



Finance Committee Meeting

AGENDA

June 5, 2007

I. CALL TO ORDER

II. MATTERS BEFORE COMMITTEE

1. [FY2006 Audited Financial Statements](#)
2. [Discussion/Approval Life Insurance](#)
3. [Approval - AmTrust TPA Agreement](#)

III. ADJOURN



Finance Committee Meeting

AGENDA

June 5, 2007

Item:

FY2006 Audited Financial Statements

Department:

Finance

Additional Information:

Financial Impact:

Budgeted Item:

Recommendation / Request:

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Attachments / click to download

 [2006 CAFR](#)



Comprehensive Annual Financial Report

**For Fiscal Year Ended
December 31, 2006**

CITY OF MONROE, GEORGIA



CITY OF MONROE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

Prepared by Authority of:
City Council, City of Monroe, Georgia
Renee L. Prather, Finance Director



CITY OF MONROE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

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INTRODUCTORY SECTION





Post Office Box 1249 • Monroe, Georgia 30655
Telephone 770-267-7536 • Fax 770-267-2319

Greg Thompson, Mayor
L. Wayne Adcock, Vice Mayor

April 25, 2007

To the Honorable Mayor, Members of the City Council, and Citizens of the
City of Monroe, Georgia:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Monroe for the fiscal year ended December 31, 2006.

This report consists of management's representations concerning the finances of the City of Monroe. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Monroe has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Monroe's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Monroe's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Monroe's financial statements have been audited by Mauldin & Jenkins, CPA, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Monroe for the fiscal year ended December 31, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Monroe's financial statements for the fiscal year ended December 31, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Monroe was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair

presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Monroe's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Monroe's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Monroe incorporated in 1821, is located in Northeast Georgia, approximately 40 miles east of Atlanta. Monroe is the county seat of Walton County. Monroe encompasses an area of 14 square miles and has a population of 11,407 according to the 2000 U.S. Census. Census Bureau estimates for 2005 show Monroe's population at 12,329. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which is done on occasion.

The City operates under a Mayor/Council form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appoints a City Administrator, Attorney, Judge and other key department heads.

The City's administrator is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the government. The Mayor and Council are elected on a non-partisan basis. The Mayor is elected at-large and is not a member of the City Council. The Council is composed of eight members, with six members being elected from individual districts and two members elected from two super districts. The Mayor and Council are elected for four-year terms.

The City of Monroe provides a full range of municipal services including police and fire protection, maintenance of streets, solid waste, building and zoning, code enforcement and library facilities. In addition to the usual government services, the City also provides a full range of utility services including electric, gas, water, wastewater, cable and internet.

Also included as part of the City's reporting is the City of Monroe Downtown Development Authority (DDA). While a legally separate entity, it is included as a component unit in Monroe's financial statements. The City Council appoints the DDA Board members, which includes one member of the City Council acting as liaison.

The annual budget serves as the foundation for the City of Monroe's financial planning and control. The City Administrator obtains information from all departments of the City for which appropriations are made and/or revenues are collected and compiles the operating budget for submission to the Mayor and Council. At that time, a workshop is held to review budget requests. In addition, an advertised public hearing is held to allow taxpayers' comments prior to final passage. The budget is legally adopted through

resolution. The legal level of budgetary control is the department level. Department Heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the Mayor and Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Monroe operates.

Local economy. The City of Monroe continues to maintain a favorable financial environment and local indicators point to improving stability. The local economy is experiencing steady growth as indicated by yearly increases in assessed property value, commercial construction value and increases in the value of residential construction.

The City owns and operates the Monroe-Walton County Airport. As an economic resource, the airport is expected to generate future industrial activity. With the use of funds from the Federal Aviation Administration (FAA) and Georgia Department of Transportation (G-DOT), the City has extended and widened the runway, relocated Poplar Street allowing for future runway extensions, installed new lighting and constructed a parallel taxiway. Work to improve our airport continued in 2006 with a terminal area plan update and obstruction removal.

The Southeast Chapter of the American Association of Airport Executives awarded the 2006 General Aviation Project of the Year to the City for its runway extension project. The Georgia Department of Transportation recommended Monroe's project with the SECAAEE pointing out that projects like Monroe's has successfully achieved what projects are made to do, which is improve economic development in an area. The airport is an important asset to our community, not only as a tool to assist us in attracting new business and industry, but in helping us to serve and retain existing businesses.

