

BE IT REMEMBERED that the Legislative Body Session for Hamblen County, Tennessee met at its regular monthly meeting on November 19, 1998 at 5:00 in the Hamblen County courthouse with the Honorable Herbert Harville presiding.

The Legislative Body Session was opened by Sheriff Otto Purkey.

Invocation was given by David Purkey.

Upon roll call the following members were present

Larry Baker	Bud Jones
Eldridge Bryant	Willie Osborne
Guy Collins	Frank Parker
Lyle Doty	Bobby Reinhardt
Doyle Fullington	Tony Sizemore
Donald Gray	Joe Spooone
Herbert Harville	

Absent: Maudie Briggs

MINUTES APPROVAL

Motion by Eldridge Bryant, seconded by Guy Collins that the minutes of the previous meeting be approved.

Voting for: all

Voting against: none

NOTARIES AND BONDSMEN

Motion by Larry Baker, seconded by Willie Osborne to approve the following notaries and their bondsmen.

Voting for: all

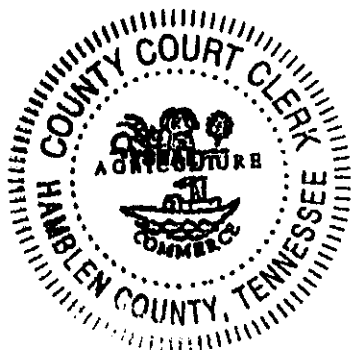
Voting against: none

CERTIFICATE OF ELECTION OF NOTARIES PUBLIC

As CLERK OF THE COUNTY OF Hamblen, TENNESSEE,

I HEREBY CERTIFY TO THE SECRETARY OF STATE THAT THE FOLLOWING WERE ELECTED TO THE OFFICE OF NOTARY PUBLIC DURING THE November, 19 98 MEETING OF THE GOVERNING BODY:

NAME (PRINT OR TYPE)	HOME ADDRESS AND PHONE (INCLUDE ZIP AND AREA CODES)	BUSINESS ADDRESS AND PHONE (INCLUDE ZIP AND AREA CODES)
Ricky Neil Dinkins Bonding Company	3080 Naomi Dr. Morristown, TN 37814 423-318-0668	Clayton Homes 423-787-9700 600 W. Andrew Johnson Hwy. Greeneville, TN 37743
Jenny S. Noe Southern States Insurance	2545 Shields Ferry Rd. Morristown, TN 37814 423-587-3783	State of Tennessee 423-586-0808 2545 Shields Ferry Rd. Morristown, TN 37814
Tama Y. Jones William F. Young William A. Hayes	7724 East Andrew Johnson Hwy. Whitesburg, TN 37891 423-235-0316	Young's Furniture 423-235-6548 1701 Needmore Road Whitesburg, TN 37891
Michelle C. Masengill Southern States Insurance	1033 Walters Drive Morristown, TN 37814 423-581-5555	First Tennessee Bank, NA 586-8021 1112 West First North Street Morristown, TN 37814
William Pearce Wilson Southern States Insurance	892 St. Tide Hollow Rd. Newport, TN 37821 423-471-2943	Oakwood Homes 423-587-2122 6251 West Andrew Johnson Hwy. Talbott, TN 37877
W. Douglas Collins C. Dwaine Evans Douglas R. Beier	1042 E. Brentwood Dr. Morristown, TN 37814 423-587-0888	818 West First North St. Morristown, TN 37814 423-587-2800
Rebecca K. Wampler Western Surety	520 Hale Ave. Morristown, TN 37813 423-581-0698	P. O. Box 642 Morristown, TN 37815 423-586-2761
Jean Shaver Western Surety	1831 Oak St. Morristown, TN 37813 423-586-7369	740 East Main St. Morristown, TN 37813 423-586-2761
Isaac Lloyd Seaton Bonding Company	1996 Main Street Mosheim, TN 37818 423-422-4200	1619 E. Andrew Johnson Hwy. Morristown, TN 37814 423-581-1930
Cynthia Marie Parker Rick Swanson Mark Cowan	5625 Buell St. Talbott, TN 37877 423-586-5772	807 West First North St., Suite 4 Morristown, TN 37814 423-586-9200
Elizabeth M. Brooks Bonding Company	1405 Johnson Dr. Morristown, TN 37814 423-586-3809	1025 Sulphur Springs Rd. Morristown, TN 37813 423-581-1600
Sandra Chambers Charles R. Corlew Walter R. Hull	2466 Holder Drive Morristown, TN 37814 423-585-0321	1135 West Third North Street Morristown, TN 37814 423-586-6134
Lisa Ann Smith Bonding Company	5346 Stuffle Rd. Morristown, TN 37814 423-581-0495	2562 Eddie Price Blvd. Morristown, TN 37814 423-585-0044



Linda Wilder ms.

 SIGNATURE
 CLERK OF THE COUNTY OF Hamblen, TENNESSEE
10-21-98

 DATE

APPOINTEES TO E-911 BOARD OF DIRECTORS

Motion by Joe Spoone, seconded by Willie Osborne to confirm the county executive's appointees to serve on the E-911 Board of Directors until 8/31/2002.

Sheriff Otto Purkey
Stancil Ford
Bud Jones
Joe Seals
Terry Pierce
Richard Clark
Bill Honeycutt
Jim Caylor
Jack Kennerly

Voting for: all

Voting against: none

APPOINTEE TO GROWTH MANAGEMENT COMMITTEE

Motion by Joe Spoone, seconded by Eldridge Bryant to confirm the County Executive's appointment of Herbert Harville to serve on the Growth Management Committee.

Voting for: all

Voting against: none

BILLS

Motion by Willie Osborne, seconded by Tony Sizemore that the following bills be approved and paid.

Voting for: all

Voting against: none

Bills Recommended for Payment - November 19, 1998

ABS	Ext	28.64	McQuiddy	EC	662.40
Accu Weather	EMA	45.00	McQuiddy	EC	38.82
Acme Printing	Juv	24.00	Microvote	EC	65.00
Adrian Hale	CH	141.00	Microvote	EC	130.00
Adrian Hale	HD	19.00	Microvote	EC	94.76
Adrian Hale	CH	59.00	Office Depot	EC	-65.75
Adrian Hale	JC	38.00	Office Depot	HC	27.96
Adrian Hale	Mall	25.00	Office Depot	A	65.52
Advanced Mailing	HC	74.45	Office Depot	CRC	2.50
Aims	HC	420.00	Office Depot	EC	28.48
AIMS	HC	5.00	Office Depot	RD	5.26
Airport Tire	EMA	280.00	Office Depot	RD	10.76
Barge Waggoner	HC	829.13	Office Depot	RD	20.24
Bradley's	Inv	257.28	Office Depot	CnC	18.96
Bradley's	Juv	4.15	Office Depot	CE	3.98
Capps, Canwell, Capps	HC	3,520.04	Office Depot	CE	1.37
Capps, Canwell, Capps	A	2,156.25	Office Depot	CE	1.64
Citizen Tribune	EC	404.82	Office Depot	CE	14.73
Citizen Tribune	EC	57.20	Office Depot	CRC	2.14
Citizen Tribune	PC	69.55	Office Depot	CRC	2.43
City of Morristown	HC	3,458.75	Office Depot	T	0.81
Comer Electric	Inv	331.20	Office Depot	CRC	12.27
Comptroller of Treas.	RD	49.00	Office Depot	CE	4.09
Comptroller of Treas.	A	49.00	Office Depot	CE	11.20
Comptroller of Treas.	PC	236.77	Office Depot	CE	1.66
Concepts in Comm.	HC	60.00	Office Depot	RD	16.90
Concepts in Comm.	CE	289.02	Office Depot	CnC	3.51
County Records	CRC	427.40	Office Depot	Inv	123.20
County Records	RD	917.80	Otis Elevator	CH	286.43
County Records	RD	485.34	Paper Supply	Inv	652.32
Custom Printing	HC	177.50	Paper Supply	Inv	380.52
Evan's	CnC	26.78	Pet Dairy	Juv	24.92
Evan's	RD	18.71	Pet Dairy	Juv	3.86
Evan's	CnC	22.00	Price & Price Mech.	CH	116.00
Evan's	CnC	17.00	Quality Salvage	CnC	49.46
Evan's	HD	149.11	Quill	T	69.48
Evan's	CnC	28.24	Rental Uniforms	JC	43.68
Federal Express	EC	7.50	Rental Uniforms	CH	131.04
Food City # 602	THF	170.21	Rogersville Office	WP	363.00
Graybar	CnC	351.88	Schwaab	EC	28.70
Hiram Jones	HC	4,050.00	Schwaab	T	42.05
Homestyle Laundry	HD	20.00	Schwaab	RD	28.70
Ikon Office Solutions	Mall	399.00	Sherwin Williams	JC	256.59
Lanier	HC	197.34	Stokes	Inv	936.00
Leonard's	CnC	9.13	SunTrust	GS	37.00
Letter Shop	CE	112.50	SunTrust	T	37.50
Lexis	Juv	48.25	SunTrust	T	49.44
Lexis	GS	104.47	SunTrust	CRC	18.50

