

SAN GORGONIO PASS WATER AGENCY

MEDICAL REIMBURSEMENT PLAN

The San Gorgonio Pass Water Agency hereby establishes Medical Reimbursement Plan (hereinafter called the "Plan").

DEFINITION OF PLAN

A medical reimbursement plan is any plan or arrangement under which an employer reimburses a director or employee for uninsured medical care expenses incurred by the director or employee or their qualified dependents.

DEFINITION OF MEDICAL CARE EXPENSES

Medical expenses are costs of diagnosis, cure, mitigation, treatment or prevention of disease, and the costs for treatments affecting any part or function of the body. They include the costs of equipment, supplies and diagnostic devices needed for these purposes. They also include dental expenses.

Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They do not include expenses that are merely beneficial to general health, such as vitamins or a vacation.

Medical expenses include the premiums paid for insurance that covers expenses of medical care, and the amounts paid for transportation to get medical care. Medical expenses also include amounts paid for qualified long-term care services and limited amounts paid for any qualified long-term insurance contract.

This definition of medical expenses is to be construed in accordance with Internal Revenue Code Section 213 for deductible medical expenses. In general, IRS guidelines include amounts paid for medical care including, among other things, hospital services, nursing services, medical, laboratory, surgical, dental, and other diagnostic and healing services, x-rays, medicine and drugs. See Appendix A of this plan attached for more detailed list.

PLAN YEAR

The plan year starts on July 1 and extends to June 30 of the following year.

MAXIMUM CREDIT PER YEAR

For each plan year that the participant is eligible, the Agency will credit to each participant the maximum amount that has been established by the Board of Directors.

MAXIMUM CREDIT ACCUMULATION

The maximum amount each participant may accumulate is equal to the annual credit multiplied by 4, which is the normal term of a Board member. No further amounts will be credited when this amount has been reached, until the next plan year. At the beginning of the new plan year, the credit available for the new plan year will be added, up to the maximum as stipulated in this paragraph.

REIMBURSEMENT OF MEDICAL EXPENSES

After a director or employee is eligible to participate in this plan, the Agency will reimburse medical and dental expenses that were paid by the participant, up to the amount the participant has available. The amount each participant has available is equal to any amount available for the current year, plus any amounts available from previous eligible years.

The amount the Board of Directors establishes will be credited to each participant at the beginning of the plan year. If a participant does not use all of his credit in a plan year, it will be rolled over to the next plan year. Reimbursements will be paid up to the total amount available for the current year plus any amounts available from previous years, up to the aforementioned maximum amount.

Amounts for future years cannot be credited to the participant in advance of the plan year.

PLAN COVERS MEDICAL EXPENSES FOR DIRECTOR OR EMPLOYEE AND THEIR QUALIFIED DEPENDENTS

The Agency will reimburse for medical expenses that were paid for the director or employee and their qualified dependents.

A participant means a person who, on or after the effective date of the Plan, is

1. An active, permanent, full-time employee of the Agency and is scheduled to work not less than thirty (30) hours per week, or
2. An elected or appointed director of the Agency

A qualified dependent means a director or employee's spouse and other dependents who qualify as dependents under Section 152 of the Internal Revenue Code. In general, the word dependent as defined in Section 152 of the Code includes, among others, children, grandchildren, parents, brothers and sisters, if over half of such person's support is furnished by the participant.

PARTICIPATION ELIGIBILITY

An employee shall be eligible to participate in the Plan on his/her first day of employment. A director shall be eligible to participate in the Plan on the first day sworn into office. A qualified dependent is eligible on the date the director/employee becomes eligible or the date the director/employee acquires the qualified dependent.

PAYMENTS UNDER THE PLAN

Payments shall be made upon request of the director/employee for all or part of the medical expenses incurred; provided, however, that

1. The medical expenses were incurred while the participant was covered under this plan as a participant.

2. Payments will be made only upon proof that the medical expenses were incurred; as such **only original detailed receipts must be submitted**.
3. Such payment shall be made from this plan only in the event, and to the extent, that payment of such medical expenses is not provided for under any medical insurance policy, other medical reimbursement plan, Medicare, or under any other Federal, state, or other Governmental accident and health plan or program.