Approved grants for 2007 include installation of security fencing and terminal area design with application for state assistance submitted for construction of a new terminal area with fuel facility.

Monroe is the county seat of Walton County, which according to the U.S. Census Bureau was ranked 50th among the 100 fastest growing counties in the U.S. from July 1, 2004 to July 1, 2005. We continue to see growth along the Highway 78 and Highway 138 corridor, which will be the location of the new hospital facility along with various other commercial businesses.

Long-term financial planning. The City entered into an intergovernmental contract between Walton County and other municipalities in Walton County for the distribution of a one percent Sales and Use Tax. This will be the first time Monroe has been a recipient of Special Local Option Tax (SPLOST) dollars.

In 2006, the City started a Community Development Block Grant (CDBG) street and drainage improvement project in the Roosevelt Street area that will be completed in 2007. The City also completed a CDBG project constructing a public access road to serve the expansion of Wal-Mart Stores, Inc.'s Distribution Center located in Monroe's industrial park.

The City of Monroe partnered with Walton County, DOT and George Walton Academy to re-align Michael Etchison Road. This is one of Monroe's heavily traveled areas located near the site of the proposed Walton Medical Center. The completion of this project relieved traffic congestion in this area and improved the flow of traffic greatly.

Cash management policies and practices. Cash temporarily idle during the year is invested in commercial banks guaranteed by the United States Government and in the MEAG Municipal Competitive Trust, a fund established to ensure a competitive position for participating utilities. Investment income includes the change in fair value of investments.

The City's cash management policy is to minimize credit and market risks while maintaining a competitive yield on its deposits. As of December 31, 2006 all of the City's bank deposits were insured or collateralized.

Risk management. The City manages exposure to risk of loss through several methods. Such methods include contracts with commercial carriers for property insurance, surety bond coverage of officials and employees and commercial liability coverage for specified situations. The City assumes the risk of loss for general liability not covered by commercial carriers. To minimize its losses, the City has implemented various risk control techniques such as safety inspections and safety training classes. Additional information on the City's risk management activity can be found in the notes to the financial statements.

Pension and other postemployment benefits. Effective January 1, 2004 the City of Monroe reactivated the City sponsored defined benefit pension plan for its employees. With this change, the defined benefit plan was also improved. All full time City employees and elected officials are eligible to participate. Each year, an independent actuary engaged by the pension administrator, Georgia Municipal Association, calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. All contributions required to meet the actuarial study were made. Additional information on the City's pension arrangements and other postemployment benefits can be found in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monroe for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2005. This was the fourth year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received for the second year the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for the fiscal year ended December 31, 2005. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government must publish a Popular Annual Report whose contents conform to program standards of creativity, presentation, understandability and reader appeal. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Monroe's finances.

Respectfully submitted,



Julian L. Jackson
City Administrator



Renee L. Prather
Finance Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Monroe
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF MONROE, GEORGIA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2006