Bills Recommended for Payment - November 19, 1998

Teffeteller, Irma	HD	502.50	Sheriff's Dept. , cont.	
Visible	HC	105.08	Earthgrains	104.22
Wal-Mart	Juv	69.62	East Main Texaco	546.36
Wal-Mart	Juv	137.23	East Ridge	1,358.45
Wallace Hardware	Inv	78.12	Emergency Coverage Corp.	425.00
Ward Printing	T	127.50	Evan's	106.90
Ward Printing	T	89.00	Eyecare Assoc.	148.00
Ward Printing	EC	29.50	Federal Express	11.50
Ward Printing	CRC	580.00	Flowers Bakery	621.14
Ward Printing	PC	59.50	Free Service Tire	464.64
West Group	GS	63.75	Gall's	763.87
Wholesale Electric	Inv	314.40	Graybar	512.50
Xpedx	Inv	6,948.00	Hale Brothers	7,129.80
TOTAL - GEN. BILLS		34,635.64	Hamblen Radiology	225.00
			Harville Hardware	528.24
			Home Lumber	7.50
GARBAGE DEPT. BILLS			Institutional Dist.	6,302.17
Buffalo Trail Western Wear		90.00	Jerry's Wrecker Service	15.00
Ball, Elward		51.20	Jimmy's Auto Parts	411.56
Hamblen Farmer's COOP		2,505.64	Katom	9.75
Kenworth		137.15	Kavanagh, Eugene M.D.	60.00
M'town Occupational Therapy		32.00	Kay Uniforms	758.53
Recycling & Co.		6,642.50	King's Radiator	40.00
Shoe Show		74.98	Leonard's	62.98
Tractor Supply		169.98	Log On Computers	144.93
Tri-Blends		92.50	Lowe's	106.15
Commercial Billing		393.66	M-H Hospital	330.00
Wheels & Brakes		361.33	Minnis Drugs	152.86
Welding Supply		19.40	Moore's Tractor & Trailer	80.95
Wright Supply		127.00	Morristown Chevy	74.94
Wal-Mart		24.96	Morristown Ford	76.53
TOTAL - GARBAGE DEPT.		10,722.30	Mountain View Psyc. Center	85.00
			M'town Electric Wholesale	66.21
SHERIFF'S DEPT.			Muffler & Auto Center	70.00
Acme Printing		190.00	National Crime Prevention	1,095.18
Advance Auto		1,310.80	National Jail & Lock Repair	696.48
Bradley's		139.28	Office Depot	445.00
Camera Castle		64.30	Parella, Stephen D.	225.00
Capps, Cantwell, & Capps		44.00	Pet Dairy	559.27
Carroll Snyder Plumbing		208.90	Porter's Tire	20.00
Charlie Raines		173.00	Prompt Medical Center	325.00
Commercial Emblem		199.70	Roto Rooter	458.00
Crescent Wash & Lube		829.40	Sav-On Printing	195.10
Doctor's Hospital Pharmacy		602.58	Sherwin Williams	505.63
Doka, Steve D.D.S.		490.00	Son Shine Produce	333.65
Douthat, Marsha FNP		2,916.66	Stone Cold Chemicals	254.66
Doyle's		65.00	Sun Electronics	152.81
E-Z Pawn Shop		100.00		

Bills Recommended for Payment - November 19, 1998

Sheriff's Dept., Cont.

TN Two Way	150.00
Town & Country	118.02
Video Systems Security	509.35
Wal-Mart	515.41
Walker's Supply	42.44
Ward Printing	92.00
Wee-end, Jose L. M.D.	435.00
TOTAL - SHERIFF'S DEPT.	36,262.30

LITIGATION TAX INCREASE

Motion by Joe Spoone, seconded by Larry Baker that the litigation tax be increased as follows with all of the money generated from the increase to go to the Garbage Fund.

From \$11.45 to \$15.00 for civil cases in General Sessions court
From 26.00 to 31.00 for criminal cases in General Sessions court
From 11.25 to 19.00 for civil cases in Court of Records
From 26.00 to 28.50 for criminal cases in Court of Records

Voting for: All except Bud Jones who voted NO.

SHERIFF DEPARTMENT-BIDS ON NEW CARS

Motion by Joe Spoone, seconded by Frank Parker to put out bids for 18 new cars for the Sheriff Department and then send the bids to the purchasing committee.

Voting for: all

Voting against: none

RESOLUTION-AMEND PRIVATE ACT CHAPTER NO. 161 RELATING TO HAMBLEN CO. ROAD DEPT.

Motion by Larry Baker, seconded by Guy Collins to approve the following resolution.

Voting for
Larry Baker
Guy Collins
Lyle Doty
Doyle Fullington
Donald Gray
Herbert Harville
Willie Osborne
Frank Parker
Bobby Reinhardt
Tony Sizemore
Joe Spoone

Voting against
Eldridge Bryant
Bud Jones

RESOLUTION BY HAMBLEN COUNTY, TENNESSEE TO REQUEST STATE REPRESENTATIVES TO INTRODUCE AN AMENDMENT TO SECTION 3 TO PRIVATE CHAPTER NO. 161 OF PRIVATE ACTS OF 1996 RELATING TO HAMBLEN COUNTY ROAD DEPARTMENT

WHEREAS, the General Assembly of the State of Tennessee enacted Chapter 161, Private Acts of 1996 amending and restating the Private Acts relative to the Road Commission and Road Superintendent for Hamblen County, Tennessee; and

WHEREAS, it is the desire of the Hamblen County Legislative Body to amend Section 3 of Chapter 161 of the Private Acts of 1996 to provide that the Hamblen County Road Superintendent shall be elected by a majority vote of the Hamblen County Board of Commissioners, effective September 1, 2000, for a four year term as required by Tennessee Code Annotated SS 54-7-105; and

WHEREAS, the Hamblen County Legislative body desires to request that its state representatives introduce legislation during the next session of the General Assembly of the State of Tennessee to accomplish this end;

NOW THEREFORE, BE IT RESOLVED, by the Hamblen County Board of Commissioners, meeting in regular session on the 19th day of November, 1998 that State Senator Tommy Haun and State Representative Stancil L. Ford be requested to introduce legislation before the General Assembly of the State of Tennessee to amend Section 3 of Chapter 161 of the Private Acts of 1996 to provide as follows:

*SECTION 3. The Superintendent of Roads for Hamblen County shall be appointed by a majority vote of the County Commission at its regularly scheduled August, 2000 meeting for a term of four (4) years, as required by Tennessee Code Annotated, SS 54-7-105, with the initial term of office to begin September 1, 2000, the same process to be repeated every four years thereafter. This act shall not remove the currently elected Superintendent of Roads, who shall continue to serve until his successor is appointed by the County Commission as herein provided. The qualifications and salary for Road Superintendent shall be as prescribed by the County Uniform Highway Law, Tennessee Code Annotated, Title 54, Chapter 7.

Before entering upon the discharge of his duties, the Road Superintendent shall take and subscribe to an oath that he will perform the duties of his office faithfully and impartially and without prejudice against or in favor of any section of the county or individual, that he will faithfully and impartially execute and perform all the duties imposed upon him without fear, favor or partiality, that he will honestly and faithfully expend and account for all moneys coming into his hands and honestly and faithfully discharge all duties required of him by law. The Road Superintendent shall execute to the State of Tennessee a good and solvent bond in the amount required by general law."

Signed - Chairman

Date

Attest - County Clerk

Date

Approved - County Executive

Date

REZONING REQUESTS

Motion by Joe Spoone, seconded by Larry Baker to uphold the planning commission recommendation to rezone the Joe Wayne Reynolds property from C1 to I1.