TERMINATION OF PARTICIPATION

Participation in the plan will cease on the earlier of the following:

1. The date the participant ceases to be an eligible director or employee or qualified dependent
2. The date this plan is terminated.
3. Requests for payments must be turned in within 30 days of the participant's date of termination. All requests submitted after the termination date must meet all other payment requirements. Credits remaining after all qualified payments have been made are not available for any other use, and will be zeroed in any relevant documentation maintained by the Agency.

AMENDMENT AND TERMINATION

The Board of Directors shall have the right to alter, amend or terminate the plan in whole or in part at any time as it determines to be appropriate.

EFFECTIVE DATE

The effective date of this plan is March 7, 2011.

SAN GORGONIO PASS WATER AGENCY

MEDICAL REIMBURSEMENT PLAN

APPENDIX A

EXCERPT FROM IRS PUBLICATION 17

Table 21-1 Medical and Dental Expenses Checklist

Generally included:		Generally non included:	
<ul style="list-style-type: none"> • Bandages • Birth control pills prescribed by your doctor • Capital expenses for equipment or improvements to your home needed for medical care (see Publication 502) • Certain fertility enhancement procedures (see Publication 502) • Certain weight-loss expenses for obesity • Diagnostic devices • Expenses for an organ donor • Eye surgery – to promote the correct function of the eye • Guide dogs or other animals aiding the blind, deaf and disabled • Hospital services fees (lab work, therapy, nursing services, surgery, etc) • Lead-based paint removal (see Publication 502) • Legal abortion • Legal operation to prevent having children such as a vasectomy or tubal ligation • Long-term care contracts, qualified (see Publication 502) • Meals and lodging provided by a hospital during medical treatment 	<ul style="list-style-type: none"> • Medical and hospital premiums • Medical services fees (from doctors, dentists, surgeons, specialists, and other medical practitioners) • Oxygen equipment and oxygen • Part of life-care fee paid to retirement home designated for medical care • Prescription medicines (prescribed by a doctor) and insulin • Psychiatric and psychological treatment • Social Security tax, Medicare tax, FUTA, and state employment tax for worker providing medical care (see <i>Wages</i> for nursing services below) • Special items (artificial limbs, false teeth, eye-glasses, contact lenses, hearing aids, crutches, wheelchair, etc) • Special education for mentally or physically disabled persons (see Publication 502) • Stop-smoking programs • Transportation for needed medical care • Treatment at a drug or alcohol center (includes meals and lodging provided by the center) • Wages for nursing services (see Publication 502) 	<ul style="list-style-type: none"> • Baby sitting and childcare • Bottled water • Contributions to Archer MSA'S (see Publication 969) • Diaper service • Expenses for your general health (even if following your doctor's advice) such as: <ul style="list-style-type: none"> -Health club dues -Household help -Social activities such as dancing or swimming lessons -Trip for general health improvement • Flexible spending account reimbursements for medical expenses (see Publication 502) • Funeral, burial or cremation expenses • Health savings account payments for medical expenses (see Publication 502) • Illegal operation or treatment • Life insurance or income protection policies, or policies providing payment for loss of life, limb, sight, etc. • Maternity clothes 	<ul style="list-style-type: none"> • Medical insurance included in car insurance covering all persons injured in or by your car • Medicine you buy without a prescription • Nursing care for a healthy baby • Prescription drugs you brought in (or ordered shipped) from another country, in most cases • Nutritional supplements, vitamins, herbal supplements, "natural medicines", etc. , unless recommended by a medical practitioner as a treatment for a specific medical condition diagnosed by a physician • Surgery for purely cosmetic reasons (see Publication 502) • Toothpaste, toiletries, cosmetics, etc. • Teeth whitening • Weight-loss expenses not for the treatment of obesity or other disease