



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

FINANCE & AUDIT COMMITTEE MEETING

AGENDA

Meeting Location:

Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Meeting Date:

Tuesday, October 17, 2017 – 5:00 PM

CALL TO ORDER,
PLEDGE OF ALLEGIANCE,
ROLL CALL
FINANCE & AUDIT COMMITTEE

1. Discussion: Finance & Audit Committee Report
 - Balance Sheet
 - Profit and Loss Budget Comparison
2. Finance & Audit Committee District Payables Review and Approval/Signing

PUBLIC COMMENT

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. **Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))**

ADJOURNMENT

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting.



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

REGULAR BOARD MEETING

AGENDA

Meeting Location:
Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Meeting Date:
October 17, 2017 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

CONSENT CALENDAR

All matters in this category are considered to be consistent with the Board/District goals, District Policies and Regulations adopted and/or approved by the Board of Directors, and will be enacted in one motion. There will be no separate discussion of these items. If discussion is required, items may be removed from the consent calendar and will be considered separately.

1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and warrants approved by the committee of September 19, 2017
- b. Regular Board Meeting Minutes and warrants of September 19, 2017

2. Warrants – None

3. Awards of Contracts – None

UPDATES

1. Update: **San Geronio Pass Regional Water Alliance Update
(by Director Israel)**
2. Update: **Manager's Operations Report
(by General Manager Louie)**

OLD BUSINESS

1. Discussion: Sustainable Ground Water Update
(by General Manager Louie & Steve Anderson)

NEW BUSINESS

1. Discussion/Action: Customer Concern: Travis Lacy – Misc. charges
2. Discussion/Action: November 2017 FAC and Regular Board Meeting to be scheduled for the 2nd Tuesday of the month (November 14th) instead of the 3rd Tuesday (November 21st) due to the timing of Thanksgiving week
3. Discussion/Action: RESOLUTION 04-2017: Adoption of a Section 125 Premium Only Plan (POP) regarding payroll pre-tax health premium deductions (for eligible employees)

PUBLIC COMMENTS

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District that is not listed on the agenda; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))

GENERAL MANAGER/BOARD COMMENTS

1. Future Agenda Items

The Board Chair or the majority of the Board may direct staff to investigate and report back to an individual(s) and the Board on matters suggested or direct the General Manager/Board Secretary to place the matter on a future Board meeting.

- Suggested agenda items from the Public.
- Suggested agenda items from Management.
- Suggested agenda items from Board Members.

2. Management Comments

Staff members may speak on items of information not requiring comment or discussion to the Board and public. Topics which may be included on a future meeting agenda may be presented but cannot be discussed. (3 minutes)

3. Board Member Comments

Board members may speak on items of information not requiring comment or discussion to the Board and public. (3 minutes)

MISCELLANEOUS

1. Future Board Items/Next Board Meeting Date(s)

- a. Finance & Audit Workshop – Tuesday – November, 2017, 5:00 pm
- b. Regular Board Meeting – Tuesday – November, 2017, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting - Wednesday – October 25, 2017
- 5:00 PM to 7:00 PM

ADJOURNMENT

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide access.



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

FINANCE & AUDIT COMMITTEE MEETING

MINUTES

Meeting Location:
Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Meeting Date:
Tuesday, September 19, 2017 – 5:00 PM

CALL TO ORDER,
PLEDGE OF ALLEGIANCE,
ROLL CALL

Director Bui - Absent
Director Israel - Present

Calvin Louie (General Manager) - Present
Elizabeth Lemus, Board Secretary - Absent
Cindy Byerrum, Financial Consultant - Absent

***Note: This meeting was recorded by the District – 1705 hr.**

FINANCE & AUDIT COMMITTEE

1. Discussion: Finance & Audit Committee Report
 - Balance Sheet
 - Profit and Loss Budget Comparison
2. Finance & Audit Committee District Payables Review and Approval/Signing

Balance Sheet:

- The District's combined cash and LAIF balance is about \$608,100. The District's total liabilities are approximately \$1.23 million.

Profit and Loss:

- As of August 31st the fiscal year-to-date net income is 37.2K, which is common for this time of year when water sales are higher.

PUBLIC COMMENT

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. **Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))**

ADJOURNMENT

Motion to adjourn at 1711 hr. made by Director Israel and 2nd by Director (none)

Director Bui - Absent

Director Israel - Yes

Meeting adjourned at 1712 hr. on September 19, 2017

Robert Lynk, Board Chair
Board of Directors
Cabazon Water District

Calvin Louie, Substitute Secretary
Board of Directors
Cabazon Water District

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting.



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

REGULAR BOARD MEETING

MINUTES

Meeting Location:
Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Meeting Date:
September 19, 2017 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

Director Teresa Bui - Present
Director Maxine Israel - Present
Director Sarah Wargo - Present
Director Alan Davis - Present
Director Robert Lynk - Present

Calvin Louie, General Manager - Present
Elizabeth Lemus, Board Secretary - Absent
Cindy Byerrum, Financial Consultant - Absent
Steve Anderson, Best Best & Krieger Law Firm - Absent
Joseph Ortiz, Best Best & Krieger Law Firm - Absent

Note: This meeting was recorded by the District – 1803 hr.

CONSENT CALENDAR

All matters in this category are considered to be consistent with the Board/District goals, District Policies and Regulations adopted and/or approved by the Board of Directors, and will be enacted in one motion. There will be no separate discussion of these items. If discussion is required, items may be removed from the consent calendar and will be considered separately.

1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and warrants approved by the committee of August 15, 2017
- b. Regular Board Meeting Minutes and warrants of August 15, 2017

Motion to approve consent calendar item(s) Finance & Audit Committee Meeting minutes and Regular Board Meeting minutes made by Director Israel and 2nd by Director Davis.

Director Bui - Yes
Director Israel - Yes
Director Wargo - Yes
Director Davis - Yes
Director Lynk - Yes

2. Warrants – None
3. Awards of Contracts – None

UPDATES

1. Update: **San Gorgonio Pass Regional Water Alliance Update
(by Director Israel)**

Nothing to report.

2. Update: **Manager's Operations Report
(by General Manager Louie)**

1. CERT training, the GM advised the Board Dennis Day of the Riv. Co. Emergency Management Dept. emailed a thank you to the District for the use of the Community's Water Board/Multi-purpose room. He also sent a special acknowledgement to Kerri Mariner for her knowledge and assistance.
2. GM advised the Board that the replacement water meter for DHPO has arrived. The determination of whether a temporarily water service interruption will be made tomorrow. If so, the GM will coordinate with the Center's management with the service interruption after the Center has closed. The GM also informed the Board the customer account department has been using the past summer historical water usage of the Center for invoicing purposes.
3. GM informed the Board that Morgan and Dowling attended and successfully completed the Academy of Water Education offered by the California Rural Water Association located in Sacramento. He also told the Board they (Morgan & Dowling) took their State Distribution Grade 2 examination on Saturday.
4. GM made mentioned to the Board the Field Crew (FCW) had expressed their need for a service truck with a utility bed. The storage of hand tools and parts by using loose buckets in the bed of the trucks was inadequate. The buckets have a tendency of spilling the tools and parts. This takes more manpower time to reorganize the tools and parts. Dir. Lynk suggested a service bed trailer that can be hooked up when needed. The GM advised the Board he will have the FCW look into that idea. The fiscal impact was estimated at \$10k or less.
5. GM told the Board that the State Department of Water Resource Control Board Drinking Water Division had scheduled the tri-annual Sanitary Survey Inspection. The GM advised the Board both management and water operations have been working diligently to ensure all water production, storage, distribution, and records were in order.

OLD BUSINESS

1. **Discussion: Sustainable Ground Water Update
(by General Manager Louie & Steve Anderson)**
 1. The GM told the Board he had just attended the SMGA Grant Planning meeting at SGPWA. The Grant application is due on or before 11/10/17. Three monitoring wells were discussed. It was the consensus of the attendees to designate SGPWA to be the lead Agency to spearhead this project and to outsource the grant writers.
2. **Discussion/Action: Approval of the Sixth Amendment to the General Manager's Employment Agreement.**
 1. The GM advised the Board to avoid the appearance of impropriety and possible conflict of interest, he asked the Chairman to either perform this portion of the Board Secretary's duties or assign another Board member. Chairman Lynk appointed Dir. Israel.

Motion to approve the Sixth Amendment General Manager's Employment Agreement made by Director Wargo and 2nd by Director Davis

Director Bui - Abstain
Director Israel - Yes
Director Wargo - Yes
Director Davis - Yes
Director Lynk - Yes

NEW BUSINESS

1. **Discussion: 2017 Election – Three Director Seats – No Contest**
 1. Dir. Lynk advised the Board since there was three (3) seat opened and with three (3) candidates, Riv. Co. Registrar of Voter (RoV) will not have an election for the Cabazon Water District. The RoV will reach out to the Riverside County Board of Supervisors to appoint the three (3) candidates onto the water board.
2. **Discussion: Customer Concern: Juan Perez, Dolores Ave. – petition for water services.**
 1. The GM advised the Board, per the District's legal counsel, the water board has no authority to supersede the lawful order from Riv. Co. Code Enforcement.
 2. Dir. Bui offered Perez the phone number to Code Enforcement.
 3. Perez inquired why the water district charged him approximately \$9,000 for his water bill. Dir. Lynk advised Perez the Board could not discuss or take action on this matter. Dir. Lynk did direct Staff to research the reasons for the charges. The GM replied that the Customer Accounts Representative did review the charges and provided Perez with supporting documents on several occasions.
3. **Discussion/Action: California Rural Water Association (CRWA) 2018 Conference.**
 1. The GM advised the Board the District had budgeted \$10k to 12K for Board member and water operator training. With the recent training to prepare the Field Crew Workers, the budget has about \$2,000 left. The District would like to send one (1) water operator to backflow tester training. This is a week-long training session in Sacramento provided by the California Rural Water Association. This is all the District can afford, one (1) water operator for this fiscal year. The GM continued with informing the Board that the budget is

merely a guideline for expenditure in each category. Should the majority of the Board direct Management to find the funds, then the GM shall attempt such.