Voting for

Larry Baker
Eldridge Bryant
Doyle Fullington
Donald Gray
Herbert Harville
Bud Jones
Willie Osborne
Frank Parker
Bobby Reinhardt
Tony Sizemore
Joe Spoone

Voting against

Guy Collins
Lyle Doty

Frank Parker leaves following the vote.

DEAD END STREET

Motion by Joe Spooone, seconded by Eldridge Bryant to post Grove Street as a dead end street.

Voting for: all

Voting against: none

RESOLUTION

A RESOLUTION TO AMEND THE ZONING MAP OF
HAMBLLEN COUNTY, TENNESSEE BY REZONING PARCEL
160.02, MAP 024, OF THE HUBERT VICERS PROPERTY
LOCATED AT 2702 CALVIN ROAD

WHEREAS, The Hamblen County Planning Commission heard the request to amend the zoning map from R-1 to C-1 on Parcel 160.02 owned by Hubert Vickers;

WHEREAS, The Hamblen County Planning Commission does hereby recommend for the rezoning request;

NOW, THEREFORE, BE IT RESOLVED that the Hamblen County Board of Commissioners does hereby approve the rezoning and map amendment from R-1 to C-1 according to the attached map.

Motion was made by Joe Spooone
seconded by Eldridge Bryant.

Voting For: ALL

Voting Against: None

ATTEST:

AUTHENTICATED:

DATE:

PLANNING COMMISSION DENIAL FOR REZONING

Motion by Larry Baker, seconded by Lyle Doty to uphold the planning commission's denial to rezone the Steve Anderson property, 6476 Nicholson Rd. from R-1 to C-1.

Voting for: all

Voting against: none

SURPLUS PROPERTY-VOTING MACHINES

Motion by Bud Jones, seconded by Willie Osborne to declare fifty-five Shupe voting machines as surplus property.

Voting for: all

Voting against: none

INSURANCE COOPERATIVE AGREEMENT

Motion by Bud Jones, seconded by Eldridge Bryant to approve the following local government insurance cooperative agreement.

Voting for: all

Voting against; none

INTERGOVERNMENTAL AGREEMENT

BE IT REMEMBERED THAT this Agreement amends and restates an agreement made on the 23rd day of May, 1995, by and between the Entities listed on Exhibit A hereto, each of which may be referred to hereinafter as an "Entity" and which, collectively, may be referred to herein as the "Entities." This amendment shall be effective on execution by each individual entity as executed by that entity without regard to whether all entities execute this amendment. This amendment shall be binding on all entities listed in the original agreement and any entities hereafter added.

WHEREAS, Chapter 9 of Title 12 of the Tennessee Code authorizes interlocal cooperation between government entities and the cooperative exercise of any power the entity could independently exercise; and

WHEREAS, TCA § 29-20-401 has provided a mechanism whereby governmental entities may contract with one another to collectively provide non-profit insurance coverage; and

WHEREAS, governmental entities, subdivisions there of and certain non-profit cooperatives of the State of Tennessee are capable of associating with each other for the promotion of their general welfare; and

WHEREAS, each Entity hereby represents that it is a governmental entity or non-profit entity legally authorized by law to enter into such agreements; and

WHEREAS, it is felt that a group self-insurance pool will allow Tennessee authorized entities to self insure as a pool and to obtain insurance coverage in the most economical manner possible.

ESTABLISHMENT AND PURPOSE OF INTERGOVERNMENTAL COOPERATIVE.....	2
DEFINITIONS	3
COMMENCEMENT OF THE COOPERATIVE	4
AUTHORITY AND DUTIES OF THE COOPERATIVE.....	4
BOARD OF DIRECTORS.....	5
MEETINGS OF BOARD	6
COOPERATIVE OFFICERS	8
PLAN OF COVERAGE	14
EXCESS INSURANCE.....	14
SERVICE COMPANY	14
QUALIFICATIONS FOR MEMBERSHIP.....	15
DUTIES OF MEMBERS.....	16
LIABILITY OF BOARD AND OFFICERS.....	16
LEGAL EFFECT OF THIS AGREEMENT.....	17
EXPULSION OF AN ENTITY	18
WITHDRAWAL FROM THE COOPERATIVE	19
TERMINATION OF THE COOPERATIVE.....	19
MISCELLANEOUS	19
AMENDMENTS AND CHANGES	20

NOW, THEREFORE, each Entity agrees with the others as follows:

ARTICLE I

ESTABLISHMENT AND PURPOSE OF INTERGOVERNMENTAL COOPERATIVE

1.1 The Entities hereby continue an intergovernmental cooperative, which is known as the Local Government Insurance Cooperative (hereinafter referred to as "LOGIC"). The "Agreement and Declaration of Trust" is superceded and replaced by this agreement. The agreement titled "Intergovernmental Cooperative" originally executed by many members is also replaced by this agreement.

1.2 The purpose of LOGIC is to jointly provide protection against claims arising under workers' compensation law and tort laws of the State of Tennessee, to become a group self-insurer and to administer some or all workers' compensation insurance coverage, health and tort insurance coverage and to pool and self insure for all such risks.

LOGIC shall administer, process, obtain, instruct, and counsel each Entity in the procurement of insurance and payment of such claims as shall come within the coverage offered in each Entity. Nothing in this Agreement or participation in LOGIC, shall constitute a waiver of immunities or defenses provided under Tennessee Code Annotated § 29-20-101 et seq. or to encumber the ability of LOGIC to form this same or similar co-operative agreement under the terms and conditions of TCA Section 29-20-401.

LOGIC shall also carry out such claim, accident, or premium reduction and educational programs as may be authorized by its board.

The creation of an account pursuant to this Agreement is not intended by the Entity to constitute the transaction of an insurance business within the State of Tennessee. The purpose is to pool risks and provide group coverage and services. The intent of the Entities is to establish similar or uniform insurance coverage and to utilize LOGIC to achieve reduced costs of administration by providing similar services to all of the Entities.

The Entities also intend by the creation of LOGIC to allow an Entity to equalize annual fluctuations in insurance costs by establishing a program through LOGIC whereby reserves may be created and temporary deficits of individual Entities covered and to ultimately equalize the risks and stabilize the costs of

providing protections against claims arising under the workers' compensation law or other laws or common law through this cooperative agreement.

ARTICLE II

DEFINITIONS

In addition to the terms defined elsewhere in this Agreement, each of the following terms shall have the meaning set forth below:

2.1 Administrator – The chief executive officer of LOGIC.

2.2 Account – An account of monies established by the Entities and held in a fund to pay the joint administrative expenses of and fund certain coverage provided to the Entities and to purchase aggregate excess, specific excess, or any other insurance. The funds within the account may be used to pay premiums or claims for the member Entity. The account may consist of several separate funds. The fund balance shall be adequate to cover any current incurred and contingent liabilities.

2.3 Agreement for Services – An agreement for services contract with an appropriate service company, providing administrative claims adjustment and other necessary services.

2.4 Annual Payment – The amount of money determined to be due annually to fund the account, pay claims, and to pay expenses.

2.5 Board – The LOGIC board established pursuant to ARTICLE V of this Agreement.

2.6 Chairman – The Chairman of the Board.

2.7 Coverage – Those provisions and coverage as required by LOGIC. Each Entity may from time to time adopt one or more new or substituted coverage with the approval of the board, administered under this Agreement.

2.8 Effective Date – The latest of July 1, 1995, or the first day of the calendar month next following the month in which each of the Entities duly approved and executed the Agreement.

2.9 Entity or Governmental Entity means those organizations considered governmental entities under the "Tennessee Governmental Tort Liability Act".

2.10 Fiscal Year – The twelve-month period commencing on July 1 through June 30.

2.11 Secretary – The Secretary of the Board.

ARTICLE III

COMMENCEMENT OF THE COOPERATIVE

LOGIC commenced its operations on the 23rd day of May 1995.