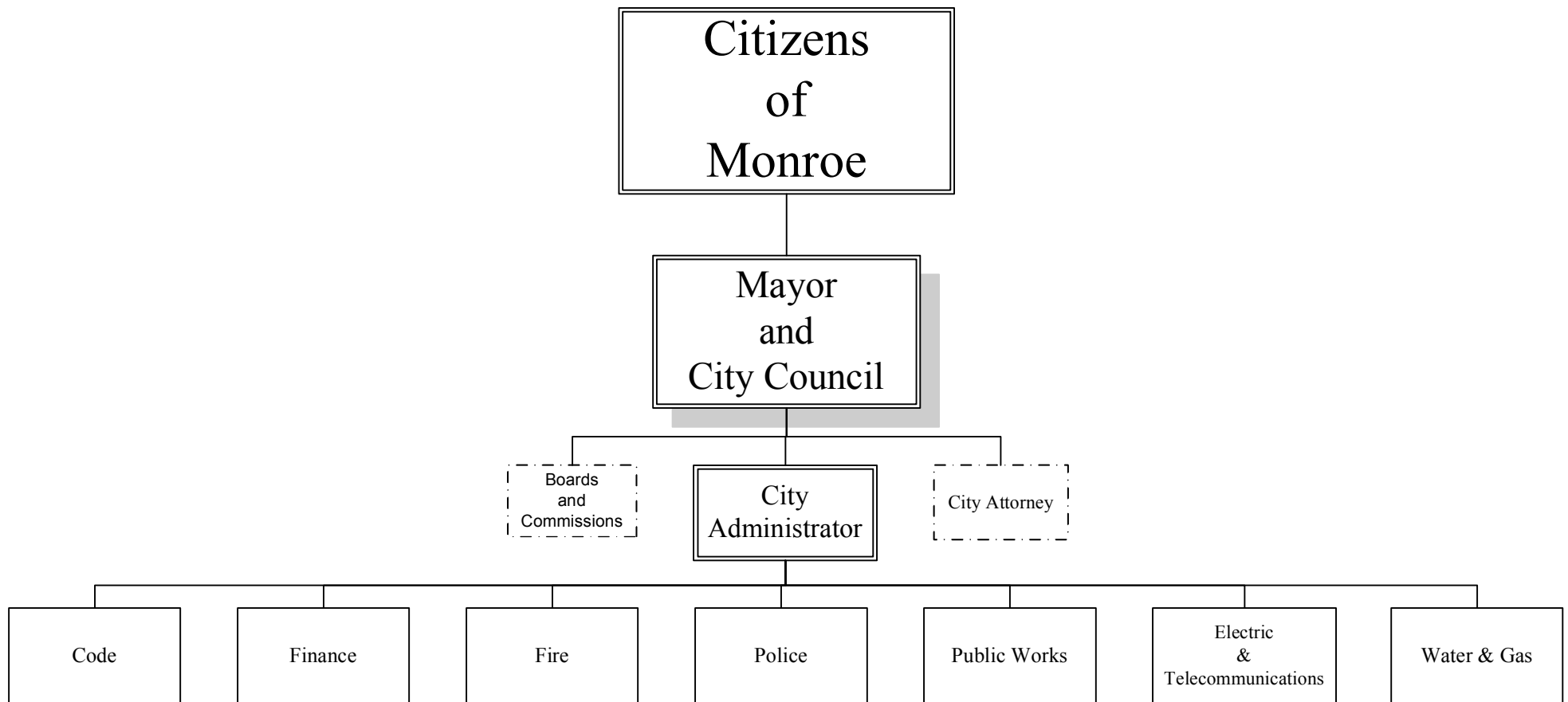
ELECTED OFFICIALS

Mayor	Gregory P. Thompson
Vice Mayor	L. Wayne Adcock
Council Member	Wallace M. Beall, Jr.
Council Member	Denise H. Dixon
Council Member	C. Nathan Little
Council Member	Clifford K. Peters
Council Member	James D. Richardson
Council Member	Rita A. Scott
Council Member	Jerry L. Smith

APPOINTED OFFICIALS

City Administrator	Julian L. Jackson
Code Enforcement	M. Knox Bell
Electric & Telecommunications Director	Brian K. Thompson
Finance Director	Renee L. Prather
Fire Chief	H. Wayne Chancey
Police Chief	M. Keith Glass
Public Works Director	H. Steve Worley
Water & Gas Director	Rodney W. Middlebrooks

City of Monroe, Georgia Organizational Chart





FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
of City Council
City of Monroe, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Monroe, Georgia** as of and for the year ended December 31, 2006, which collectively comprise the City of Monroe, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Monroe, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Monroe, Georgia as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2007, on our consideration of the City of Monroe, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Schedule of Funding Progress on pages 3 - 11 and 48 are not a required part of the basic financial statements, but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 25, 2007

CITY OF MONROE, GEORGIA

Management's Discussion and Analysis

For the Fiscal Year Ended December 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our Discussion and Analysis of the City of Monroe's financial performance provides an overview of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the Fiscal Year 2006 are as follows:

- The City of Monroe's combined net assets totaled \$65,262,740. Of this amount, unrestricted net assets of \$7,747,342 may be used to meet the City's ongoing obligations to citizens and creditors.
- Total net assets increased by \$3,824,389 during the most recent fiscal year resulting from governmental and business-type activities.
- As of the close of the fiscal year, the City of Monroe's governmental funds reported combined ending fund balances of \$2,690,345, a decrease of \$1,004,656 in comparison with the prior year. Of this amount, approximately 98 percent of these funds are available for spending at the government's discretion (unreserved fund balance).
- The General Fund reported an unreserved fund balance of \$1,768,113 or approximately 22% of the total General Fund expenditures.
- At the close of the fiscal year, the assets in the City of Monroe's Utilities Fund exceeded its liabilities by \$51,902,402. Included in these net assets is \$5,611,452 of unrestricted net assets available to meet the Utilities' on-going obligations to its customers and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, public safety, public works, health and welfare, culture and recreation, and housing and development. The business-type activities of the City include utilities and solid waste.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Monroe, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Monroe maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Project Fund, both of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 49 and 50 of this report.