2. Dir. Lynk, with a unanimous support from the Board to table this matter and for Management to project a cost when the CRWA publish its cost.
3. Dir. Wargo reiterated that she felt it would be a benefit for the GM, BM, and other Board members to attend the managerial training held during the conference.

TABLED

Motion to approve made by Director _____ and 2nd by Director _____.

Director Bui - _____ (yes / no / abstain)

Director Israel - _____ (yes / no / abstain)

Director Wargo - _____ (yes / no / abstain)

Director Davis - _____ (yes / no / abstain)

Director Lynk - _____ (yes / no / abstain)

4. Discussion/Action: **San Gorgonio Pass Water Agency (SGPWA) letter of support regarding SGPWA leasing water from Antelope Valley-East Kern Water Agency, commonly referred to as "Nickel Water".**
 1. The GM reported to the Board, in 2000, the Kern County Water Agency (KCWA) and the Nickel Family to provide KCWA the Nickel water rights on the Kern River in exchange for 10 af/y of firm SWP from KCWA's Table "A" amount.
 2. Cabazon does not receive any SWP from SGPWA at this time. The GM encouraged the Board to support this letter, as it may benefit YVWD, BCHWD, City of Banning and other water purveyors, but as responsible water board members it is their fiduciary responsibility to ensure the reliable supply of water for the future.

Motion to approve made by Director Israel and 2nd by Director Wargo.

Director Bui - Yes

Director Israel - Yes

Director Wargo - Yes

Director Davis - Yes

Director Lynk - Yes

PUBLIC COMMENTS

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District that is not listed on the agenda; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))

GENERAL MANAGER/BOARD COMMENTS

1. Future Agenda Items

The Board Chair or the majority of the Board may direct staff to investigate and report back to an individual(s) and the Board on matters suggested or direct the General Manager/Board Secretary to place the matter on a future Board meeting.

- Suggested agenda items from the Public.
- Suggested agenda items from Management.

Dir. Israel requested a discussion on the District Emergency – Disaster Plan

- Suggested agenda items from Board Members.

2. Management Comments

Staff members may speak on items of information not requiring comment or discussion to the Board and public. Topics which may be included on a future meeting agenda may be presented but cannot be discussed. (3 minutes)

3. Board Member Comments

Board members may speak on items of information not requiring comment or discussion to the Board and public. (3 minutes)

MISCELLANEOUS

1. Future Board Items/Next Board Meeting Date(s)

- a. Finance & Audit Workshop – Tuesday – October 17, 2017, 5:00 pm
- b. Regular Board Meeting – Tuesday – October 17, 2017, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting - Wednesday – September 27, 2017 - 5:00 PM to 7:00 PM

ADJOURNMENT

Motion to adjourn at 1843 hr. made by Director Davis and 2nd by Director Israel.

Director Bui - Yes
Director Israel - Yes
Director Wargo - Yes
Director Davis - Yes
Director Lynk - Yes

Meeting adjourned at 1844 hr. on Tuesday, September 19, 2017

Robert Lynk, Board Chair
Board of Directors
Cabazon Water District

Elizabeth Lemus, Secretary
Board of Directors
Cabazon Water District

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide access.

Cabazon Water District

Profit & Loss

September 2017

	Sep-17	YTD	Budget	YTD 25%
1 Operating Income				
2 Base Rate - Water Bills	\$ 58,176	\$ 170,891	\$ 801,200	21%
3 Commodity Sales	29,477	100,670	252,600	40%
4 DHPO Contract	16,691	55,239	193,800	29%
5 Fire Sales - Water Bills	196	589	2,200	27%
6 Fire Flow Income	-	300	150	200%
7 Meter Install and Removal	-	-	80	0%
8 Penalty Fees - Water Bills	3,698	11,688	34,600	34%
9 Lien Reinstatement Fees	-	-	1,000	0%
10 New Account Fees - Water Bills	125	505	1,500	34%
11 Incident Fee - Water Bills	-	-	140	0%
12 Returned Check Fees	-	90	500	18%
13 Basic Facilities Fee	-	9,830	33,200	30%
14 Stand By Fees - Tax Revenue	-	2,251	113,600	2%
15 Total Operating Income:	108,363	352,053	1,434,570	25%
16 Non-Operating Income				
17 Property Taxes	499	950	60,900	2%
18 Cell Tower Lease Income	4,012	8,025	23,100	35%
19 Misc. Non-Operating Income	-	718	-	0%
20 Interest Income	461	2,249	7,400	30%
21 Total Non-Operating Income	4,473	10,992	30,500	36%
22 Total Income	113,335	363,995	1,525,970	24%
23 Expense				
24 Payroll				
26 Directors Fees	1,400	3,400	20,000	17%
25 Management & Cust. Service:				
27 Customer Accounts	3,553	10,693	43,800	24%
28 Business Admin Manager	4,154	16,355	54,200	30%
29 Office Assistant	735	1,944	8,100	24%
30 General Manager	6,342	19,025	84,900	22%
31 Total Mgmt. & Cust. Service:	14,784	48,017	191,000	25%
32 Field Workers	6,953	22,577	85,000	27%
33 Total Payroll	21,737	70,593	276,000	26%
34 Employee Benefits Expense				
35 Workers Comp.	867	2,601	14,100	18%
35 Employee Health Care	5,156	17,289	62,300	28%
36 Pension	4,314	13,306	54,200	25%
37 Total Employee Benefits Expense	10,337	33,196	130,600	25%
38 Payroll Taxes	1,813	6,468	27,200	24%
39 Total Payroll - All Expenses:	35,287	113,657	453,800	25%

Cabazon Water District

Profit & Loss

September 2017

		Sep-17	YTD	Budget	YTD 25%
40	Operational Expenses				
41	Facilities, Wells, T&D				
42	Lab Fees	245	2,530	8,000	32%
43	Site Landscaping & Maint	45	135	700	19%
44	Meters	-	1,783	5,000	36%
45	Generator Service Contractor	353	353	2,400	15%
46	Utilities - Wells	16,648	39,826	117,900	34%
47	SCADA	25	79	4,900	2%
48	Line R&M Contractor	-	-	12,500	0%
49	Line R&M Materials	3,951	4,652	60,000	8%
50	Well Maintenance	707	2,779	36,000	8%
51	Security	920	4,497	24,410	18%
52	Engineering Services	36,141	48,696	80,900	60%
53	Chlorinators	-	15	4,180	0%
54	Facilities, Wells, T&D - Other	-	-	10,000	0%
55	Total Facilities, Wells, T&D	59,034	105,345	366,890	29%
56	Utilities - Office				
57	Electricity	50	4,136	15,100	27%
58	Gas	31	84	710	12%
59	Telephone	896	2,315	10,500	22%
60	Trash Pickup & Office Cleaning	358	1,073	4,400	24%
61	Total Utilities - Office	1,334	7,608	30,710	25%
62	Office Expenses				
63	Water Billing System	-	-	2,500	0%
64	Supplies & Equipment	181	426	9,700	4%
65	Copier and Supplies	685	1,159	8,100	14%
66	Dues & Subscriptions	-	-	1,700	0%
67	Postage	667	2,140	12,900	17%
68	Printing & Publications	-	240	6,100	4%
69	Leases & Rents	82	82	300	27%
70	Computer Services	2,640	7,954	36,800	22%
71	Office Radio	-	-	500	0%
72	Office Storage	500	1,500	6,100	25%
73	Air Conditioning Servicing	379	1,137	4,500	25%
74	Fire Alarm System Servicing	-	144	600	24%
75	Office Expenses - Other	-	594	1,300	46%
76	Total Office Expenses	5,134	15,376	91,100	17%
77	Support Services				
78	Temporary Labor	1,620	1,620	10,000	16%
79	Financial Audit	1,610	2,930	22,100	13%
80	Accounting	1,890	5,171	30,000	17%

Cabazon Water District

Profit & Loss

September 2017

	Sep-17	YTD	Budget	YTD 25%
81 Legal Services	7,236	17,478	115,100	15%
82 Bank Service Charges	59	149	1,500	10%
83 Payroll Service	282	860	5,100	17%
84 General Liability Insurance	943	2,829	21,900	13%
85 Total Support Services	13,640	31,037	205,700	15%
86 Training/Travel	2,968	3,582	7,000	51%
87 Other Fees/SWRCB	-	503	19,600	3%
88 Service Tools & Equipment				
89 Shop Supplies and Small Tools	-	383	6,100	6%
90 Vehicle Fuel	2,825	3,900	12,200	32%
91 Employee Uniforms	-	334	1,500	22%
92 Safety	-	-	500	0%
93 Tractor Expenses	-	456	5,500	8%
94 Equipment Rental	-	444	1,000	44%
95 Service Trucks - R&M	162	2,340	14,400	16%
96 Water Ops Phone & Internet	85	255	3,600	7%
97 Communications	-	-	3,300	0%
98 Total Service Tools & Equipment	3,072	8,112	48,100	17%
99 Non-Operating Expenses				
100 Grant & Loan Processing Fee	-	-	1,600	0%
101 DWR Interest on Loans	-	-	11,236	0%
102 DHPO Interest Expense	6,120	6,120	10,802	57%
103 Bad Debt Expense	-	-	1,200	0%
104 Miscellaneous	25	277	5,000	6%
105 Website Support	110	630	1,300	48%
106 DHPO Capacity Fees	1,750	5,250	-	0%
107 Total Non-Operating Expenses	8,005	12,278	31,138	39%
108 Depreciation Expense	22,192	66,575	266,300	25%
109 Total Expense	150,665	364,074	1,520,338	24%
110 Net Income	(37,330)	(80)	5,632	-1%