ARTICLE IV

AUTHORITY AND DUTIES OF THE COOPERATIVE

LOGIC shall have the authority and duty to accomplish the purpose set forth in Article I above and, in furtherance of such authority and duty, shall:

(a) Select agents, employees, independent contractors, and insurance consultant-claims administrator, service company, attorneys, auditors and such other persons as may be necessary to administer and accomplish the purposes of LOGIC; provided, however, that LOGIC shall not have the authority to enter into any collective bargaining agreement;

(b) Carry out educational and other programs for the administration of LOGIC and the provision of coverage hereunder;

(c) Direct the collection and payment of funds to be used for the administration of LOGIC and the provision of coverage hereunder;

(d) Cause to be purchased aggregate excess, specific excess, and other types of insurance recommended by the board;

(e) Prepare and submit to the Entities for approval an annual budget for LOGIC. The budget shall be considered and amended and adopted by a majority of the Entity representatives who attend the annual meeting. In the absence of an approved budget, the Board of Directors may adopt a temporary budget.

(f) LOGIC shall have the ability to acquire, hold and dispose of personal property only. It shall acquire and dispose of personal property only through valid action of LOGIC.

(g) Carry out such other activities as are necessary, implied or required to carry out the purposes of LOGIC specified in Article I or the specified activities enumerated in this Article III.

ARTICLE V

BOARD OF DIRECTORS

5.1 LOGIC shall be managed by a board of directors operating under the terms of this Agreement. The board consists of five (5) persons, three of whom shall be representatives of the Entities. Members of the board shall be nominated and elected by the Entities at an annual meeting or by agreement in writing of a majority of the members. One new member shall be elected each year for a five-year term.

5.2 Any director, member of committee or other officer may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and if no time be specified, at the time of its receipt by the chairman of the board. The acceptance of a resignation shall not be necessary to make it effective.

If the office of any director, member of a committee or other office becomes vacant, the board may appoint any qualified person to fill the vacancy.

5.3 The board shall carry out the purposes and duties of LOGIC, as set forth this Agreement, including, but not limited to, the following:

- (a) Recommending changes in policy for LOGIC to the Entities;
- (b) Selecting agents, employees, and independent contractors to act for LOGIC;
- (c) Recommend the compensation for all agents, employees, and independent contractors;
- (d) Procuring fidelity bonds for employees or other persons, as required by this Agreement;
- (e) Preparing and recommending to the Entities the annual budget of LOGIC and any amendments to that budget;
- (f) Approving educational and other programs relating to claim reduction;
- (g) Establishing and recommending monthly and supplementary payments to the account;
- (h) Obtaining and submitting to the Entities the financial reports and reports of claims made against LOGIC;

- (i) Expelling Entities;
- (j) Such other activities as are required to carry out the purposes of LOGIC.

5.4 During the 1998-1999 fiscal year LOGIC shall pay board members Two hundred fifty dollars (\$250.00) per meeting for attending board meetings, not to exceed six meetings per year, but shall pay no other salary to board members. In subsequent fiscal years board members shall be paid the amount approved in the annual budget. The chairman or any other member of the board may submit to the board for approval, and be reimbursed for, expenses incurred as a result of the position as a member of the board.

5.5 Reimbursement for such expenses shall include amounts advanced on behalf of LOGIC either by the member himself or by an Entity and shall be in accordance with procedures and policies established by the board consistent with the terms of this Agreement. Travel expenses and mileage reimbursements shall be in the amount per mile set by the Internal Revenue Service for deductions. Board members who travel more than 150 miles to attend a meeting may be reimbursed for over night accommodations at the place of the meeting.

5.6 The Board shall serve as the final level for appeals of disputed claims. Such appeals shall be on a written record of the facts presented in lower levels of appeals. The Board shall not hear oral testimony except upon its own motion. The only appeal from a decision of the board shall be to arbitration in accordance with the rules and regulations of the American Arbitration Association.

ARTICLE VI

MEETINGS OF BOARD

6.1 The members elected the first board of directors in 1995. The organizational meeting of the board of directors was held in 1995.

6.2 Regular meetings of the board shall be held as often as necessary to carry out the purpose of LOGIC but no less than one (1) time in each fiscal year. Any item of business may be considered at a regular meeting. Unless otherwise specified the date of the regular meeting shall be the first Friday in August.

6.3 Special meetings of the board may be called by the chairman, or by any two members upon giving ten (10) days written notice to all board members. An emergency meeting may be called with no less than three (3) days written notice

provided all board members have been notified of the meeting and the purpose of the meeting.

6.4 Ten (10) days written notice of regular or special meetings of the board shall be given to each board member, and an agenda specifying the subject of any special meeting shall accompany such notice. Business conducted at special meetings shall be limited to those items specified in the agenda.

6.5 The board shall determine the time, date and location of regular meetings of the board.

6.6 No absentee voting shall be permitted. Voting shall be conducted in accordance with the rules established by the board.

6.7 A majority of the board of directors shall constitute a quorum for the transaction of business. If at a meeting of the board there is less than a quorum present, a majority of those present may adjourn the meeting until a quorum is obtained, and no further notice need be given other than announcement at the meeting of the time and place at which the meeting will reconvene. Except as provided in this Agreement, a simple majority of a quorum shall be sufficient to pass upon all matters.

- (a) Regular meetings of the board of directors shall be held with notice, in full compliance with the applicable provisions of the Tennessee Open Meetings Law, at such places and times as shall be determined from time to time by resolution of the directors.
- (b) The directors may hold their meetings and have one or more offices and keep the books of the Entity at the office of the Entity, or at any other place as they may time to time by resolution determine.

6.9 Action taken by a majority of the directors without a meeting is nevertheless valid board action if either before or after such action is taken a majority of the members of the board sign a document agreeing to the action. They shall file with the secretary of the board, for inclusion in the minute book, a memorandum showing (a) the nature of the action taken, (b) that each member of the board signing the document consented to the board acting informally in respect to such matter, and (c) the reason no meeting was held. Within a reasonable length of time after such informal action, the board shall convene in a specially called meeting to discuss the action taken informally unless all of the board members agree to and ratify the action taken by the board.

6.10 The board of directors may, by resolution, establish committees. Each committee shall consist of three (3) or more of the directors. The committees shall have the powers specified in the resolution, shall have and may exercise the powers

of the board of directors in the management of the business and affairs of LOGIC. The committees shall keep regular minutes of their proceedings and report to the board at each regular board meeting.

6.11 All meetings of the board shall be conducted in the manner required by law. In the event of any conflict between any provision of this Agreement and any provision of applicable law, this Agreement shall be deemed modified to the extent necessary to comply with such law. In addition to any notices of meetings required to be served under this Agreement, the chairman shall cause to be published any schedule or notice of meeting of the board required by law.

ARTICLE VII

COOPERATIVE OFFICERS

7.1 Officers of LOGIC shall consist of the administrator and secretary and such other officers as established from time to time by the board. The board shall elect all officers.

7.2 The "administrator" shall be the principal operating officer of LOGIC and shall supervise and control the day-to-day operations of LOGIC and carry out the purpose of LOGIC as directed by the board. The board may provide for compensating the administrator for his services. The duties and authority of the administrator shall include but are not limited to the following:

- (a) To sign on behalf of LOGIC any instrument which the board has authorized to be executed and, in general, to perform all duties incident to the office of administrator and such other duties as may be prescribed by the board consistent with this Agreement from time to time.
- (b) To prepare a proposed annual administrative budget for LOGIC, and to submit such proposal to the board.
- (c) To make recommendations regarding policy decision, the creation of other LOGIC offices and the employment of agents, employees, and independent contractors.
- (d) At each regular meeting of the board and at such other times as requested to do so by the board, to present a full report of his activities and the fiscal condition of LOGIC.
- (e) To report quarterly to each Entity a summary of all claims filed and payments made for that Entity.
- (f) Within the constraints of the budget recommended by the board and approved by the Entities, to direct the administrator to make distributions

from the account for payment of claims and the administrative expenses of LOGIC.

- (g) Disburse funds.
- (h) Approving new members provided the new members are Tennessee governmental entities.

7.3 In the absence of the administrator, or in the event of the inability or refusal of the administrator to act, the chairman of the board or the chairman's designee may perform the duties of the administrator. When so acting, the chairman or chairman's designee shall have all of the powers of and be subject to all of the restrictions upon the administrator.

7.4 The administrator shall, before commencing his duties, execute a fidelity bond with a company authorized to issue such bonds in the State of Tennessee. The penalty of the bond shall be in an amount equal to twenty-five percent (25%) of the expected total funds deposit in the account and shall be increased or decreased from time to time as the total funds increase or decrease is deemed necessary. The form of bond shall be that commonly used for chief fiscal officers of Entities and shall be paid for as an administrative expense of LOGIC and as determined and approved by the board. The requirements of this paragraph may be satisfied by appropriate endorsement of an existing bond.

