categorized as follows:

<u>Form of Deposit</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand deposits	<u>\$100,000</u>	<u>58,934</u>	<u>-</u>	<u>158,934</u>	<u>62,184</u>
	<u>\$100,000</u>	<u>58,934</u>	<u>-</u>	<u>158,934</u>	<u>62,184</u>

The bank balance reflects the amount credited by a financial institution to the Watermaster's account as opposed to the Watermaster's own ledger balance for the account. The carrying value reflects the ledger value, which includes checks written by the Watermaster, which have not cleared the bank as of June 30, 2004.

Investments of governmental agencies are classified into three categories to give an indication of the custodial risk assumed by the entity. Category 1 includes investments that are insured or registered or for which the securities are held by the Water Authority or the Watermaster's custodial agent (which must be a different institution other than the party through which the Watermaster purchased the securities) in the Watermaster's name. Investments held "in the Watermaster's name" include securities held in a separate custodial or fiduciary account and identified as owned by the Watermaster in the custodian's internal accounting records. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer's agent in the Watermaster's name (or by the trust department of the dealer if the dealer was a financial institution and another department of the institution purchased the security of the Watermaster). Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer's agent, but not in the Watermaster's name. Category 3 also includes all securities held by the broker-dealer agent of the Watermaster (the party that purchased the security of the Watermaster) regardless of whether or not the securities are being held in the Watermaster's name.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

At June 30, 2004, investments are categorized as follows:

<u>Form of Investment</u>	<u>Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Local Agency Investment Funds (LAIF)*	\$ -	-	-	<u>\$8,700,549</u>
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$8,700,549</u>

* Monies pooled with the State Treasurer in the Local Agency Investment Fund (LAIF) are not subject to risk categorization.

The Watermaster is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of Watermaster's investment in this pool is reported in the accompanying financial statements at amounts based upon Watermaster's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the investment accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
(Continued)

(3) Capital Assets

Capital asset activity for the year ended June 30, 2004 is as follows:

	Balances at July 1, 2003 (as restated)*	Additions	Deletions	Balances at June 30, 2004
Computer equipment and software	\$32,468	17,300	-	49,768
Office furniture and fixtures	7,288	29,083	-	36,371
Leasehold improvements	-	23,443	-	23,443
Automotive equipment	<u>58,821</u>	<u>20,352</u>	<u>-</u>	<u>79,173</u>
Total costs of depreciable assets	<u>98,577</u>	<u>90,178</u>	<u>-</u>	<u>188,755</u>
Less accumulated depreciation:				
Computer equipment and software	(16,464)	(9,954)	-	(26,418)
Office furniture and fixtures	(1,041)	(5,196)	-	(6,237)
Leasehold improvements	-	(2,344)	-	(2,344)
Automotive equipment	<u>(35,805)</u>	<u>(11,310)</u>	<u>-</u>	<u>(47,115)</u>
Total accumulated depreciation	<u>(53,310)</u>	<u>(28,804)</u>	<u>-</u>	<u>(82,114)</u>
Net capital assets	<u>\$45,267</u>	<u>61,374</u>	<u>-</u>	<u>106,461</u>

* Balances have been restated at July 1, 2003 as a result of the implementation of GASB No. 34.

(4) Compensated Absences

Permanent Watermaster employees earn from 10 to 20 days vacation days a year, depending upon their length of employment and 12 sick days a year. Employees may carry vacation days forward up to the equivalent number of days earned in the immediately preceding twenty-four (24) month period. There is no maximum accumulation of sick leave; and upon retirement at age 55 or greater, employees with continuous employment for a minimum of twenty (20) years are compensated for all accumulated sick leave at 100% of their rate of pay at termination, and all employees with continuous employment for a minimum of five (5) years are compensated for all accumulated sick leave at 50% of their rate of pay at termination. Other employees are paid based upon length of employment and age at time of retirement or resignation. The amount of compensated absences outstanding as of June 30, 2004 was \$46,691.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(5) Deferred Compensation Plan

The Watermaster has established deferred compensation plans for all employees of Watermaster in accordance with Internal Revenue Code Section 457, whereby employees authorize the Watermaster to defer a portion of their salary to be deposited in individual investment accounts. Participation in the plans is voluntary and may be revoked at any time upon advance written notice. Generally, the amount of compensation subject to deferral until retirement, disability, or other termination by a participant may not exceed the lesser of \$12,000 or 33.33% of includible compensation, or 25% of gross compensation. Amounts withheld by Watermaster under this plan are deposited regularly with California Public Employees' Retirement System. The Watermaster makes no contribution under the plan. As of June 30, 2004, the deferred compensation plan assets were held in trust accounts for the sole benefit of the employees and their beneficiaries, and accordingly have been excluded from Watermaster's reported assets.