Cabazon Water District

Balance Sheet

September 31, 2017

		Sep 30, 17
1	ASSETS	
2	Current Assets	
3	Checking/Savings	
4	11020 · General Bank Account-Chase	173,370
5	11030 · Payroll Bank Account-Chase	55,873
6	11040 · Trust Account- Chase - Cus Dep	18,938
7	11050 · Local Petty Cash	100
8	Total Checking/Savings	248,282
9	12000 · Accounts Receivable	203,257
10	13010 · LAIF	353,875
11	13020 · Bank of NY Trustee Accounts	69,756
12	13040 · Prepaid Expenses	6,876
13	13060 · Inventory Total	87,079
14	Total Other Current Assets	720,843
15	Total Current Assets	986,693
16	Fixed Assets	
17	14200 · Construction in Process	
18	14204 · CIP Cabazon Outlets Expansion	9,692
19	14209 · CIP Super Map	9,455
20	14210 · CIP 50100 Main St. Property	69,918
21	Total 14200 · Construction in Process	89,066
22	14310 · Tools and Equipment	118,016
23	14320 · Source of Supply	1,514,206
24	14330 · Transmission & Distribution	7,853,270
25	14340 · Buildings & Structures	12,281
26	14350 · Water Treatment	8,800
27	14360 · Office Furniture and Equipment	64,071
28	14370 · Intangible Plant	11,032
29	14380 · Vehicles	106,309
30	14400 · Land	409,331
31	14500 · Accumulated Depreciation	(4,842,179)
32	Total Fixed Assets	5,344,202
33	TOTAL ASSETS	6,330,895
34	LIABILITIES & EQUITY	
35	Liabilities	
36	Current Liabilities	
37	Accounts Payable	37,803
38	Other Current Liabilities	
39	21250 · Developer Deposits	
40	21251 · Dollar General	17,726
41	Total 21250 · Developer Deposits	17,726
42	21300 · Customer Deposits	
43	21330 · Customer Deposits - Co 1	3,500
44	21340 · Customer Deposits - Co 2	4,484
45	Total 21300 · Customer Deposits	7,984
46	21420 · Accrued Vacation Pay	18,345
47	21440 · DWR-HS Payable - Current	36,184
48	21450 · Current Portion Zion's Bank Ln	75,062
49	21460 · Accrued Payroll	4,827

Cabazon Water District

Balance Sheet

September 31, 2017

		<u>Sep 30, 17</u>
50	21470 · Accrued Payroll Taxes	359
51	21480 · Accrued Interest	3,527
52	Total Other Current Liabilities	<u>164,030</u>
53	Total Current Liabilities	201,833
54	Long Term Liabilities	
55	22000 · DWR-H Loan Payable (Payoff '26)	280,427
56	22100 · Zion's Bank Long Term (2023)	454,027
57	22200 · RCEDA Loan Payable	300,000
58	Total Long Term Liabilities	<u>1,034,454</u>
59	Total Liabilities	<u>1,236,287</u>
60	Total Equity	<u>5,094,608</u>
61	TOTAL LIABILITIES & EQUITY	<u><u>6,330,895</u></u>



Cabazon Water District

14816 Broadway Street • P.O. Box 297
Cabazon, California 92230

August 24, 2017

Travis Lacy
P.O. Box
Adele Ave.
Cabazon, CA 92230

RE: Water Account 0041TL

Dear Mr. Lacy,

On June 11, 2017, at approximately 4:03 PM, you called the Cabazon Water District's (the "District") 24 hour water emergency phone line to report a ruptured water pipeline within your private plumbing. You also admitted that you made several failed attempts to shut-off the water at the customer shut-off valve which caused leaking at the water meter.

During this phone conversation with me, you had claimed that you had addressed the faulty water meter and its apparatuses with the District resulting in a negative response.

I advised you that it would be up to two (2.0) hours before District personnel could arrive. You became upset, used inappropriate language, and stated you were a plumber and threatened to work on District water apparatuses (water meter, meter box, valves, and service lateral) yourself.

Based on the District's ordinance **4.10 Service Connection** stipulates, "*If any of the District's equipment is damaged to an extent requiring replacement, such replacement shall be at the Customer's expense.*" and you were told of this Ordinance by me during our phone conversation.

Upon the arrival of District personnel on June 11, 2017, at approximately 5:18 PM, about 1 hour and 15 minutes after your phone call. Both District personnel, along with photos, observed you had removed the water meter. You made the spontaneous statement that you were working on the ball valve at the water meter in which in your (Lacy) opinion was faulty.

Since then, the District has completed upgrading your service lateral connection, replaced a new water meter, curb stop valve, and customer shut-off valve. **The District is seeking partial reimbursement from you for the amount of \$547.81.** This amount represents mileage, man hours, material, parts, and a non-business hour call-out charge.

7.6 Damage to Water System Facilities

The owner shall be liable for any damage to the service facilities when such damage is from causes originating on the premises by an act of owners or their tenants, agents, employees, contractors, licensees, or permittees, including the breaking or destruction of locks by the owner or others on or near a meter, and any damage to a meter that may result from hot water or steam from a boiler or heater on the owner's premises. The District shall be reimbursed by the owner for any such damage on presentation of a bill.

The above amount is **due within thirty (30) days** from the date of receipt. You may request **payment arrangements** or your water service will **be interrupted for non-payment on Monday, September 25, 2017.**

10.1.14 Termination for Non-payment

- a) *The District will not terminate residential service on account of nonpayment of a delinquent account unless the District first gives notice of the delinquency and impending termination, at least 10 days prior to the proposed termination, by means of a notice mailed, postage prepaid, to the Customer to whom the service is billed not earlier than 19 days from the date of mailing the District's bill for services, and the 10-day period shall not commence until five days after the mailing of the notice. (Gov. Code, § 60373(a).)*
- b) *The District shall make a reasonable, good faith effort to contact an adult person residing at the premises of the Customer by telephone or in person at least 48 hours prior to any termination of service except that whenever telephone or personal contact cannot be accomplished, District shall give, by mail or by posting in a conspicuous location at the premises, a notice of termination of service, at least 48 hours prior to termination. (Gov. Code, § 60373(b).)*
- c) *Every notice of termination of service pursuant to subdivision (a) shall include all of the following information.*

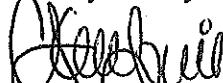
- (1) *The name and address of the Customer whose account is delinquent.*
- (2) *The amount of the delinquency.*
- (3) *The date by which payment or arrangements for payment is required in order to avoid termination.*
- (4) *The procedure by which the Customer may initiate a complaint or request an investigation concerning service or charges, except that if the bill for service contains a description of that procedure, the notice pursuant to subdivision (a) is not required to contain that information.*
- (5) *The procedure by which the Customer may request amortization of the unpaid charges.*
- (6) *The procedure for the Customer to obtain information on the availability of financial assistance, including private, local, state, or federal sources, if applicable.*
- (7) *The telephone number of a representative of the District who can provide additional information or institute arrangements for payment.*

Every notice of termination of service pursuant to subdivision (b) shall include the items of information in paragraphs (1), (2), (3), (6), and (7). All written notices shall be in a clear and legible format. (Gov. Code, § 60373(c).)

- d) *If a residential Customer fails to comply with an amortization agreement, the District shall not terminate service without giving notice to the Customer at least 48 hours prior to termination of the conditions the Customer is required to meet to avoid termination, but the notice does not entitle the Customer to further investigation by the District. (Gov. Code, § 60373(d).)*
- e) *No termination of service may be effected without compliance with this section, and any service wrongfully terminated shall be restored without charge for the restoration of service. (Gov. Code, § 60373(e).)*

Please do not hesitate to contact the District if you should have any questions.

Thank you very much,


Calvin Louie
General Manager

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

TRAVIS LACY
PO BOX
CABAZON, CA 92230



9590 9403 0442 5169 3662 94

2. Article Number (Transfer from service label)

7015 1660 0000 4924 2816

COMPLETE THIS SECTION ON DELIVERY

A. Signature

x *Elizabeth Aust* Agent
 Addressee

B. Received by (Printed Name)

Elizabeth Aust

C. Date of Delivery

8/29/17

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery
- Priority Mail Express®
- Registered Mail™
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery



Cabazon Water District
 14618 Broadway St.
 P.O. Box 297
 Cabazon, CA 92230
 (951) 849-4442

Invoice

Date	Invoice #
8/7/2017	03232025

Bill To
Travis Lacy \ Adele Ave. PO Box Cabazon, CA 92230

P.O. No.	Terms	Project
6/11/17 Leak Repair	Due on receipt	

Quantity	Description	Rate	Amount
1	Repair Materials	0.00	0.00
1	Labor Expenses	90.89	90.89
		456.92	456.92
Total			\$547.81

URGENT
NOTICE

URGENT
NOTICE

Cabazon Water District

14618 Broadway Street - P.O. Box 297

Phone (951) 849-4442

Hours: Monday - Thursday (8:30 a.m. to 4:30 p.m.)

DATE: 10/4/17 ACCOUNT # 0041TL

NAME: TRAVIS LACY

ADDRESS: [REDACTED] ADELE

METER #: _____

- Returned check
- Came as requested
- Re-read meter
- Meter (service) is ON OFF
- Please call the office ASAP
- Found leak at meter box. Customer side
- Your plumber must do repair
- CWD to repair / repaired leak
- Water will be off due to emergency repairs

On 1/1 from _____ to _____

PLEASE CALL OFFICE (951) 849-4442 ASAP
 TO CONFIRM APPOINTMENT FOR TOMORROW, 10/5,
 10 AM TO MEET & DISCUSS CONCERNS WITH
 ME. IF THIS DATE/TIME DOES NOT WORK FOR YOU,
 PLEASE CALL TO ARRANGE TIME. IF YOU DO NOT
 CALL, WATER SERVICE MAY BE TERMINATED.
 VOICEMAIL MESSAGES HAVE BEEN LEFT ON YOUR PHONE

URGENT
NOTICE

URGENT
NOTICE

Cabazon Water District

14618 Broadway Street - P.O. Box 297

Cabazon, CA 92230

Phone (951) 849-4442

Hours: Monday - Thursday (8:30 a.m. to 4:30 p.m.)

WARNING SHUT OFF NOTICE

DATE: 10/02/17 ACCT: 0041TL

NAME: TRAVIS LACY

ADDRESS: [REDACTED] ADELE AVE.

METER #: _____

Service scheduled for shut off if delinquent amount is not paid by date listed below.