7.5 The "secretary" shall be responsible for the entry of all official acts of the board into the minute books. The secretary shall be designated by the board of directors and need not be a board member.

Article VIII

ACCOUNT

- 8.1 Not later than sixty (60) days prior to the beginning of Pool's subsequent fiscal year, the Administrator shall prepare the budget for the upcoming fiscal year. The budget shall identify the proposed items and amounts of expenditure for its operations, the anticipated amounts and sources of payments and other income to be received during the fiscal year and the status of the self insurance or loss retention accounts. The budget shall recognize all anticipated or forecasted losses including an adequate reserve for incurred but not reported claims (IBNR) and administrative expenses associated with that fiscal year. A copy of the Pool's proposed budget shall be made available to each Entity at least two (2) weeks prior to the time scheduled for its adoption. No budget shall be adopted until a hearing has been held giving all Entities the opportunity to present comments or objections.
- 8.2 Not later than thirty (30) days prior to the start of the fiscal year, the Board of Directors shall adopt by majority vote the budget for the Pool's operation for the coming fiscal year. An adopted budget may be amended by majority vote of Board of Directors. A copy of any amendment shall be filed with each Entity within 30 days of the adoption of any budget amendment which either singly or cumulatively with other adopted budget amendments changes the total budget five (5) percent from the original budget or the latest filed amended budget.
- 8.3 a. Prior to the annual budget hearing, the Administrator shall compute each entity's payments for the upcoming Pool year, which shall consist of an amount allocated for the administrative account plus specific payment to establish and/or replenish the claim or loss retention trust fund account for each type of coverage provided by the Pool and in which such entity participates.
- b. The annual payment of each entity shall be its pro rata share of the Pool's budget for the upcoming year for each line of coverage provided to the entity. The calculation of each entities payment shall be based on each entity's manual premium by Pool year for that line of coverage times the pool wide discount. To the extent possible, the

Pool shall use experience modification formulas in computing manual premiums. The Board of Directors may also adopt a capping formula which limits the increase in any entity's payment to the pool wide average increase plus a percentage established by the Board of Directors.

- c. The total amount of each entity's annual payment shall be certified by majority vote of the Board of Directors to each entity at least one (1) month prior to the beginning of the next fiscal year.
- d. The annual payment shall be paid to the Pool in installments, to be determined by the Board of Directors. Health insurance payments shall be modified monthly to reflect changes in enrollment and plan design.

8.4 The Board of Directors shall by majority vote levy upon the entity's additional payments wherever needed to supplement the Pool's claim, loss retention or administrative accounts to assure the payment of the Pool's current and future obligations, including adequate reserves for incurred but not recorded (IBNR) claims.

- a. All supplemental payments shall be charged to the entities by applicable Pool year, and shall be apportioned by that years' payments for that line of coverage.
- b. All entities shall be given at least thirty (30) days advance written notice of the Pool's intention to charge an additional payment.
- c. Entities shall have thirty (30) days to pay the Pool from the due date established by the Board of Directors at the time any supplemental payment is adopted. Whenever possible, the due date shall be no sooner than the beginning of the Pool's next fiscal year.
- d. The withdrawal of an entity shall not alleviate a former entity of the obligation to pay supplemental payments due for Pool years during which the former entity participated in the Pool.

8.5 a. Any monies for a Pool year in excess of the amount necessary to fund all current and future obligations for that fiscal year as certified by an actuary may be declared to be refundable by the Board of Directors no earlier than 24 months after the end of a Pool year. The Board of

Directors may also direct that some portion of the amount otherwise refundable be transferred to a loss fund contingency, excess loss fund contingency or a closed fund year account.

- b. Refunds shall be computed by line of coverage and the refund for any fiscal year shall be paid only in proportion to the entity's participation in the Pool for such year. Payment of a refund shall not be contingent on the entity's continued membership in the Pool. At the option of the entity, the refund may be retained by the Pool and applied towards the entity's next annual payment.
- c. The Board of Directors may order that the payment of refunds to former entities be delayed 24 months from the date the refund is otherwise payable in order to establish a reserve to pay any additional payments that may become due for Pool years during which the former entity participated in the Pool.

8.6 By resolution, the Board of Directors shall designate a public depository or depositories for its monies. The resolution shall also designate a person to be custodian of funds for the Pool and shall authorize the custodian to invest temporarily free balances of any claim or administrative accounts periodically as authorized by law.

- a. The Board shall establish a Trust Fund Account from which monies shall be disbursed solely for the payment of claims, allocated claim expenses and excess insurance or reinsurance premiums designated as the Claims or Loss Retention Fund Account. The Board shall establish a separate Trust Fund account for Health claims. The Pool shall maintain accounting records allocating all income, disbursements, and assets in the Claims account by line of coverage and by Pool year. Accounting records for closed Pool year(s) shall be allocated by entity. Accounting records for loss fund contingency or excess loss contingency shall also be allocated by entity.
- b. The Board of Directors shall also establish an administrative account which shall be utilized for payment of the Pool's general operating expenses, loss prevention activities, data processing services, and general legal expenses.

8.7 The balance of any account shall be invested to obtain the maximum interest return practical. All investments shall be in accordance with the Pool's cash

management plan and consistent with the statutes and Regulations of the State governing the investment of public funds. The investment and interest income earned by the investment of the assets of each claim or loss retention account and the administrative account shall be credited to each account.

- 8.8 Prior to any commitment or agreement requiring the expenditure of funds, the custodian of the Pool's assets shall certify as to the availability of sufficient unencumbered funds to fully pay all charges or commitments to be accepted.
- a. All disbursements, payments of claims or expenditure of funds must be approved by a majority vote of the Board of Directors.
 - b. Notwithstanding "a" above, the Board of Directors may provide for the expedient resolution of certain claims by designating the Pool's Administrator or service organization as a "certifying and approving officer". The Pool may authorize the certifying and approving officer to approve for payment any specified claims in an amount not to exceed an amount established by the Board of Directors. The Board shall establish such other procedures and restrictions on the exercise of this authority as the Board deems appropriate.
 - c. Upon approval, the certifying and approving officer shall certify the amount and particulars of such approved claims to the custodian of the Pool's assets.
 - d. Each month, the certifying and approving officer shall prepare a report of all claims approved since the last report, detailing the nature and the amount of the claim, the payee, the reasons supporting payment and any other pertinent information. This report shall be reviewed and approved or rejected by vote of the Board of Directors at their next regularly scheduled meeting. If any payment is not approved, appropriate action shall be taken.
 - e. All requests for payments must be accompanied by a detailed bill of items or demand, specifying particularly how the bill or demand is made up, with the certification of the party claiming payment that it is correct, and shall be certified by an officer or duly designated agent or employee of the Pool having knowledge of the facts that the goods have been received by, or the services rendered to the Pool. In the case of claims or losses to be charged against any loss fund, the Pool's claims administrator shall certify as to the claims correctness and validity.

- f. All expenses shall be paid by check. The checks shall be signed by two persons so designated by the Board of Directors. Payment of claims may be made by wire transfer to the Pool's Claims Administrator.
- g. All claims or other disbursements approved for payment by the Pool shall be recorded in the Pool's general ledger.

ARTICLE IX

PLAN OF COVERAGE

An Entity may select, from time to time, new or additional coverage as provided by LOGIC. The administrator shall be notified of any such change or new or additional coverage at least thirty (30) days prior to the effective date of such change. It is the intent of LOGIC to provide loss protection subject to any aggregate, excess, or other coverage as set forth by the board and by-law.

ARTICLE X

EXCESS INSURANCE

10.1 The board of directors of LOGIC may cause to be purchased excess insurance from a company approved by the appropriate regulatory body in compliance with all applicable purchasing or bidding laws. The board shall determine the amount of such aggregate excess insurance.

10.2 Membership in LOGIC shall not preclude any Entity from purchasing any insurance coverage above those amounts determined by the board. LOGIC shall, where requested, make its facilities available to advise Entities of the types of additional or different employee benefits or insurance coverage available to the entities.