The City adopts an annual appropriated budget for its General, Special Revenue and Debt Service Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found on page 17 of this report. Budgetary comparisons for Special Revenue and Debt Service Funds can be found on pages 51-53 of this report.

Proprietary funds. The City of Monroe maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility and solid waste operations. They are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of

Activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insured employee health and worker's compensation insurance.

The City's proprietary fund financial statements are presented on pages 18 - 21.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 47 of this report.

Other supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Monroe's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial condition. In the case of the City of Monroe, assets exceeded liabilities by \$65,262,740 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (88%) reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, sidewalks and utility service lines) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MONROE, GEORGIA Statement of Net Assets Fiscal Years 2006 and 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	\$ 4,615,548	\$ 4,583,808	\$ 10,066,551	\$ 8,960,354	\$ 14,682,099	\$ 13,544,162
Capital assets-net	17,280,982	14,288,936	76,104,235	77,074,394	93,385,217	91,363,330
Total assets	<u>21,896,530</u>	<u>18,872,744</u>	<u>86,170,786</u>	<u>86,034,748</u>	<u>108,067,316</u>	<u>104,907,492</u>
Liabilities:						
Long-term liabilities	7,548,453	7,257,156	30,481,110	31,197,503	38,029,563	38,454,659
Other liabilities	1,482,103	536,379	3,292,910	4,478,103	4,775,013	5,014,482
Total liabilities	<u>9,030,556</u>	<u>7,793,535</u>	<u>33,774,020</u>	<u>35,675,606</u>	<u>42,804,576</u>	<u>43,469,141</u>
Net Assets:						
Invested in capital assets, net of related debt	10,480,020	3,671,793	47,035,378	46,195,182	57,515,398	49,866,975
Restricted	-	113,454	-	-	-	113,454
Unrestricted	2,385,954	7,293,962	5,361,388	4,163,960	7,747,342	11,457,922
Total net assets	<u>\$ 12,865,974</u>	<u>\$ 11,079,209</u>	<u>\$ 52,396,766</u>	<u>\$ 50,359,142</u>	<u>\$ 65,262,740</u>	<u>\$ 61,438,351</u>

The full amount of unrestricted net assets is (\$7,747,342) and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF MONROE, GEORGIA
Changes in Net Assets
Fiscal Years 2006 and 2005

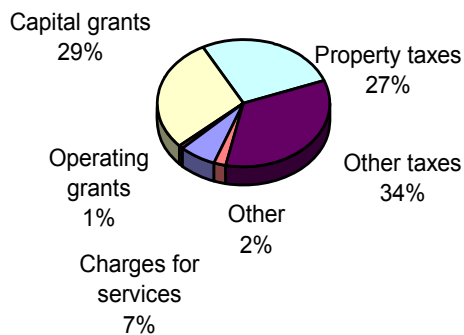
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 684,555	\$ 779,982	\$ 36,558,892	\$ 36,521,679	\$ 37,243,447	\$ 37,301,661
Operating grants	86,254	36,796	-	-	86,254	36,796
Capital grants	2,874,695	2,659,186	716,201	1,590,226	3,590,896	4,249,412
General revenues:						
Property taxes	2,686,312	2,542,580	-	-	2,686,312	2,542,580
Other taxes	3,373,306	3,094,692	-	-	3,373,306	3,094,692
Other	233,460	81,213	213,843	122,829	447,303	204,042
Total revenues	<u>9,938,582</u>	<u>9,194,449</u>	<u>37,488,936</u>	<u>38,234,734</u>	<u>47,427,518</u>	<u>47,429,183</u>
Program expenses						
General government	1,694,194	1,268,756	-	-	1,694,194	1,268,756
Judicial	101,795	66,903	-	-	101,795	66,903
Public Safety	4,584,679	4,089,578	-	-	4,584,679	4,089,578
Public Works	2,179,824	1,432,099	-	-	2,179,824	1,432,099
Health and welfare	9,674	11,918	-	-	9,674	11,918
Culture and recreation	328,177	322,390	-	-	328,177	322,390
Housing and development	345,994	239,393	-	-	345,994	239,393
Interest and fiscal charges	340,523	365,053	-	-	340,523	365,053
Utilities	-	-	30,529,266	30,061,743	30,529,266	30,061,743
Solid Waste	-	-	3,489,003	2,863,895	3,489,003	2,863,895
Total expenses	<u>9,584,860</u>	<u>7,796,090</u>	<u>34,018,269</u>	<u>32,925,638</u>	<u>43,603,129</u>	<u>40,721,728</u>
Increase (decrease) in net assets before transfers	353,722	1,398,359	3,470,667	5,309,096	3,824,389	6,707,455
Transfers	<u>1,433,043</u>	<u>1,391,317</u>	<u>(1,433,043)</u>	<u>(1,530,464)</u>	<u>-</u>	<u>(139,147)</u>
Increase (decrease) in net assets	1,786,765	2,789,676	2,037,624	3,778,632	3,824,389	6,568,308
Net assets, beginning (as restated)	<u>11,079,209</u>	<u>8,289,533</u>	<u>50,359,142</u>	<u>46,580,510</u>	<u>61,438,351</u>	<u>54,870,043</u>
Net assets, ending	<u>\$ 12,865,974</u>	<u>\$ 11,079,209</u>	<u>\$ 52,396,766</u>	<u>\$ 50,359,142</u>	<u>\$ 65,262,740</u>	<u>\$ 61,438,351</u>