Delinquent Amount \$ 547.81

Door Tag Fee \$ 10.00

Please Pay This Amount \$ 547.81
To avoid disturbance in service.

DUE BY 10/04/17 BEFORE 1 PM (SERVICE WILL BE DISCONNECTED IF PAYMENT/ARRANGEMENT HAS NOT BEEN MADE BEFORE 1 PM ON 10/04/17).
Total Balance of Account \$ _____

In the event water service is disconnected due to non payment, all delinquent charges including a \$50.00 reconnect fee must be paid in full before service can be reconnected.

12:30 pm

Elizabeth Lemus

From: Calvin Louie
Sent: Wednesday, October 4, 2017 11:35 AM
To: Elizabeth Lemus
Cc: Ellen Koumparis
Subject: RE: Lacy - Adele Ave.

Today, I called Travis Lacy at 951- . This cell number took me directly to his voice mail.

I advised Mr. Lacy his tentative appointment was tomorrow, Thursday, 10/05/17, at 10:30 AM to provide him an opportunity to present video and evidence he had claimed he possessed supporting his allegations that the District's Field Crew members were intoxicated when they arrived on the water emergency call-out and they were the ones that damaged his water meter and connections.

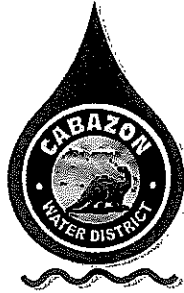
Mr. Lacy was also advised the courtesy of confirming tomorrow's appointment would be appreciated or he may call to proposed other dates he is available. He was also informed that failure to do so will result in his water service termination.

Calvin Louie
General Manager
Cabazon Water District

clouie@cabazonwater.org

Bus: (951) 849-4442
FAX: (951) 849-2519

This email sent and any files transmitted with it may contain privileged or otherwise confidential information. If you are not the intended recipient, or believe that you have received this communication in error, please advise the sender via email and delete the email you received.



Cabazon Water District

14816 Broadway Street • P.O. Box 297
Cabazon, California 92230

October 10, 2017

Travis Lacy
P.O. Box
Adele Avenue
Cabazon, CA 92230

RE: Water Account #0041TL

Sent U.S. Postal Service Registered Mail &
Blue Tagged with this letter at the service address.

Dear Mr. Lacy,

Thank you very much for taking the time to meet with our Business Manager Ellie Lemus and myself on October 5, 2017, at 10:00 AM at the water district administration facility.

The list below is to memorialize a few of the highlights of that meeting:

1. During the above meeting, you (Lacy) formulated the opinion that the District personnel that answered the non-business hour emergency phone line was intoxicated.
2. During the above meeting, you (Lacy) formulated the opinion that one of District personnel that responded to your residence on June 11, 2017 was the same District personnel that answered your call.
3. During the above meeting, you (Lacy) denied your inappropriate verbal demeanor and use of profanity.

4. During the above meeting, you (Lacy) alleged District personnel had “robbed” you (Lacy) of your parts that you (Lacy) had installed prior to the arrival of the District’s Field Crew (FCW) indicating the FCW had left with your parts.
5. During the above meeting, you (Lacy) alleged the District of charging water customers for upgrades and faulty workmanship.

It was explained to you (Lacy) at the meeting that the original cost to the District was **\$1,401.39** and after subtracting the upgrades, which includes labor, parts, material, back-hoe, and service trucks your cost was **\$547.81**. This amount reflects the emergency response which includes labor, service trucks, parts, material, applicable incident fees and interest that applied to the reparations you are responsible for per ***Cabazon Water District Ordinance 7.6 Damage to Water System Facilities*** as stipulated to the correspondence sent you on August 24, 2017 in which you brought a copy at the meeting.

6. During the meeting of October 5, 2017, I (Louie) requested you (Lacy) download copies of the digital photos and videos shown during the meeting. I (Louie) advised you (Lacy) that I (Louie) would review each photo and video clips to render a decision. A forty-eight hour (48.0 hr.) was suggested and a reimbursement by the District for the cost of the memory stick or DVD was offered. You (Lacy) stated that was too short of a time.
7. You (Lacy) also alleged the challenges you have had with reaching out to District personnel. Your complaint was accusing District administration staff of not providing you with an explanation of your high water bills and water account history. The Business Manager (Lemus) replied she had personally attempted to provide you with copies of your water account history, but you (Lacy) would either leave prior to receiving the copy or decline it.


Lemus did leave the meeting to make you copies of your water account history. During her absence, you (Lacy) asked me what I (Louie) thought about the situation. I (Louie) reiterated to please submit electronic copies of the photos and videos for my review and I (Louie) would take them into consideration in rendering a decision on your request to have the charges taken off your water account.

In the presence of Lemus, as she had just returned from the copy machine, you (Lacy), in an agitated manner, arose out of your seat and made the spontaneous statement you were going to the Sheriff’s Station to initiate a crime report against District personnel for “robbing” your water parts. You (Lacy) further stated, “I am not playing your games” and left.

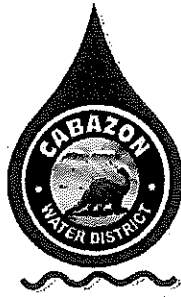
Your matter has been placed on the regular board meeting agenda scheduled for Tuesday, October 17, 2017, at 6:00 PM in the Board/Community Multi-purpose room located at 14618 Broadway Street, Cabazon, CA 92230.

Your failure to appear before the Board shall result in an interruption of water services on Wednesday, October 18, 2017 as stipulated in the Urgent Notice, dated October 2, 2017. Please be prepared to present your case to the Water Board, including, but not limited to creditable witness testimonies, photos, video clips, and supporting documents.

Thank you very much,



Calvin Louie
General Manager



Cabazon Water District

14-618 Broadway St. • P.O. Box 297
Cabazon, California 92230

PAYMENT EXTENSION AGREEMENT

Date: 10/10/17

Account # 0041 TL

Name: Mr. Travis Lacy

Address: Adele Ave.

Phone# (951)

Total Balance of Account: \$ 603.55 ^{AS OF} 10/10/17

Monthly Payment Amount: \$ 25.00 + current bill
monthly

I _____, do hereby agree to make monthly payment(s) on my past due account in the amount listed above, **PLUS the CURRENT BILL**, on the following dates:

On or before the ^{1st each} ~~20th~~ of the month with your current water bill.

I understand that if I fail to make the payment as indicated above **PLUS the CURRENT BILL**, my service will be subject to **DISCONNECTION** without further notice. Penalties and Interest will continue to accrue. Additional charges will be added for Door Tag and Reconnection Fee.

[Signature]
Customer Signature

Ellie Lemus
Cabazon Water Representative

RECEIPT

DATE 10/10/2017

No. 561719

RECEIVED FROM MR. TRAVIS LACY

\$100.00

ONE HUNDRED DOLLARS & ZERO CENTS DOLLARS

FOR RENT
 FOR INVOICE # 03232025

ACCOUNT	
PAYMENT	
BAL. DUE	

- CASH
- CHECK
- MONEY ORDER
- CREDIT CARD

\$100
- \$100
FROM \$ 0 CHANGE TO _____

BY E. LEMUS

RESOLUTION NO. 04-2017

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CABAZON WATER DISTRICT ADOPTING A SECTION 125 PREMIUM-ONLY-PLAN (POP) REGARDING PRE-TAX HEALTH DEDUCTIONS THROUGH EMPLOYEE PAYROLL (FOR EMPLOYEES RESPONSIBLE FOR A PORTION OF THEIR HEALTH INSURANCE PREMIUMS)

The undersigned Board Chairman of the Cabazon Water District (the Employer) hereby certifies that the following resolutions were duly adopted by the board of directors of the Employer on October 17, 2017, and that such resolutions have not been modified or rescinded as of the date hereof.

RESOLVED, effective retroactively to October 1, 2017, that the form of a Cafeteria Plan presented to this board is hereby approved and adopted, and that the proper officers of the Employer are hereby authorized and directed to execute and deliver to the Administrator of the Plan one or more counterparts of the Plan.

RESOLVED, that the Administrator shall be instructed to take such actions deemed necessary and proper in order to implement the Plan, and to set up adequate accounting and administrative procedures to provide benefits under the Plan.

RESOLVED, that the proper officers of the Employer shall act as soon as possible to notify employees that the Cafeteria Plan has been adopted by giving each employee a copy of the approved Summary Plan Description of the Plan.

The undersigned further certifies that attached hereto as exhibits are true copies of the Premium Only Plan Application and the Summary Plan Description, as approved and adopted in the foregoing resolutions.

ADOPTED at the regular meeting of the Board of Directors of Cabazon Water District held this 17th day of October, 2017.

Robert Lynk
Chair of the Board of Directors
Cabazon Water District

ATTEST:

Elizabeth Lemus
Secretary, Board of Directors
Cabazon Water District



POP Plan Description



Note to Employer: The United States Department of Labor (DOL) requires this summary, or a copy of it, be distributed to eligible employees.

Employer's Plan Name:	Cabazon Water District - Section 125 POP Plan, 4014-6465-0487		
Plan Year: <small>[mo/day/yr - mo/day/yr]</small>	12/1/2017 - 11/30/2018		
Plan Sponsor (Employer), Plan Administrator and Agent for Legal Service			
Employer/Plan Sponsor Name:	Cabazon Water District/ HealthNet TASC		
Contact Name:	TASC Customer Care	Phone Number:	800-422-4661
Employer Address:	14618 Broadway Street	Federal Tax Id:	33-0088107
	PO Box 297		
	Cabazon, CA 92230	Plan Number:	4014-6465-0487
<i>Plan Administrator accepts service of legal process.</i>			

PURPOSE

Your Employer has adopted this Flexible Compensation Plan to allow you to select from among benefit options made available under the Flexible Compensation Plan and pay for the selected benefits for yourself, your spouse, and your dependents via pre-taxed salary reduction contributions. You may choose from these "tax free" benefits in lieu of receiving taxable compensation. The Plan is intended to qualify as a "Cafeteria Plan" within the meaning of Section 125(d) of the Internal Revenue Code, and the benefits you elect will be excluded from your income under Section 125(a).