(6) Operating Lease

The Watermaster entered into a new lease for rent of office space on September 1, 2003, expiring August 30, 2013. The monthly lease payment was \$4,900, and the lease will increase annually by a factor of the Consumer Price Index (CPI). The amount paid under this lease was \$44,100 for the year ended June 30, 2004. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2005	\$ 58,800
2006	58,800
2007	58,800
2008	58,800
2009	58,800
2010	58,800
2011	58,800
2012	58,800
2013	<u>58,800</u>
Total	<u>\$529,200</u>

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(7) Defined Benefit Pension Plan (PERS)

The Chino Basin Watermaster contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 7% of their annual covered salary. The Watermaster makes the contribution required by the employees on their behalf and for their account. The Watermaster is required to contribute at an actuarially determined rate. The current rate is 14.262% of annual covered payroll. The contribution requirements of plan members and the Watermaster are established and may be amended by PERS.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2003 to June 30, 2004 has been determined by an actuarial valuation of the plan as of June 30, 2001. The contribution rate indicated for the period is 14.262% of payroll for the Retirement Program. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2004, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2003 to June 30, 2004.

A summary of principle assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30, 2001
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	9 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	8.25% (net of administrative expenses)
Projected Salary Increases	3.75% to 14.20% depending on Age, Service, and type of employment
Inflation	3.50%
Payroll Growth	3.75%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.5% and an annual production growth of 0.25%.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(7) Defined Benefit Pension Plan (PERS), (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

Required Supplementary Information

Retirement Program

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UAAL As a % of Payroll
6/30/00	\$124,832	116,301	8,513	93.2%	333,316	2.6%
6/30/01	192,890	178,838	14,052	92.7%	291,502	(4.8%)
6/30/02	294,441	262,540	31,901	89.2%	517,200	(6.2%)

* UAAL refers to unfunded actuarial accrued liability.

(8) Project Commitments

Under a financing agreement developed pursuant to the OBMP Recharge Master Plan, the Watermaster is obligated to pay for one-half of the fixed project costs for certain recharge facilities in the Chino Basin area that are being constructed to increase the recharge of imported water, storm water, and recycled water to the Chino Groundwater Basin. The recharge facilities being constructed will be owned by the Inland Empire Utilities Agency pursuant to a Recharge Operations Agreement. When complete, the recharge project will enable the Watermaster to increase annual recharge to the Chino Groundwater Basin. Fixed project costs include construction costs, debt service on the related bond financing and reserves for repair, replacement, improvement and debt service.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
(Continued)

(9) Change in Accounting Principle

During the year ended June 30, 2004, the Watermaster implemented GASB Statement No. 34. GASB Statement No. 34 changed the financial reporting model of local government units. As a result of GASB Statement No. 34, fund financial statements are required to be presented with a focus on the major funds of that local government. Previously, financial reporting for the local governments had focused on reporting by fund type.

SUPPLEMENTARY INFORMATION

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATIVE POOL	AGRICULTURAL POOL	NON-AGRIC. POOL	GROUNDWATER REPLENISHMENT	SB222 FUNDS	EDUCATION FUNDS	GRAND TOTALS
Administrative Revenues									
Administrative Assessments			4,614,056		122,460				4,736,516
Interest Revenue			81,090	7,111	3,624			38	91,863
Mutual Agency Project Revenue		301,209							301,209
Grant Income									-
Miscellaneous Income	-								-
Total Revenues	-	301,209	4,695,146	7,111	126,084	-	-	38	5,129,588
Administrative & Project Expenditures									
Watermaster Administration	816,818								816,818
Watermaster Board-Advisory Committee	47,569								47,569
Pool Administration			13,796	246,513	3,221				263,530
Optimum Basin Mgmt Administration		932,272							932,272
OBMP Project Costs		2,308,516						375	2,308,516
Education Funds Use									375
Mutual Agency Project Costs	81,416								81,416
Total Administrative/OBMP Expenses	945,803	3,240,788	13,796	246,513	3,221			375	4,450,496
Net Administrative/OBMP Income	(945,803)	(2,939,579)							-
Allocate Net Admin Income To Pools	945,803		701,641	216,156	28,007				-
Allocate Net OBMP Income To Pools		2,939,579	2,180,717	671,817	87,046				-
Agricultural Expense Transfer			1,124,360	(1,124,360)					-
Total Expenses			4,020,514	10,125	118,273	-	-	375	4,450,496
Net Administrative Income			674,632	(3,014)	7,811			(337)	679,092
Other Income/(Expense)									
Replenishment Water Purchases						4,135,998			4,135,998
MZ1 Supplemental Water Assessments						1,585,854			1,585,854
Water Purchases									-
MZ1 Imported Water Purchase						(1,855,294)			(1,855,294)
Groundwater Replenishment						3,866,558	-	-	3,866,558
Net Other Income			-	-	-				-
Net Transfers To/(From) Reserves			674,632	(3,014)	7,811	3,866,558	-	(337)	4,545,650
Working Capital, July 1, 2003			2,780,770	466,069	165,291	266,503	158,251	2,532	3,839,416
Working Capital, End Of Period			3,455,402	463,055	173,102	4,133,061	158,251	2,195	8,385,066
02/03 Production			121,586,420	37,457,315	4,853,247				163,896,982
02/03 Production Percentages			74.185%	22.854%	2.961%				100.000%



Chino Basin Watermaster Twenty-Seventh Annual Report

Fiscal Year 2003-04

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