Governmental activities. Governmental activities increased the City of Monroe's net assets by \$1,786,765, accounting for 47% of the total growth in the net assets of the City.

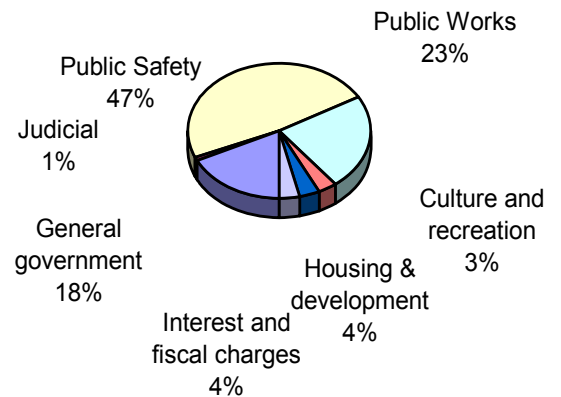
Property tax revenues (\$2,686,312) collected made up approximately 27% of the City's total governmental revenue. Operating and capital grants (\$2,960,949) for governmental activities were approximately 30% of all revenues collected. Public safety accounted for approximately 47% (\$4,584,679) of all expense in governmental activities.

The following graphs show the breakdown by percentage of governmental revenues and expenses.

Governmental Revenues FY 2006



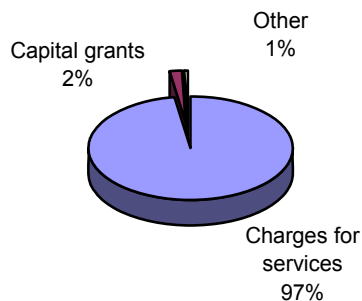
Governmental Expenses FY 2006



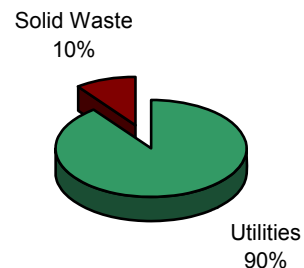
Business-type Activities. Business-type activities increased the City of Monroe's net assets by \$2,037,624 accounting for 53% of the total growth in the government's net assets. The Utilities Fund, largest of the City's two business-type activities, accounted for 90% of the expenses and approximately 92% of the revenues among business-type activities.

The utility fund results for 2006 were down from the net results for 2005, with substantially all of the decrease due to fewer infrastructure capital assets donated by developers during the year. Gas revenues declined as market prices declined, but the decrease was offset by reduced gas cost of sales and increases in water and wastewater treatment revenues. A reduction in wastewater infrastructure repair and maintenance was offset by increased plant operating costs. The changes in all other revenue and expense results compared to 2005, while influenced by many factors both increasing and decreasing components of the results, remained mostly unchanged in 2006.

Business-type Revenues FY 2006



Business-type Expenses FY 2006



FINANCIAL ANALYSIS OF CITY OF MONROE'S FUNDS

As noted earlier, the City of Monroe employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Monroe's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,690,345. Of this amount, \$2,635,928 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$54,417) is reserved indicating that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$1,768,113. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represent approximately 22% of total General Fund expenditures.