The following qualified benefit plans are offered by the Employer and can be funded under this Flexible Compensation Plan. Refer to the Summary Plan Description or Plan Description for each benefit regarding the coverage provided under these plans, the cost sharing term such as deductibles, copayments, limitations and exclusions, and if applicable your rights under ERISA. These descriptive materials are available from your Employer.

BENEFITS OFFERED TO EMPLOYEES
Medical or Medical-Related Premiums
> Select Benefit Type
> Select Benefit Type
> Select Benefit Type
> Select Benefit Type

This Flexible Compensation Plan allows you to reduce your taxable income in direct proportion to (a) your contribution to the cost of your elected benefits, and (b) your contribution to any account based tax advantaged plan or fringe benefit plan offered by your Employer that is governed by the Internal Revenue Service (IRS) Code.

ELIGIBILITY REQUIREMENTS

The benefits offered above are available to the following employees as stipulated below:

• Full or part-time employees regularly scheduled to work at least <u>32+</u> hours per week:	Eligible
• Members of bargaining unit:	Eligible
• Seasonal employees regularly working less than <u>12</u> months within a year:	Excluded
• Employees under _____ years of age:	Not Applicable
• Participant Entry and Probationary Period:	90 Days after the date of hire

This Plan defines a Plan-eligible employee to be an individual classified by the Employer as a common-law employee who is on the Employer's W-2 payroll. Employees do not include self-employed individuals, partners in a partnership, or more-than-2% shareholders in a Subchapter S corporation.

Existing Employees. If you are employed by the Employer on the Plan's effective date, you shall be eligible to participate on the later of the Plan's Effective Date or on the date you satisfy the Eligibility Requirements stated above.

New Employees. If your employment begins after the Plan's Effective Date, you will be eligible to participate on the entry date noted above for Probationary Employees, following the date you satisfy the Eligibility Requirement stated above.

Re-employment of Former Employees. A former employee rehired within thirty (30) days of termination will immediately be reinstated into their original elections. A former employee rehired after thirty (30) days of termination may make new elections after re-satisfying Plan eligibility requirements.

Age Requirement. No maximum age requirement may be imposed for participation in the Plan.

GENERAL INFORMATION

This Flexible Compensation Plan allows you to pay your cost for the benefit plans you elected that are sponsored by your Employer through a Salary Reduction Agreement. This lowers your federal and state taxes. Under this Flexible Compensation Plan two types of benefit plans offered by your Employer may be funded by your salary reduction: premium benefits and reimbursement benefits. Premium benefits are the actual payments made to secure your participation in insurance plans. These are payments made from your Employer's general assets to an insurance company or a third-party administrator. Reimbursement benefits are benefits paid under an agreement to reduce your salary by the amount you elected to defer and pay you tax free benefits for certain qualified medical and dependent care expenses, as authorized under the Internal Revenue Code.

Administration. Your Employer or appointed Plan Administrator is responsible for the administration of your Employer Sponsored General Welfare Plans. Should you need to see any records or have any questions regarding these Plans, contact the Plan Administrator. The Plan Administrator has sole discretionary authority (a) to interpret the Plan in order to make eligibility and benefit determinations, and (b) to make factual determinations as to whether any individual is eligible and entitled to receive any benefits under the Plan. A health insurance issuer is not responsible for the Plan's administration (including payment of claims).

The Plan Administrator appoints TASC as a Service Provider to maintain certain Plan records and to be responsible for the Plan's day-to-day administration. TASC is not a Plan Administrator and has no discretionary authority regarding the Plan.

Plan Termination or Amendment. The Employer, or appointed Plan Administrator, has the right, in its sole discretion, to terminate the Plan or to modify or amend any provision of the Plan at any time. Upon the termination or partial termination of the Plan, Participants have no Plan benefits except with respect to covered events giving rise to benefits occurring prior to the date of Plan termination or partial termination, except as otherwise expressly provided in writing by the Employer.

Excess Payments. Upon any benefit payment made to a Participant in error under the Plan, said Participant will be informed and required to repay the errant amount. This includes and is not limited to amounts over the Participant's annual election, amounts for services that are determined to be ineligible, or when adequate documentation to substantiate a paid claim upon request is not provided. The Employer may take reasonable steps to recoup such an amount including withholding the amount from future salary or wages, and subtracting from future benefit reimbursement(s) the amount paid in error.

No Continued Employment. No provisions either of the Plan or of this Summary shall grant any employee any rights of continued employment with the Employer or shall in any way prohibit changes in the terms of employment of any employee covered by the Plan.

Non-Assignment of Benefits. No Participant or beneficiary may transfer, assign or pledge any Plan benefits except as may be required pursuant to (a) a "Qualified Medical Child Support Order" (which provides for Plan coverage for an alternate recipient), (b) other applicable law, or (c) electronic payment made directly to a healthcare provider.

CONTRIBUTIONS AND ENROLLMENT

Participant Contributions. By participating in the Plan, you agree to have your annual compensation reduced by the total cost of the Plan benefits you elected.

Employer Contributions and Enrollment Elections. At its election, your Employer may pay part of the insurance premiums or other qualified benefits made available through this Plan. The annual enrollment materials will include: (1) the amount of any Employer contributions for the various Plans offered by the Employer that allow you to make pre-tax contributions, (2) the rules defining how the Employer contributions may be used, and (3) the enrollment procedures to make annual elections for your pretax contributions. These enrollment materials are incorporated in this Summary Plan Description by reference.

The various benefit plans offered by your Employer may operate under different plan years. For instance, an Employer may enter into an annual contract with an insurance company (to provide benefits to employees) under a contract year that differs from the Plan Year established for this Flexible Compensation Plan. If this is the case, different Plan benefit entry dates will apply.

If you are not eligible to participate in this Plan but are allowed to participate in another benefit plan offered by your Employer, under the eligibility terms of that Plan, your costs will be paid with taxable income, and your compensation will not be reduced by the Employer.

QUALIFYING CHANGE IN STATUS EVENTS

The laws governing Flexible Compensation Plans generally do not allow you to change your benefit and contribution elections during a Plan Year (except for Health Savings Account plans; see below). Your elections are irrevocable and this irrevocable election rule does not apply if you experience a qualifying change in status event, in which case the election change requested must be on account of and consistent with the qualifying event.

Any request to change your election must be submitted in writing within 30 days of any applicable qualifying event. The new benefit elections may start only after your change in status has taken place and the new paperwork has been filed.

A qualifying change in status event may be one of the following:

- A change in legal marital status (marriage, death of spouse, divorce, legal separation and annulment).
- The adoption, birth, or death of a child or dependent.
- Dependent satisfies or ceases to satisfy dependent eligibility requirements.
- The change in employment status of you, your spouse or dependent.
- Change in your residence.
- Beginning or ending adoption proceedings.
- Automatic changes upon cost increases or decreases.
- Significant cost increases.
- Significant curtailment of coverage.
- Addition or elimination of similar benefits package option.
- Change in coverage of a spouse or dependent under an employer plan.
- FMLA.
- HIPAA special enrollment rights.
- COBRA qualifying event.
- Loss of group health coverage sponsored by governmental or education institution.
- A judgment, decree or order requiring coverage for a spouse or child.
- Medicare or Medicaid entitlement.
- Termination of Medicaid or State Children's Health Insurance Program (SCHIP) coverage.
- Eligibility for Employment Assistance under Medicaid or SCHIP.
- Exchange Event – A loss of eligibility under the terms of the plan due to a reduction in hours (less than 30) – even when the Employer allows the coverage to continue in effect during the 'Stabilization Period' to satisfy the Affordable Care Act coverage requirements.
- Exchange Event – Exchange enrollment during an Exchange open enrollment period or special enrollment period.

If you are making tax free contributions to a Health Savings Account (HSA) under this Plan, you do not need a 'change in status' event to change your HSA election. You may prospectively change your HSA election at any time during the Plan Year.

Under the qualifying events of Termination of Medicaid or SCHIP coverage and eligibility for employment assistance under Medicaid or SCHIP, the employee must request the group health benefit change no later than 60 days after the date of termination or after the date eligibility is determined under Medicaid or SCHIP.

QUALIFIED MEDICAL CHILD SUPPORT ORDER (QMCSO)

The Plan will provide benefits in accordance with a QMCSO and adhere to the terms of any judgment, decree, or court order which (1) relates to the provision of child support related to health benefits for a child of a Participant in a group health plan; (2) is made pursuant to a state domestic relations law; and (3) which creates or recognizes the right of an alternate recipient—or assigns to an alternate recipient the right—to receive benefits under the group health plan under which a Participant or other beneficiary is entitled to receive benefits. Participants may obtain, without charge, a copy of the Plan's procedures from the Plan Administrator.

LEAVE OF ABSENCE

Family and Medical Leave Act (FMLA). If you go on a qualifying leave under the federal Family and Medical Leave Act (FMLA), to the extent required by the FMLA, your Employer will continue to maintain your benefit package options providing health coverage (including the Medical Expenses Reimbursement Plan) on the same terms and conditions as if you were still active (that is, your Employer will continue to pay its share of the contribution to the extent you opt to continue coverage). Your Employer may require you to continue coverage while you are on paid leave (as long as Participants on non-FMLA paid leave are required to continue coverage). If so, you will pay your share of the contributions by the method normally used during any paid leave.

If your coverage ceases while on FMLA leave, you will be permitted to re-enter the Plan upon return from such leave, and to participate in the Plan on the same basis as you had been prior to the leave or as otherwise required by the FMLA. You may elect reinstatement in the Plan at the same coverage level in effect before the FMLA leave (with increased contributions for the remaining period of coverage) or at a reduced pro-rata coverage level for the period of FMLA leave during which you did not make contributions. Your coverage may be automatically reinstated as well, but only if coverage for employees on non-FMLA leave is automatically reinstated upon return from leave.

