

SAN GORGONIO PASS WATER AGENCY MEDICAL REIMBURSEMENT PLAN

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

DEFINITION OF PLAN

A medical reimbursement plan is any plan or arrangement under which an employer reimburses an employee for uninsured medical care expenses incurred by the employee or their qualified dependents. Employees include directors and full-time staff of the Agency, and are hereafter referred to as participants. Participants are further defined later in this document.

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 and vision 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 which is attached to this plan for a 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 participant is eligible to participate in this plan, the Agency will reimburse medical, dental, and vision 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.

If the participant uses all the available credits, no further reimbursements will be paid for the remainder of the plan year. Reimbursements cannot be made retroactively for expenses incurred in previous plan years if all credits have been used for that plan year.

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

PLAN COVERS MEDICAL EXPENSES FOR PARTICIPANTS AND THEIR QUALIFIED DEPENDENTS

The Agency will reimburse medical expenses that were incurred by the participant 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 participant'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 their first day of employment. A director shall be eligible to participate in the Plan on the first day they are sworn into office. A qualified dependent is eligible on the date the participant becomes eligible or the date the participant acquires the qualified dependent.

PAYMENTS UNDER THE PLAN

Payments shall be made upon request of the participant 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 July 21, 2025, by action taken by the Board of Directors at a duly convened Board meeting on that date.

EFFECTIVE AMOUNT

The effective amount of this plan is \$5,000. For each subsequent year this plan is in effect, the effective amount will be increased by the cost-of-living adjustment granted by the Board of Directors for that fiscal year.

ADOPTED AND APPROVED July 21, 2025.



Mickey Valdivia
President, Board of Directors
San Gorgonio Pass Water Agency

SAN GORGONIO PASS WATER AGENCY

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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 for nursing services</i> below) • Special items (artificial limbs, false teeth, eyeglasses, 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)