Fund balance of the City of Monroe's General Fund decreased by \$549,117 during the current fiscal year. The key factors resulting in this decline are as follows:

- Transfers out to fund self-insured workers' compensation and employee health insurance plans due to excess claims.
- Non-scheduled contributions to the City's Defined Benefit Retirement Plan to fund increase in employee benefits.

Total fund balance for nonmajor special revenue funds at year-end was \$48,252. This total, all of which is unreserved, had a net increase of \$17,460.

The debt service fund has a total fund deficit of \$(183). The net decrease in fund balance during the current year in the debt service fund was \$856.

Proprietary Funds. The City of Monroe's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Utilities Fund at the end of the year amounted to \$5,611,452, and those for the Solid Waste Fund amounted to \$(188,961). The total growth in net assets for both funds was \$2,028,992. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Monroe's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Monroe's budget is prepared according to Georgia Law. A comparison on General Fund actual expenditures to budget can be found on page 17. The General Fund budget was amended by Council during the fiscal year. Differences between the original budget and the final amended budget for the General Fund are summarized as follows:

- Budgeted revenues increased from \$6,345,300 to \$7,290,300. Tax revenues accounted for \$785,000 of this increase due to the increase in collections in almost all tax categories. License and permits increased \$120,000 with the balance due to increased interest revenues.
- Increase in budgeted expenditures over all departments of \$340,000 is due to improvement in employee's retirement plan.
- Budgeted expenditures increased by \$400,000 due to employee health insurance costs for all departments.
- Fire department budgeted expenditures increased by \$25,000 due to employee overtime costs.
- Increase in General Government activities of \$165,000 is due to increased cost of general liability insurance, office operations and attorney fees.
- Increase in budgeted expenditures of \$90,000 for the Public Works department is due to increased costs associated with gas and fuel for vehicles, equipments costs and office expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Monroe's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounts to \$93,385,217 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, equipment, furniture & vehicles, and construction in progress.

Major capital asset events during the current fiscal year included these additions.

Governmental type activities:

- Over \$3 million for airport runway extension and improvements.
- Completion of CDBG drainage project at \$1.2 million.
- Completion of public road to serve Wal-Mart Distribution Center expansion in industrial park area at a cost of \$1.4 million.
- Widening and realignment of Michael Etchison Road for \$677 thousand.
- Addition of \$175 thousand in infrastructure that was turned over to the City as donated assets.
- Construction in progress as of the end of the current fiscal year totaling almost \$379 thousand, the majority of which is for CDBG drainage projects.

Business-type activities:

- \$ 0.3 million for specialized service installation equipment and a special-purpose vehicle.
- \$ 0.7 million in contributed assets by subdivision developers.
- \$ 0.5 million in utility service extensions in order to provide new service for property developments.

CITY OF MONROE, GEORGIA
Capital Assets
(net of depreciation)
Fiscal Years 2006 and 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,961,210	\$ 2,700,424	\$ 2,054,213	\$ 2,054,213	\$ 5,015,423	\$ 4,754,637
Infrastructure	3,939,774	1,750,866	38,646,290	33,542,893	42,586,064	35,293,759
Buildings and Improvements	8,345,856	4,154,802	24,101,963	29,715,222	32,447,819	33,870,024
Equipment, furniture & vehicles	1,654,680	1,748,709	10,575,582	11,539,483	12,230,262	13,288,192
Construction in progress	379,462	3,934,135	726,187	222,583	1,105,649	4,156,718
Total	<u>\$ 17,280,982</u>	<u>\$ 14,288,936</u>	<u>\$ 76,104,235</u>	<u>\$ 77,074,394</u>	<u>\$ 93,385,217</u>	<u>\$ 91,363,330</u>

Additional information on the capital assets can be found in Note 6 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$36,545,000. Of this amount, \$6,950,000 comprises debt backed by the full faith and credit of the government. The remainder of City debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF MONROE, GEORGIA
Outstanding Debt
General Obligation and Revenue Bonds
Fiscal Years 2006 and 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 6,950,000	\$ 6,990,000	\$ -	\$ -	\$ 6,950,000	\$ 6,990,000
Revenue bonds	-	-	29,595,000	30,675,000	29,595,000	30,675,000
Total	<u>\$ 6,950,000</u>	<u>\$ 6,990,000</u>	<u>\$ 29,595,000</u>	<u>\$ 30,675,000</u>	<u>\$ 36,545,000</u>	<u>\$ 37,665,000</u>

The City of Monroe maintains a “BBB+” rating from Standard & Poor’s.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Monroe is \$31.8 million, which is in excess of the total bonded general obligation debt outstanding of \$6.90 million.