Unpaid FMLA Leave. If you are going on unpaid FMLA leave and you opt to continue your Medical and Dental Insurance Benefits and Health FSA Benefits, then you may pay your share of the contributions in one of three ways:

- (1) **Prepay.** Your share of contributions due during your leave may be paid either pre-tax or after-tax before your leave begins provided any pre-tax pre-payments do not fund coverage for the next Plan Year.
- (2) **Pay-as-you-go.** Your share of contributions will be paid on the same schedule as if you were not on leave or under another schedule. Per the Department of Labor regulations, if you fail to make payments under this option, your Employer is not required to continue coverage. If your Employer chooses to make payment and thereby continue coverage, your Employer is entitled to recoup these amounts from you after you return from leave.
- (3) **Catch-up.** Your Employer may advance your share of contributions while you are on leave. Upon your return from leave, your Employer may recover the advanced amounts on either a pre-tax or after-tax basis. Check with your Employer to determine if this option is available under your Plan.

Non-FMLA Leave. If you go on an unpaid leave of absence that does not affect eligibility, then you will continue to participate and the contribution due from you will be paid by pre-payment before going on leave, with after-tax contributions while on leave, or with catch-up contributions after the leave ends, as determined by the Plan Administrator. If you go on an unpaid leave that affects eligibility, then the Change in Status rules will apply.

Military Leave. If you take a leave of absence due to military service, you may continue coverage under this Plan as required by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA).

TERMINATION OF PARTICIPATION

Participants are enrolled in the Plan for the entire Plan Year or the portion of the Plan Year remaining after enrollment. You will automatically cease to be a Participant on the earliest of the following dates:

- a. Your death, resignation or termination of employment with the Employer;
- b. The date the Plan terminates;
- c. The date on which you fail to pay any required premium (including payment by salary reduction) under the Plan;
- d. The date you no longer meet the requirements for eligibility in the Plan; or,
- e. The date you revoke your election under a qualifying change in status event.

CLAIM DENIALS

Medical and Dental Insurance Benefits. The applicable insurance company will determine your claim in accordance with its claims procedures.

NOTICES REQUIRED BY LAW

Special Rights on Childbirth. Under Federal law, group health plans may not restrict benefits for any hospital length of stay in connection with childbirth for (either mother or newborn child) to less than 48 hours following a vaginal delivery or less than 96 hours following a caesarean section. However, Federal law generally does not prohibit the mother's or newborn's attending provider, after consulting with the mother, from discharging the mother or her newborn earlier than the above period. In any case, under Federal law a provider may not be required (by Plan or insurer) to obtain authorization from the plan for prescribing a length of stay up to 48 hours (or 96 hours).



Premium Only Plan Manual

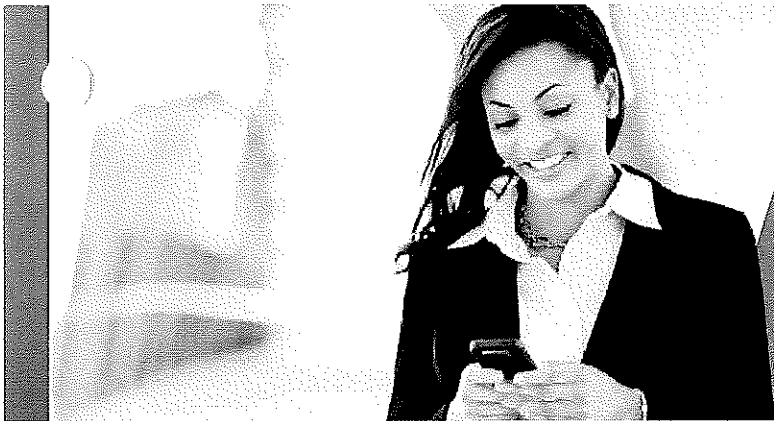
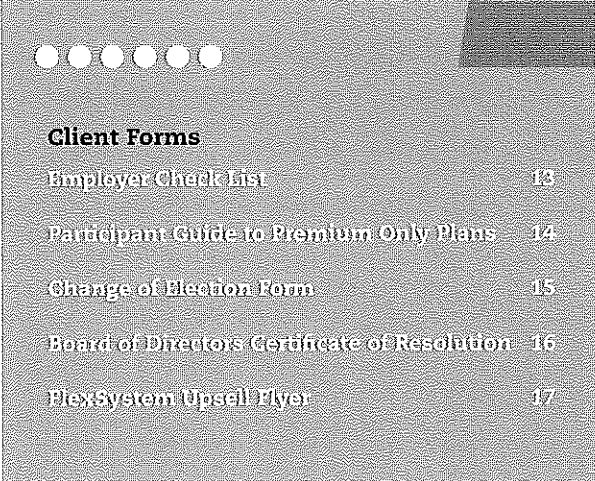


Table of Contents

This Administration Manual provides all of the guidance you need to properly manage your FlexSystem Premium Only Plan. If you have any questions pertaining to your FlexSystem Premium Only Plan, call us toll-free at 800-422-4661. While not required, the 12-digit TASC ID provided in this welcome kit will help get you to the right contact quickly.

Welcome	3
Introduction to Premium Only Plans	4
Plan Document	4
Employer Tax Savings	5
W-2 Forms and Your POP	6
Getting Started in FlexSystem	8
FlexSystem Renewal	9
TASC Invoicing Practices	10



Client Forms

Employer Check List	13
Participant Guide to Premium Only Plans	14
Change of Election Form	15
Board of Directors Certificate of Resolution	16
FlexSystem Upsell Flyer	17



Welcome

Dear Valued Customer:

Thank you for choosing FlexSystem for administration of your Section 125 Premium Only Plan! We appreciate your business and look forward to servicing your Plan.

This Manual contains everything you need to implement your Section 125 Premium Only Plan, including an Employer Check List and a Participant Guide to Premium Only Plans. All of these forms are located in the Administrative Form section of the Manual.

Visit our TASC news site at www.tasctracker.com and subscribe to receive news updates via email. Must-know information regarding TASC products is posted regularly on this site.

Thank you for allowing us to administer your Section 125 Premium Only Plan. We are confident you will find the Plan to be efficient and worthwhile. Feel free to call 1-800-422-4661 for any customer assistance you may need.

Sincerely,

FlexSystem



FlexSystem[®]

Introduction to Premium Only Plans

How will a company benefit from a Section 125 Premium Only Plan?

A Section 125 Premium Only Plan enables employees to pay for their portion of the employer-sponsored health insurance premiums on a pre-tax basis. The result is tax savings for both employer and employees! By offering a Section 125 Premium Only Plan, an employer is able to:

Reduce Payroll Costs. Matching Social Security (FICA) contributions are reduced for each dollar of employee participation!

Recruit and Retain of Quality Employees. An employer is viewed in a positive light by current and prospective employees because a benefit package is being provided to the employees by the company...with the employee's interests in mind.

How does a company implement a Section 125 Premium Only Plan?

To implement a Section 125 Premium Only Plan, a Plan Document must be adopted. Download your Plan Document at <https://www.tasconline.com/flexsystem-plan-documents>. This is very important! In order for this plan to be tax advantaged, the IRS requires an employer to have an individual authorized by the employer's corporate charter or bylaws to officially adopt the Cafeteria Plan. To do so, download the document, the adoption instructions and complete Article XI as instructed. Keep the documents for your records. Do not return to TASC.

A change is required in the way payroll taxes are calculated. A Section 125 Premium Only Plan will affect employees who have health, dental, vision, disability and/or group term life insurance premiums deducted from their payroll and who elect to participate in the Section 125 Premium Only Plan. Because these expenses are paid with pre-tax dollars, employees are taxed on a lower gross salary, thereby saving money that would otherwise be spent on federal, state and FICA taxes. Your company also saves on your portion of the FICA taxes (7.65%) for every dollar your employees run through the Plan.

EXAMPLE 1 illustrates how a payroll check would be calculated for an employee who earns \$20,000 annually, is paid on a monthly basis and has three withholding allowances. In this example, the employee is paying for their health insurance premium with after-tax dollars.

EXAMPLE 2 shows how the payroll check is now computed because of participation in the Section 125 Premium Only Plan. The only change required by the Section 125 Premium Only Plan is that the insurance premium be deducted on a pre-tax basis. This means the employer will need to deduct the insurance premium from the gross salary before computing the FICA, federal and state income taxes.

Because of the Section 125 Premium Only Plan, the employee's net paycheck has been increased because the insurance premium is paid with pre-tax dollars. Section 125 permits the gross salary to be reduced by the insurance premiums being funded through the payroll deduction. Therefore, taxes will go down and the employee's paycheck will increase.

EXAMPLE 1

Monthly Gross Salary	\$1,666
FICA	- 127
Federal Income Tax	- 249
*State Income Tax	- 52
Adj. Gross Salary	\$1,238
Insurance Premium	- 400
Net Pay	\$ 838

*Some states do not have a state income tax. Example assumes 3.1%.

EXAMPLE 2

Monthly Gross Salary	\$1,666
Insurance Premium	- 400
Adj. Gross Salary	\$1,266
FICA	- 97
Federal Income Tax	- 190
*State Income Tax	- 39
Net Pay	\$ 940

Yearly Savings = \$1,224

*Some states do not have a state income tax. Example assumes 3.1%.

Employer Tax Savings

To estimate the potential savings realized by implementing a POP, determine the total number of single employees and the total number of family employees. Then, multiply that figure by the amount of premiums paid by the employees.

Employer Tax Savings Worksheet

- A) Estimated Health Premiums**
- A1 Total Monthly Premium Paid for Single _____
 - A2 Total Monthly Premium Paid for Family _____
 - A3 Number of Employees on the Single Plan _____
 - A4 Number of Employees on the Family Plan _____
- B) Other Insurance Premiums (Group dental, vision, disability, and/or term life.)**
- B1 Total Monthly Premium Paid for Single _____
 - B2 Total Monthly Premium Paid for Family _____
 - B3 Number of Employees on the Single Plan _____
 - B4 Number of Employees on the Family Plan _____

C) Calculated Savings

Total of A1 x A3 = \$ _____

Total of A2 x A4 = \$ _____

Total of B1 x B3 = \$ _____

Total of B2 x B4 = \$ _____

Add the four totals from above = \$ _____

x 7.65%

Estimated Potential Payroll Savings/Month \$ _____

EXAMPLE

Health Insurance for Single Employees <i>(6 Single Employees x \$50 per month)</i>	\$ 300
Health Insurance for Family Employees <i>(10 Married Employees x \$250 per month)</i>	\$ 2,500
Short-Term Disability Insurance <i>(13 Employees x \$20 per month)</i>	\$ 260
Total Monthly Premiums	\$ 3,060
Total Employer Monthly Savings <i>(Total Monthly Premiums x 7.65%)</i>	\$ 234

Annual Employer Payroll Tax Savings is \$2,808!