ARTICLE XI

SERVICE COMPANY

On or before the effective date, LOGIC will enter into an agreement for services with its designated approved service company to provide such services as may be necessary to operate a group self-insured program. Pursuant to this Agreement the service company will provide the following claims services:

- (a) Complete handling of all loss adjustments, investigators and settlements falling within LOGIC's self-insured retention.
- (b) Maintain a claim file for each reported claim; submit monthly experience reports in the form LOGIC requires; provide complete accounting for the program which at all times is subject to review by LOGIC.
- (c) Recommend claim reserves and provide a continuous review and updating of these to reflect changes.
- (d) Assist the entities' risk manager in the analysis of claims to prevent future similar occurrences with periodic reports reflecting trends, hazardous areas and recommendations for accident prevention.
- (e) Coordinate investigations on litigated claims with attorneys approved by LOGIC and with adjusters and attorneys of the excess insurance carrier as required. All legal costs and loss payments shall be charged to LOGIC's loss fund.
- (f) Set up and maintain a bank trust account for the purpose of keeping segregated funds which will be furnished by LOGIC to the service company for the payment of claims, and reconcile this fund monthly with LOGIC. The amount of this fund is to be kept to a minimum.
- (g) Obtain approval from responsible LOGIC personnel before paying any claim in excess of ten thousand dollars (\$10,000.00) and furnish precautionary reports on all serious claims.
- (h) Be available to consult with LOGIC on any insurance matter.
- (i) In the event of cancellation of this Agreement, the service company will continue to handle all pending claims for a fee as negotiated by the board.
- (j) Assist in the collection of claims against others for damage to LOGIC's property and make recommendations regarding salvage matters.
- (k) Provide all necessary personnel to perform the services agreed upon herein.

ARTICLE XII

QUALIFICATIONS FOR MEMBERSHIP

20.1 Acceptance of all conditions being a member of group self-insurer and execution of all documents necessary to become a member of a group self-insurer.

20.2 The prospective members' loss history shall not be such as to cause an increase in the combined current ratio for the group. However, the board may permit membership after applying an appropriate modification factor to bring the prospective member's loss ratio to a level comparable to the group.

20.3 Acceptance of all other terms of this Agreement.

20.4 The Entity must be insurable by the excess insurer.

20.5 From time to time, the board may impose reasonable requirements concerning minimum standards of an Entity, its history, and financial stability so that all Entities shall be eligible to maintain membership based upon (1) the size of Entity; (2) claims experience; (3) long term financial stability.

ARTICLE XIII

DUTIES OF MEMBERS

12.1 To pay promptly all payments to the account at such times and in such amounts as are established within the scope of this Agreement;

12.2 To cooperate fully with the administrator, the insurance consultant-claims administrator, LOGIC attorneys and auditors, and any agent, employee, officer, or independent contractor of LOGIC in any matter relating to the purpose and powers of LOGIC;

12.3 To furnish the administrator requests for revisions to its plan of coverage at least thirty (30) days prior to the effective date of such revisions;

12.4 To act promptly on all matters requiring approval by the Entities and to not withhold such approval unreasonably or arbitrarily.

ARTICLE XIV

LIABILITY OF BOARD AND OFFICERS

The board members and the officers of LOGIC shall use ordinary care and reasonable diligence in the exercise of their authority and in the performance of their duties. Board members shall not be liable for any mistake of judgment or other action made, taken, or omitted by them in good faith. Board members shall not be liable for any action made, taken, or omitted by any agent, employee, or independent contractor selected with reasonable care, nor for loss incurred through investment of LOGIC funds or failure to invest. No board member or officer shall

be liable for any action taken or omitted by any other board member or officer. No representative of LOGIC shall be required to give a bond or other security to guarantee the faithful performance of his duties hereunder except as required by this Agreement or by law. The account shall be used to defend and hold harmless any board member or officer of LOGIC for actions taken by the board or performed by the board member or officer within his scope of authority. The board of directors of LOGIC may purchase insurance providing similar coverage for board members and officers.

ARTICLE XV

LEGAL EFFECT OF THIS AGREEMENT

15.1 Contractual Obligation. The Entities' obligations and responsibilities set forth in this Agreement are joint and several. Entities shall take no action inconsistent with this agreement as originally written or validly amended and such obligations and responsibilities shall remain a joint and several continuing obligation and responsibility of each Entity. This Agreement may be enforced in law either by LOGIC itself or by any Entity. The consideration for the duties imposed upon the Entity by this Agreement is based upon the mutual promises and agreements of the entities set forth herein and the advantages gained by the entities through reduced administrative costs for the procurement of protection against claims arising. Each Entity has agreed and hereby does agree to be jointly and severally responsible for any claims of any kind against any other Entity arising pursuant to the Agreement. The Entities intend through the creation of LOGIC to establish an organization for joint administration of claims within the scope set forth of this Agreement and intend to create between the Entities a relationship of partnership, surety, indemnification, and liability for the debts of and claims against another.

15.2 Exclusivity. By adoption of this Agreement, the member declares that its policy shall be to afford the protections of the workers' compensation program to covered employees as the sole remedy for work related injuries. All coverage shall be documented by written agreements with each entity concerning the types and amounts of coverage.

Article XVI

EXPULSION OF AN ENTITY

16.1 By the vote of two-thirds of the board the board may expel any Entity. Such expulsion, which shall take effect in the manner set out below, may occur whenever, an Entity fails to perform any obligation under this Agreement; an Entity fails or refuses to make payments or supplemental payments due to LOGIC; or an Entity's activities are detrimental to LOGIC;

16.2 No Entity may be expelled except after notice of the alleged failure and after a reasonable opportunity of not less than fifteen (15) days to cure the alleged failure. Within the fifteen-day (15) period, the Entity may request a hearing, which shall not be less than fifteen (15) days after expiration of the time to cure. The board may appoint a hearing officer to conduct such hearing and make a recommendation to the board based upon findings of fact; provided however, that if the hearing is conducted by a hearing officer, the Entity may request a further hearing before the board. Such request shall be in writing and addressed to the chairman. If the board conducts the hearing itself, it may make a decision at the close of the hearing. Expulsion of an Entity after notice and hearing as set forth in this section shall be final when approved by the Entities as specified in Article XI and shall become effective thirty (30) days following such approval.

16.3 After expulsion, the former member Entity shall continue to be fully liable for any payment due to the account and any obligations as if it was still a member of LOGIC.

16.4 LOGIC shall have no obligation with respect to claims incurred under the coverage of an expelled Entity after the effective date of such expulsion.

16.5 The obligation of LOGIC to administer claims incurred under the coverage of an expelled Entity prior to the effective date of expulsion shall continue for such claims as may have been or may be validly filed. LOGIC shall, within sixty (60) days after an expulsion or payment of claims on behalf of the entity, provide an accounting of funds owed by, or owing to the Entity. The expelled Entity shall immediately pay to LOGIC any amount owed by the expelled Entity.

Article XVII

WITHDRAWAL FROM THE COOPERATIVE

Each Entity shall have the right to withdraw from LOGIC upon sixty (60) days prior written notice to LOGIC. The rights and duties of LOGIC with respect to a withdrawing Entity and the rights and duties of a withdrawing Entity to LOGIC shall be the same as those with respect to an expelled Entity.

ARTICLE XVIII

TERMINATION OF THE COOPERATIVE

LOGIC shall terminate upon the occurrence of any one of the following events:

- (a) A final determination by a Court of competent jurisdiction, after all appeals have been exhausted or time for appeal has expired, that LOGIC is invalid or contrary to law.
- (b) The number of Entities is not sufficient to maintain its status as a group self-insurer.
- (c) The member Entities unanimously approve termination. Upon termination of LOGIC, the rights and duties of LOGIC to each Entity and the rights and duties of each Entity to LOGIC shall be the same as those with respect to an expelled Entity.
- (d) Disposition of assets pursuant to a dissolution.

ARTICLE XIX

MISCELLANEOUS

19.1 Any notice required by this Agreement shall be in writing and shall be deemed to have been given when deposited in the United States mail, first class, registered or certified mail, postage prepaid, return receipt requested (if registered or certified) and addressed as follows:

If to LOGIC at the office of its administrator.

If to the Entities: To the address set forth on the service agreement or to such other address as any part to this Agreement may from time to time specify in writing to the other parties and to LOGIC.

19.2 Any new member shall be required to maintain active membership for a period of one (1) year unless LOGIC is terminated prior to the expiration of such one (1) year period. The one (1) year period is required regardless of the term of any protection provided through LOGIC.