Additional information on the City of Monroe’s long-term debt can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The following indicators were taken into account when adopting the General Fund budget for 2007:

- Growth in the local property tax base remains strong as indicated by the increase in total assessed property values by over 5%. The total value of all real and personal taxable property for 2006 rose to over \$311 million.
- Increased Defined Benefit Pension benefits resulting in an increase in annual funding requirements.
- Increased funding to Self-insured Employee Health Insurance Plan.

- Due to the announced closings of three major employers with one being a principal taxpayer, revisions may need to be made but with continued strong sales tax returns, this may not be necessary.

Anticipated revenues in the General Fund budget are \$6.9 million, down \$387 thousand from the amended 2006 budget. The 2007 budget was developed and adopted before 2006 fiscal year-end and reflect conservative revenue figures. We expect that revenues will again continue to rise due to development in the area with expected increases in tax revenues. No decrease in fund balance of General Fund is expected for fiscal year 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of City of Monroe's finances for all those with an interest in our government's finances. Questions concerning this report or requests for additional information may be addressed to:

Finance Director
City of Monroe
P.O. Box 1249
Monroe, GA 30655
770-267-7536



BASIC FINANCIAL STATEMENTS



CITY OF MONROE, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 2,389,761	\$ 2,550,138	\$ 4,939,899	\$ 18,421
Accounts receivable, net of allowances	38,817	3,645,573	3,684,390	-
Taxes receivable	376,170	-	376,170	-
Interest receivable	-	10,461	10,461	-
Internal balances	1,213,473	(1,213,473)	-	-
Due from primary government	-	-	-	12,257
Due from other governments	439,877	-	439,877	-
Inventories and prepaid items	54,417	954,788	1,009,205	-
Deferred charges, unamortized balance	103,033	648,070	751,103	-
Restricted assets:				
Cash and cash equivalents	-	2,704,396	2,704,396	-
Investments	-	766,598	766,598	-
Capital assets:				
Non-depreciable	3,340,672	2,780,400	6,121,072	-
Depreciable, net of accumulated depreciation	13,940,310	73,323,835	87,264,145	-
Total assets	21,896,530	86,170,786	108,067,316	30,678
LIABILITIES				
Accounts payable	1,179,928	1,389,946	2,569,874	6,226
Due to component unit	12,257	-	12,257	-
Accrued liabilities	289,918	1,902,964	2,192,882	-
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and notes payable	230,000	1,510,188	1,740,188	-
Net pension obligation	341,121	537,514	878,635	-
Compensated absences	277,000	226,669	503,669	-
Portion due or payable in more than one year:				
Bonds and notes payable, net	6,673,995	28,206,739	34,880,734	-
Compensated absences	26,337	-	26,337	-
Total liabilities	9,030,556	33,774,020	42,804,576	6,226
NET ASSETS				
Invested in capital assets, net of related debt	10,480,020	47,035,378	57,515,398	-
Unrestricted	2,385,954	5,361,388	7,747,342	24,452
Total net assets	\$ 12,865,974	\$ 52,396,766	\$ 65,262,740	\$ 24,452

The accompanying notes are an integral part of these financial statements.