W-2 Forms and Your POP

To take advantage of the pre-tax benefits available with a Section 125 Premium Only Plan, employees are paying for their share of insurance premiums by reducing their salary before taxes are calculated, as illustrated in the example below. The reduced gross wages (A) is the amount used for W-2 income tax purposes.

Instructions for completion of W-2 Form for POP Participants:

1. Input Item A, Reduced Gross Wages, in Boxes 1, 3, and 5.
2. Input Item A, Reduced Gross Wages, in Box 16.
3. Input either the non-reduced Gross Wages or Item A, Reduced Gross Wages, in Box 18 as determined by local jurisdiction.
4. Input Item B in Box 2.
5. Input Item C in Box 17.
6. Input Item D in Box 4.
7. Input Item E in Box 6.
8. Complete all other lines as they would be completed without regard to the Premium Only Plan.

Box 14 of the form allows employers the opportunity to provide the employee with information on any additional deductions. Deduction in this box may include union dues, education assistance payments, a clergyman's parsonage allowance and utilities, etc. It may include amounts paid for a Cafeteria Plan, however it is not typical to list these here. The box is used mostly for informational purposes.

Gross Wages		20,000
less premiums withheld from salary on a pre-tax basis		2,400
Reduced Gross Wages	(A)	17,600
Less:		
*Federal Income Tax	(B)	2,640
*State Income Tax	(C)	540
Social Security Tax	(D)	1,346
Medicare Tax	(E)	225
Net Wages:		12,849

* Figures may vary based on individual filing status.

POP W-2 Form Example

a. Control number		For Official Use Only OMB No. 1545-0008				
b. Employer's identification number 12-3456789		1 Wages, tips, other compensation 17,600.00		2 Federal income tax withheld 516.00		
c. Employer's name, address, and ZIP code SAMPLE COMPANY 100 Cafeteria Drive Kansas City MO 64112		3 Social security wages 17,600.00		4 Social security tax withheld 1,091.00		
		5 Medicare wages and tips 17,600.00		6 Medicare tax withheld 255.00		
		7 Social security tips		8 Allocated tips		
d. Employee's social security number 999-99-9999		9 Advance EIC payment		10 Dependent care benefits		
e. Employee's name (first, middle initial, last) Taxpayer 101 Anytown Kansas City MO 64112		11 Nonqualified plans		12a See instructions for Box 12		
		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b		
		14 Other		12c		
f. Employee's address and ZIP code				12d		
15 State	Employer's state I.D. No.	16 State wages, tips, etc. 17,600.00	17 State income tax 540.00	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

Copy 2 To Be Filed With Employee's State, City, or Local Income Tax Return

Department of the Treasury - Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Getting Started in FlexSystem

Starting Your Plan

You will soon receive a copy of the Summary Plan Description (SPD) detailing your Plan benefits and eligibility requirements. Please review for accuracy. Copy and distribute to each eligible employee the SPD and the Participant's Guide to Premium Only Plans, found later in this Manual. Your employees will be instructed to inform you only if they elect not to participate in the Plan.

Eligible Employees

The Section 125 Plan regulations require all Participants in the Plan to be employees of the employer. As such, eligibility to participate is generally limited to common-law employees of the employer and the specific eligibility requirements for the Plan are set out in the Plan Document and Summary Plan Description. It is important to note there are individuals who are specifically excluded from participating. For instance a sole proprietor can sponsor a Section 125 Plan, however the sole proprietor is not considered an employee and thus cannot participate. The same holds true for Partners in a partnership. In addition, more-than-2% shareholders of an S-Corporation are not eligible to participate and due to attribution rules the shareholder's spouse, children, parents, and grandparents are also excluded from participation.

Non-Discrimination Assessment

To ensure that your Plan complies with all the rules and regulations of the Internal Revenue Services, you must complete the Non-Discrimination Assessment each year for your FlexSystem Plan. The assessment is provided on an annual basis. TASC will send an assessment request to you annually. This request includes instructions on how to gather and complete the data worksheet. Once received, please submit this information within 30 days to TASC in order that the assessment can be performed in a timely manner.

Your Plan is Operational

Your FlexSystem is in place and operating. If you or your Plan Participants have questions or require additional information, contact the FlexSystem Customer Service Department at 1-800-422-4661.

Participant Guide to Premium Only Plans

What is a Section 125 Premium Only Plan?
Section 125 Premium Only Plans allow you to use pre-tax dollars to pay for your portion of the employer-sponsored health, dental, vision, disability and/or group-term life insurance premiums.

What does pre-tax mean?
Pre-tax is your pay before state, federal and social security taxes have been deducted. Because these premiums are paid with pre-tax dollars, you are taxed on a lower gross salary, thereby saving money that would otherwise be spent on federal, state, and FICA taxes. The bottom line: you take home more pay.

How does a Section 125 Plan work?
Funds are withheld from your salary and used to pay your portion of the employer-sponsored insurance premiums. Your employer will deduct your share of the premiums before your wages are taxed! The opportunity for you to pay your eligible insurance premiums pre-tax is made possible through Section 125, commonly referred to as Flexible Compensation. The income taxes saved include state, federal and FICA. The reduction in social security taxes may reduce social security retirement benefits.

What if my premiums change during the Plan Year?
Participants may change their elections during the Plan Year only if they experience a change of status such as a marriage or divorce, birth or adoption of a child, or a change in employment status. If there is an increase or decrease in the amount of your premium, you can make a corresponding change in your pre-tax election amount.

How do I enroll?
You are not required to participate in the FlexSystem Premium Only Plan. If you do participate, no paperwork is necessary. Your share of eligible premiums will automatically be deducted before taxes. If you do not wish to take advantage of having your eligible insurance premium deducted pre-tax, and prefer instead to be taxed on these dollars, contact your payroll department.

Increase your take-home pay and improve your benefits with FlexSystem.

IT SAVES MONEY!
Pay your portion of the employer-sponsored insurance premiums and save substantial tax dollars. The result is an improved benefits package and substantial tax savings.

FlexSystem's Participants save hundreds of dollars in taxes each year.

HOW MUCH WILL YOU SAVE?

Pre-Tax Example		
	Without FlexSystem \$4,000/Year	With FlexSystem \$4,000/Year
Gross Pay		
Pre-tax Benefit		400
TOTAL	0	400
Wages subject to tax	4,000	3,600
Federal tax	240	230
FICA Tax (Social Security)	137	97
State Tax	53	39
Pre-tax Bonus	0	0
Spendable Income	\$3,570	\$3,940

Net Increase in Annual Take-Home Pay = \$370
This is an illustration only and actual numbers may vary. Paying various qualified expenses helps to increase your take-home pay.

FlexSystem Renewal

To retain the pre-tax advantages of your FlexSystem Premium Only Plan, you must renew your Plan each year. Each renewal includes the following services:

- Plan Document
- Summary Plan Description (SPD)
- Non-Discrimination Assessment
- Toll-Free Support
- Compliance Guidance

Renewal notifications are sent approximately 75 days prior to your Plan effective date. This is the time to ensure we have up-to-date account information for you and on your Plan Benefit offerings. Plan renewal time is also an excellent time to consider offering your employees a full Section 125 Plan. For more information on the benefits of a full Section 125 refer to the Upgrade Flyer in this Manual.

TASC Invoicing Practices

Purpose

TASC's Invoicing Practices aim to foster a clear understanding by communicating expectations to all Clients and Providers, ensuring compliance to TASC Plans and services, creating consistency between all of TASC's divisions, and ensuring the continuation of services.

Philosophy

To ensure that TASC operations continue to run smoothly, various actions need to occur in a timely manner, including the payment of TASC administrative fees. Paying in advance demonstrates that the Plan is for the benefit of employees, provides further evidence that the Plan has been established on a pre-thought basis, and ensures coverage under TASC's Audit Guarantees. TASC invoices in advance for two reasons:

1. TASC requires a commitment in advance of the business being processed, and
2. TASC requires a payment history for its Clients, so as to determine the Clients' status of good standing.

Types of Payments

- **Check**
Clients may pay by check.
- **E-Pay**
Clients may pay administrative fees electronically as long as they use E-Pay, and as long as these fees are debited 7-days prior to their service period start date. Therefore, if a service period begins January 1, Clients will be debited on December 23.
- **ACH Credit**
Clients may pay administrative fees, funding invoices or Payroll Verification Reports via an electronic ACH Credit transfer. A \$40 per transaction Service Charge will be assessed. Clients should contact their Provider for details.
- **ACH Debit**
Clients may pay administrative fees, funding invoices or Payroll Verification Reports via an electronic ACH Debit transfer.

Types of Invoices

- **Administration Fee**
Generated annually, quarterly, or monthly for TASC Services that are provided during a pre-determined service period.
- **Premium Services Fee**
This invoice is generated when a Client has elected a Premium Service.

Standard procedures across all divisions

- **Invoice**
Generated and sent forty-five (45) days prior to the Service Period start.
- **Due Date**
Will be seven (7) days from the date the invoice was generated.
- **Service Charge Date**
An additional \$20 fee will be assessed sixty (60) days from the original Invoice Date if the invoice is not paid by the Service Charge due date, and the account will be placed on hold. Exception: If DirectPay funding or FlexSystem FSA invoices are not paid within 21 days of Plan start a notice will be send to the Client; if the invoice is still unpaid at 30 days the account will be placed on hold.
- **Statement**
A Statement (second notice) of unpaid invoices will be mailed fifteen (15) days prior to the start of the Service Period.
- **Past Due E-mail Notification**
On the first day of the Service Period or forty-five (45) days after the original invoice date (whichever comes first), an e-mail will be sent to any account with unpaid invoices older than forty (40) days. This e-mail will inform the Client that the account will be put on hold and that a \$20 service fee will be charged if the invoice is not paid within sixty (60) days of the original invoice issue date. Exception: FlexSystem FSA invoices will receive notification of Past Due at 15 days after the date of invoice.