19.3 If any provision of this Agreement is declared by a judgment of a Court to be invalid, the validity of the remainder of this Agreement shall not be affected.

19.4 This Agreement, and any amendments thereto, may be executed in any number of separate counterparts which taken together shall constitute a single instrument. Each entity signing this agreement shall be bound by its terms upon the date of execution without regard to execution by others entities. Exhibit A may be changed from time to time to add or subtract members.

ARTICLE XX

AMENDMENTS AND CHANGES

Any changes in this agreement or the written regulations required by the Tennessee Department of Commerce and Insurance shall conform with the requirements of Chapter 0780-1-54-.04(3) by filing such amendments with the Commission no later than thirty (30) days after such change.

(End Articles)

This agreement was signed on behalf of the entity listed below as follows:

Entity Name:

Name of the Governing Body:

Date of Approval by the Governing Body:

Signature chief executive officer of Entity: _____

Signature chief financial officer of Entity: _____

Certification by Chief Legal Officer of the Entity

I certify that the entity listed above has validly executed and adopted this agreement to participate in and be a member of the Local Government Insurance Cooperative (LOGIC) and that the entity is legally bound to honor the agreements made therein.

Name:

Signature: _____,

Title:

Address:

**LOCAL GOVERNMENT INSURANCE
COOPERATIVE**

Financial Statements

June 30, 1997

(With Independent Auditors' Report Thereon)

LOCAL GOVERNMENT INSURANCE COOPERATIVE

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9
Supplementary Information:	
Schedule of Claims Development Information	10

LEWIS, SMITH, SMILEY & ASSOCIATES, P.C.

Certified Public Accountants

St. Cloud Corner

500 Church Street, Suite 400

Nashville, Tennessee 37219

(615) 726-3190

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Local Government Insurance Cooperative
Nashville, Tennessee

We have audited the accompanying statement of financial position of Local Government Insurance Cooperative as of June 30, 1997, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Local Government Insurance Cooperative. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Local Government Insurance Cooperative as of June 30, 1997 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The information contained in Schedule 1 on page 10 is not a required part of the financial statement but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Lewis, Smith, Smiley & Associates, P.C.

August 18, 1998

LOCAL GOVERNMENT INSURANCE COOPERATIVE

Statement of Financial Position
June 30, 1997

ASSETS

Current assets:	
Cash and cash equivalents	\$1,528,180
Investments in U.S. Treasury Securities (note 2)	1,507,515
Contributions receivable less allowances for uncollectibles of \$70,000 (note 1)	245,630
Interest receivable	<u>13,738</u>
Total current assets	<u>3,295,063</u>
Property and equipment:	
Equipment (note 1)	3,737
Less accumulated depreciation	<u>1,176</u>
Total property and equipment	<u>2,561</u>
Total assets	<u>\$3,297,624</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable - trade	\$ 38,607
Unearned contribution income (note 3)	116,768
Unpaid claims cost (note 4)	<u>2,544,000</u>
Total current liabilities	<u>2,699,375</u>
Long-term liabilities:	
Unearned contribution income (note 3)	<u>69,533</u>
Total long-term liabilities	<u>69,533</u>
Total liabilities	<u>2,768,908</u>
Commitments and contingencies (notes 4 and 5)	
Net assets:	
Unrestricted	<u>528,716</u>
Total net assets	<u>528,716</u>
Total liabilities and net assets	<u>\$3,297,624</u>

See accompanying notes to financial statements.

LOCAL GOVERNMENT INSURANCE COOPERATIVE

Statement of Activities
Year Ended June 30, 1997

Unrestricted net assets:

Revenues:

Member contributions, net of refunds of \$10,582	\$4,098,275
Investment income	<u>149,843</u>
Total unrestricted revenues	<u>4,248,118</u>

Expenses:

Worker's compensation claims (note 5)	3,118,426
Service company fees	171,724
Loss control fees	91,025
Insurance premiums (note 1)	657,070
Bad debts (note 1)	70,000
Professional fees	15,232
Actuarial analysis	3,500
Fidelity bond	1,896
Taxes and licenses	465
Administration fees	4,334
Depreciation	747
Meetings	923
Miscellaneous	<u>337</u>
Total operating expenses	<u>4,135,679</u>

Increase in unrestricted net assets 112,439

Unrestricted net assets, beginning of year 416,277

Unrestricted net assets, end of year \$ 528,716

See accompanying notes to financial statements.

LOCAL GOVERNMENT INSURANCE COOPERATIVE

Statement of Cash Flows
Year Ended June 30, 1997

Operating activities:	
Increase in net assets	\$ 112,439
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	747
Bad debts	70,000
Changes in operating assets and liabilities:	
Increase in contributions receivable	(99,974)
Increase in interest receivable	(13,738)
Decrease in service fees payable	(93,006)
Decrease in insurance premiums payable	(15,326)
Increase in unpaid claim costs	1,695,000
Increase in accounts payables	38,607
Increase in unearned contribution income	<u>129,599</u>
Net cash provided by operating activities	<u>1,824,348</u>
Investing activities:	
Additions to U.S. treasury investments	<u>(1,507,515)</u>
Net cash used by investing activities	<u>(1,507,515)</u>
Net increase in cash and cash equivalents	316,833
Cash and cash equivalents - beginning of year	<u>1,211,347</u>
Cash and cash equivalents - end of year	\$ <u>1,528,180</u>
Supplemental information:	
Cash paid for interest during year	\$ <u> -</u>

See accompanying notes to financial statements.

LOCAL GOVERNMENT INSURANCE COOPERATIVE

Notes to Financial Statements
June 30, 1997

(1) Summary of Significant Accounting Policies

(a) Description of the Trust and Operations

Local Government Insurance Cooperative (the Trust) was organized in May 1995 as a public entity risk pool to provide a program of workers compensation coverage for its member organizations. As authorized by Tennessee Code Annotated Section 29-20-401, all county governments, their political subdivisions and agencies, in the State of Tennessee are eligible to participate in the Trust, by entering into an intergovernmental agreement expressly for this purpose as part of the Trust. The Trust's sole objectives are to administer, process, obtain, instruct and counsel each member government in the procurement of insurance and payment of claims that come within the coverages offered to each member, and to carry out claim, accident, or contribution reductions and educational programs. County governments joining the Trust must remain members for a minimum of one year. A member may withdraw from the Trust after that time by giving 60 days written notice; however, any member who terminates still remains liable for any and all contributions required to be paid by a participating member in a particular program. Governments applying for membership in the Trust may do so on approval of a majority vote of the Board of the Trust. At June 30, 1997 the Trust had 93 members consisting of county governments, city governments and various city and country government agencies. The Trust is governed by its Board and its operations are supervised by an Administrator engaged under an independent contract. The Trust has no employees.

The Trust is a risk-sharing pool whereby the members have joined together to share in the cost of workers compensation claims losses. Each member is responsible for a proportionate share of contribution premiums annually. All Trust members are subject to a supplemental assessment, in the same proportion as original member contributions, in the event of contribution deficiencies. If the assets of the Trust were to be exhausted, members would be responsible for the Trust's liabilities. Cost of acquiring new members are primarily included in the cost of total services provided by the Trust's service company, and are recognized as an expense when incurred.

(b) Financial Statement Presentation

In July 1995, the Trust elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit organizations." Under SFAS No. 117, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Trust is required to present a statement of cash flows.

Revenues are recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

Certain items have been reclassified from the prior years presentation to conform to the current years presentation.

LOCAL GOVERNMENT INSURANCE COOPERATIVE

Notes to Financial Statements, Continued
June 30, 1997

(1) Summary of Significant Accounting Policies, Continued

(c) Revenue Recognition, Allowance for Uncollectibles and Concentration of Credit Risks

Required contributions are recognized as revenue over the risk protection period on a straight-line basis. Risk protection periods provide coverage for a maximum period of one year and run concurrently with the Trust's fiscal year end. Accordingly, all contributions, except for overpayments, have been recognized as revenue at June 30, 1997.

The Trust admits only credit worthy governmental agencies in the State of Tennessee. Management reviews each entity's account, resolves disputes and makes an allowance for uncollectible accounts as deemed necessary, primarily for agencies that may drop coverage after the end of a year but prior to the settlement of all premium amounts, including additional audit adjustment premiums. At June 30, 1997, the allowance was \$70,000.