- **Final Notice Statement**

A Final Notice Statement (third notice) will be mailed out fifteen (15) days into the Service Period, with a Service Charge of \$20.00, a notice of "default" status, and a notice that all account services have been placed on hold.

- **Collections**

The account will be placed in Collections forty-five (45) days into the Service Period start, or ninety (90) days after the original invoice date, whichever comes first.

- **Plan Termination**

The account will be terminated one hundred four (104) days into the Service Period start. Letters will be provided to each Client being terminated.

- **Fee Calculations**

Fees are calculated on the number of known Participants at the time the invoice is generated. Administration fees are either the minimum fee or the number of Participants multiplied by the per Participant fee, whichever is higher. If the number of Participants is unknown the minimum fee will be charged.

Client Responsibilities

- Mail invoices and payments in the envelope provided (goldenrod color) to: TASC - Client Invoices, PO Box 88278, Milwaukee, WI 53288-0001.
 - All invoice payments must be submitted separately from all other payments and transactions.
 - All invoice payments must be made separately (i.e. one check with one invoice).
- Notify TASC of any disputes or any changes.



Client Forms

These forms are for reference only.
Please copy as needed.

Employer Checklist

The Employer and Plan Administrator (if other than the employer) should complete the following steps:

1. Complete the Plan Application, sign and date the document. Return to FlexSystem.
2. Distribute to all eligible employees a copy of the FlexSystem Participant Guide to Premium Only Plans.
3. Adjust Payroll to reflect the premium pre-tax deduction(s).
4. Distribute to all eligible employees a copy of the Summary Plan Description (SPD).

Participant Guide to Premium Only Plans

What is a Section 125 Premium Only Plan?

Section 125 Premium Only Plans allow you to use pre-tax dollars to pay for your portion of the employer-sponsored health, dental, vision, disability and/or group term life insurance premiums.

What does pre-tax mean?

Pre-tax is your pay before state, federal and social security taxes have been deducted. Because these premiums are paid with pre-tax dollars, you are taxed on a lower gross salary, thereby saving money that would otherwise be spent on federal, state, and FICA taxes. The bottom line: you take home more pay.

How does a Section 125 Plan work?

Funds are withheld from your salary and used to pay your portion of the employer-sponsored insurance premiums. Your employer will deduct your share of the premiums before your wages are taxed! The opportunity for you to pay your eligible insurance premiums pre-tax is made possible through Section 125, commonly referred to as Flexible Compensation. The income taxes saved include State, Federal and FICA. The reduction in Social Security taxes may reduce Social Security retirement benefits.

What if my premiums change during the Plan Year?

Participants may change their elections during the Plan year only if they experience a change of status such as a marriage or divorce, birth or adoption of a child, or a change in employment status. If there is an increase or decrease in the amount of your

premium, you can make a corresponding change to your pre-tax election amount.

How do I enroll?

You are not required to participate in the FlexSystem Premium Only Plan. If you do participate, no paperwork is necessary. Your share of eligible premiums will automatically be deducted before taxes. If you do not wish to take advantage of having your eligible insurance premium deducted pre-tax, and prefer instead to be taxed on these dollars, contact your payroll department.

Increase your take-home pay and improve your benefits with FlexSystem.

IT SAVES MONEY!

Pay your portion of the employer-sponsored insurance premiums and save substantial tax dollars. The result is an improved benefit package and substantial tax savings.

FlexSystem's Participants save hundreds of dollars in taxes each year.

HOW MUCH WILL YOU SAVE?

Pre-Tax Example

	Without FlexSystem	With FlexSystem
Gross Pay	\$1,666/mo	\$1,666/mo
Pre-Tax Benefits		
Premiums	0	400
TOTAL	<u>0</u>	<u>400</u>
Wages subject to tax	1,666	1,266
Federal tax	249	190
FICA Tax (Social Security)	127	97
State Tax	52	39
Premiums	<u>400</u>	<u>0</u>
Spendable Income	\$838	\$940

Net Increase in Annual Take-Home Pay = \$1,224

This is an illustration only and actual numbers may vary. Paying certain qualified expenses before tax increases your take-home pay.

Premium Only Plan Change of Election Form

This form is for your internal use only. Retain for your records.

A change of election must be (1) on account of and correspond to one of the qualifying events below and (2) made within 30 days of the qualifying event.

Participant Name _____ Participant ID # _____

Effective date of change _____ First payroll affected by change _____

TYPE OF CHANGE

I hereby request a change in my benefit election(s) as follows:

Benefit	Current Payroll Deduction Amount	New Payroll Deduction Amount	Revised Annual Election*
Employer Group Insurance Premium	\$ _____	\$ _____	\$ _____

*Required to be entered. The revised annual amount is determined by adding your year-to-date deductions taken at the old rate to your deductions to be taken for the remaining pay periods in the Plan Year.

Reason For Change (Qualifying Events)

- Change in Legal Marital Status
- Change in the Cost of Coverage
- Addition or Elimination of Benefit Package
- Change in Number of Dependents
- HIPAA Special Enrollment Rights
- Entitlement to Medicare or Medicaid
- Change in Employment Status
- Judgement, Decree or Order
- Change in Coverage of Spouse or Dependent Under Other Employer's Plan
- Dependent Satisfies or Ceases to Satisfy Eligibility Requirements
- FMLA
- Loss of group health coverage sponsored by governmental or educational institutions
- Change in Residence
- COBRA
- Significant Curtailment of Coverage

Participant Signature _____ Date _____

Client Signature _____ Date _____

Participants: Submit this form to your employer and retain a copy for your records.

Employers: Retain this form for your records.

Board of Directors Certificate of Resolution

While the Employer may choose to complete a Certificate of Resolution, doing so is not required. If you choose to complete this Resolution, re-type it on company letterhead.

The undersigned Secretary or Principal of _____ (the Employer) hereby certifies that the following resolutions were duly adopted by the board of directors of the Employer on _____, 20_____, and that such resolutions have not been modified or rescinded as of the date hereof.

RESOLVED, effective _____, 20_____, that the form of a Cafeteria Plan presented to this board is hereby approved and adopted, and that the proper officers of the Employer are hereby authorized and directed to execute and deliver to the Administrator of the Plan one or more counterparts of the Plan.

RESOLVED, that the Administrator shall be instructed to take such actions deemed necessary and proper in order to implement the Plan, and to set up adequate accounting and administrative procedures to provide benefits under the Plan.

RESOLVED, that the proper officers of the Employer shall act as soon as possible to notify employees that the Cafeteria Plan has been adopted by giving each employee a copy of the approved Summary Plan Description of the Plan.

The undersigned further certifies that attached hereto as exhibits are true copies of the Premium Only Plan Application and the Summary Plan Description, as approved and adopted in the foregoing resolutions.

By: _____
Secretary/Principal Date

Don't Overlook the Increased Savings Potential for You and Your Employees!

Your current Flex System or Profit Only Plan (POP) already provides a valuable benefit to your employees by allowing them to use pre-tax dollars for their group health insurance premiums. *But did you know...*

...you could offer a more robust benefit plan that actually pays for itself?

Increase the Power of Pre-tax by Upgrading to a Full FSA Plan

A Full FSA Plan provides more benefit options for eligible employees to elect and use pre-tax dollars, leading to increased contributions and reduced taxes:

- ✓ Healthcare FSA
- ✓ Dependent Care FSA
- ✓ Transportation FSA (parking and transit)
- ✓ Non-Employer Sponsored Premiums

Get the Win-Win Savings Potential

Employer Savings Example

	<u>POP</u>	<u>Full FSA</u>
Assume # of Plan Participants:	30	30
<u>Annual Pre-Tax Contributions per Participant</u>		
Medical/Dental Premiums:	-\$3,600	-\$3,600
Medical Expenses:	n/a	-\$1,200
Daycare Expenses:	n/a	-\$4,800
TOTAL Contributions:	-\$3,600	-\$9,600
x 30 Participants:	\$108,000	\$288,000
Your FICA Savings (7.65%):	\$8,262	\$22,032

Increase in FICA Savings = \$13,770/year!

For illustration purposes only. Actual dollar amounts may vary.

Upgrade Discount Offer

When you upgrade, the new enrollment fee is discounted by your current POP enrollment fee!

For more information on upgrading to a Full FSA Plan, contact your account manager or call 1-800-444-4444.

For more information, visit www.fsa.com

© 2007 Total Administrative Services Corporation

Employers win by reducing payroll taxes on every dollar an employee contributes from their payroll. The tax savings gained virtually covers the Plan Fees, thus paying for itself!

Participants win by reducing income taxes after electing pre-tax dollars from their payroll, thus increasing their take-home pay!

Participant Savings Example

	<u>POP</u>	<u>Full FSA</u>
Gross Monthly Pay:	\$3,500	\$3,500
<u>Monthly Pre-Tax Contributions</u>		
Medical/Dental Premiums:	-\$300	-\$300
Medical Expenses:	n/a	-\$100
Daycare Expenses:	n/a	-\$400
TOTAL Contributions:	-\$300	-\$800
Taxable Monthly Income	\$3,200	\$2,700
Taxes (federal, state, FICA):	-\$385	-\$747
Out-of-pocket Medical/Daycare:	-\$500	\$0
Monthly Take-home Pay:	\$1,815	\$1,953

Net Increase in Take-Home Pay = \$138/mo!

For illustration purposes only. Actual dollar amounts may vary.

Direct Pay Health Reimbursement Arrangements (DRA)
Flex System Flexible Spending Accounts (FSA)
ERISA/ERCA/ERISA Compliance
FMLA Matters FMLA Administration
Form 9500 Preparation
Health Savings Account
Non-Discrimination Testing
Payroll Payroll Services
RCORI