(d) Cash and Cash Equivalents

The Trust treats highly liquid investments with an original maturity of three months or less as cash equivalents. The Trust maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. The Trust has not experienced any losses in such accounts. The Trust believes it is not exposed to any significant credit risk on cash and cash equivalents.

(e) Investments in U.S. Treasury Securities

Investments in U.S. Treasury Securities are carried at market value. Changes in market value are recorded as a component of investment income. The Trust does take estimated investment income into consideration when determining if premium deficiencies exist.

(f) Unpaid Claims Liabilities

The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated and unallocated claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Estimated amounts of excess insurance recoveries on unpaid claims are deducted from the liability for unpaid claims. Claims liabilities are recomputed periodically through an actuarial valuation (note 4) which produces current estimates that reflect recent settlements, claims frequency, inflation and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

(g) Property and Equipment

Property and equipment, generally with a cost of \$500 or more, are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Expenditures for maintenance and repairs are charged to expense as incurred.

LOCAL GOVERNMENT INSURANCE COOPERATIVE

Notes to Financial Statements, Continued
June 30, 1997

(1) Summary of Significant Accounting Policies, Continued

(h) Income Taxes

Local Government Insurance Cooperative has requested tax-exempt status under Internal Revenue Code Section 501(c)(3). A determination letter has not yet been received; however, the Trust administrator and the Trust's tax counsel believe that the Trust is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

(i) Excess Insurance Coverage

The Trust uses an excess insurance agreement to reduce its exposure to large losses on all types of insured events. Excess insurance permits the transfer of the liability for losses which exceed certain large amounts, both for specific claims and for the aggregate of all claims, for the coverage period. The Trust does not report risks covered by the excess insurance agreement as liabilities unless it is probable that those risks will not be covered by the excess insurance provider. Premiums for excess insurance coverage during the year ended June 30, 1997 amounted to \$657,070. Claim liabilities at June 30, 1997 did not exceed the limits for excess insurance coverage, either specifically or in the aggregate.

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(2) Investments in U.S. Treasury Securities

At June 30, 1997, the investment in U.S. Treasury Securities consisted of the following:

<u>Type</u>	<u>Rate</u>	<u>Maturity</u>	<u>Par Value</u>	<u>Market Value</u>
Money Market	4.847%	6/30/97	\$147,301	\$147,301
Treasury Notes	7.000%	4/15/99	100,000	101,594
Treasury Notes	6.375%	7/15/99	100,000	100,563
Treasury Notes	5.125%	6/30/98	100,000	99,375
Treasury Notes	5.125%	11/30/98	100,000	98,875
Treasury Notes	5.125%	12/31/98	100,000	98,813
Treasury Notes	7.500%	10/31/99	125,000	128,555
Treasury Notes	7.750%	12/31/99	100,000	103,563
Treasury Notes	7.125%	2/29/00	100,000	102,188
Treasury Notes	6.875%	3/31/00	100,000	101,625
Treasury Notes	6.750%	4/30/00	100,000	101,313
Treasury Notes	6.125%	9/30/00	100,000	99,531
Treasury Notes	5.625%	11/30/00	100,000	97,969
Treasury Notes	6.625%	6/30/01	125,000	126,250
			<u>\$1,497,301</u>	<u>\$1,507,515</u>

LOCAL GOVERNMENT INSURANCE COOPERATIVE

Notes to Financial Statements, Continued June 30, 1997

(3) Unearned Contribution Income

Unearned contribution income at June 30, 1997 represents the prepaid policy premiums received from members as follows:

Refundable premiums and amounts applied to policy period ending June 30, 1998	\$116,768
Prepayments applied to policy period ending June 30, 1999	<u>69,533</u>
Total	<u>\$186,301</u>

(4) Actuarial Information

An actuarial valuation of the Trust was performed as of June 30, 1997 and reported in an analysis dated August 27, 1997. The actuarial valuation was performed by SIGMA Actuarial Consultants, Inc. of Nashville, Tennessee. The Trust's service company, Gallagher Bassett Services, Inc. (a subsidiary of Arthur J. Gallagher & Company, Inc.), who has been engaged under an independent contract, has provided the actuary with all information which would materially effect the actuarial valuation.

The ultimate cost of claims incurred for a specific period is usually not known until several years after the close of that period. Therefore the unpaid claims costs (as defined in note 1) must be estimated and recorded in the financial statements at the end of the period, or year ended June 30, 1997.

The actuarial present value of unpaid claims costs determined by SIGMA Actuarial Consultants, Inc. is the amount that results from actuarial assumptions (loss development factors) applied to paid and incurred losses and case reserves. One of the factors used to develop these assumptions is historical data. Since this is the second year of the Trust and limited historical data is available, the actuaries have used the loss development factors from a similar entity applied to LOGIC's most recently evaluated incurred losses to estimate the ultimate value of losses for the period. Payout percentages also from the loss experience of a similar entity applied to LOGIC's most recently paid losses were used to allocate the estimated required reserves for unpaid claim costs to the period in which they are expected to be paid. The reserves were then discounted, using the assumption that all losses will be paid in the middle of the year, to reflect the timing of future loss payments at a variety of annual rates of investment interest. Based on historical investment earnings, the reserves discounted at a rate of four percent, were selected for use in the recording of unpaid claims costs in the financial statements. The assumptions related to the timing of future payouts and the future yield on underlying assets are susceptible to significant changes in economic conditions and could cause material deviations from the actuarial projections.

Actuarial values of estimated unpaid claim costs as of June 30, 1997 included in these financial statements is as follows:

Estimated required reserves for unpaid claim costs (future undiscounted payments) at June 30, 1997	<u>\$2,703,803</u>
Estimated required reserves for unpaid claim costs discounted at 4% at June 30, 1997	<u>\$2,544,000</u>

LOCAL GOVERNMENT INSURANCE COOPERATIVE

Notes to Financial Statements, Continued
June 30, 1997

(5) Unpaid Claims Liabilities

As discussed in notes 1 and 4, the Trust establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Trust during the year ended June 30, 1997:

Unpaid claims and claim adjustment expenses at beginning of year	\$ <u>849,000</u>
Incurring claims and claim adjustment expenses:	
Provision for insured events of the current year	3,245,222
Decreases in provision for insured events of prior years	<u>(126,796)</u>
Total incurred claims and claim adjustment expenses	<u>3,118,426</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current year	1,099,622
Claims and claim adjustment expenses attributable to insured events of prior years	<u>323,804</u>
Total payments	<u>1,423,426</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$2,544,000</u>

At June 30, 1997, unpaid claims and claim adjustment expenses estimated to be \$2,703,803 are shown at their net present value of \$2,544,000, discounted at an annual rate of four percent (4%).

LOCAL GOVERNMENT INSURANCE COOPERATIVE

Schedule 1
Ten Year Claims Development Information

	For Fiscal and Policy Year Ended		
	Prior Years (Not Applicable- N/A)	June 30, 1996	June 30, 1997
1. Required contribution and investment			
Revenue:			
Earned	N/A	\$2,186,065	4,248,118
Ceded	N/A	-	-
Net earned	N/A	<u>\$2,186,065</u>	<u>4,248,118</u>
2. Unallocated expenses	N/A	\$ - *	- *
3. Estimated claims and expense, end of policy year:			
Incurred	N/A	\$1,311,771	3,118,426
Ceded	N/A	-	-
Net incurred	N/A	<u>\$1,311,771</u>	<u>3,118,426</u>
4. Net paid (cumulative) as of:			
End of policy year	N/A	\$ 462,771	1,099,622
One year later		\$ 786,575	-
5. Re-estimated ceded claims and expenses	N/A	\$ -	-
6. Re-estimated net incurred claims and expenses:			
End of policy year	N/A	\$1,311,771	3,245,222
One year later		\$1,184,975	-
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	N/A	<u>\$ (126,796)</u>	<u>-</u>

*These costs were included in the information provided by the Trust's service company to the actuary for use in the actuarial valuation of estimated ultimate incurred losses, but were not specifically identified in the actuarial valuation.

See independent auditors' report.

DECEMBER COMMISSION MEETING

Motion by Tony Sizemore, seconded by Bud Jones to change the December county commission to December 17, 1998 at 5:00.

Voting for: all

Voting against: none

THEREUPON, MEETING ADJOURNED.