CITY OF MONROE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

					Net (Expenses) Revenues and Changes in Net Assets				
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Unit	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	
Primary government:									
Governmental activities:									
General government	\$ 1,694,194	\$ 310,339	\$ -	\$ -	\$ (1,383,855)	\$ -	\$ (1,383,855)	\$ -	
Judicial	101,795	331,732	-	-	229,937	-	229,937	-	
Public safety	4,584,679	23,579	54,830	2,164	(4,504,106)	-	(4,504,106)	-	
Public works	2,179,824	17,680	-	2,872,531	710,387	-	710,387	-	
Health and welfare	9,674	-	-	-	(9,674)	-	(9,674)	-	
Culture and recreation	328,177	1,225	-	-	(326,952)	-	(326,952)	-	
Housing and development	345,994	-	31,424	-	(314,570)	-	(314,570)	-	
Interest on long-term debt	340,523	-	-	-	(340,523)	-	(340,523)	-	
Total governmental activities	9,584,860	684,555	86,254	2,874,695	(5,939,356)	-	(5,939,356)	-	
Business-type activities:									
Utilities	30,529,266	33,310,694	-	716,201	-	3,497,629	3,497,629	-	
Solid Waste	3,489,003	3,248,198	-	-	-	(240,805)	(240,805)	-	
Total business-type activities	34,018,269	36,558,892	-	716,201	-	3,256,824	3,256,824	-	
Total primary government	\$ 43,603,129	\$ 37,243,447	\$ 86,254	\$ 3,590,896	(5,939,356)	3,256,824	(2,682,532)	-	
Component unit:									
Downtown Development Authority	\$ 35,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (35,035)	
Total component unit	\$ 35,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (35,035)	
General revenues:									
Property taxes					\$ 2,686,312	\$ -	\$ 2,686,312	\$ -	
Sales taxes					2,390,642	-	2,390,642	41,907	
Franchise taxes					263,886	-	263,886	-	
Business taxes					718,778	-	718,778	-	
Unrestricted investment earnings					108,567	213,843	322,410	701	
Gain on sale of capital assets					23,593	-	23,593	-	
Miscellaneous					101,300	-	101,300	1,499	
Transfers					1,433,043	(1,433,043)	-	-	
Total general revenues and transfers					7,726,121	(1,219,200)	6,506,921	44,107	
Change in net assets					1,786,765	2,037,624	3,824,389	9,072	
Net assets, beginning of year (as restated)					11,079,209	50,359,142	61,438,351	15,380	
Net assets, end of year					\$ 12,865,974	\$ 52,396,766	\$ 65,262,740	\$ 24,452	

The accompanying notes are an integral part of these financial statements.

Item # 1

CITY OF MONROE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

ASSETS	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 1,051,384	\$ 26,736	\$ 985,314	\$ 2,063,434
Taxes receivable	373,112	-	3,058	376,170
Accounts receivable	29,229	2,450	7,138	38,817
Due from other governments	353,332	86,545	-	439,877
Due from other funds	1,306,691	-	12,257	1,318,948
Prepaid expenditures	54,417	-	-	54,417
Total assets	<u>\$ 3,168,165</u>	<u>\$ 115,731</u>	<u>\$ 1,007,767</u>	<u>\$ 4,291,663</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 821,522	\$ 82,786	\$ 26,469	\$ 930,777
Accrued liabilities	208,019	-	13,631	221,650
Deferred revenues	237,218	-	-	237,218
Due to component unit	-	-	12,257	12,257
Due to other funds	78,876	110,647	9,893	199,416
Total liabilities	<u>1,345,635</u>	<u>193,433</u>	<u>62,250</u>	<u>1,601,318</u>
FUND BALANCES				
Fund balances:				
Reserved for:				
Prepaid items	54,417	-	-	54,417
Unreserved, reported in:				
General fund	1,768,113	-	-	1,768,113
Special revenue funds	-	-	48,252	48,252
Debt service funds	-	-	(183)	(183)
Capital projects funds	-	(77,702)	897,448	819,746
Total fund balances	<u>1,822,530</u>	<u>(77,702)</u>	<u>945,517</u>	<u>2,690,345</u>
Total liabilities and fund balance	<u>\$ 3,168,165</u>	<u>\$ 115,731</u>	<u>\$ 1,007,767</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,280,982
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	237,218
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,513,688)
Internal service funds are used by management to charge the costs of health insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	171,117
Net assets of governmental activities	<u>\$ 12,865,974</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MONROE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 6,118,513	\$ -	\$ 36,364	\$ 6,154,877
Licenses and permits	303,400	-	-	303,400
Intergovernmental	88,418	1,983,312	58,190	2,129,920
Fines and forfeitures	331,732	-	5,780	337,512
Charges for services	38,459	-	-	38,459
Interest income	44,476	9,860	38,318	92,654
Miscellaneous	106,484	-	-	106,484
Total revenues	<u>7,031,482</u>	<u>1,993,172</u>	<u>138,652</u>	<u>9,163,306</u>
Expenditures				
Current:				
General government	1,601,100	-	1,050	1,602,150
Judicial	95,732	-	-	95,732
Public safety	4,269,660	-	12,387	4,282,047
Public works	1,576,697	-	565,830	2,142,527
Health and welfare	9,674	-	-	9,674
Culture and recreation	297,433	-	-	297,433
Housing and development	279,420	-	51,402	330,822
Capital outlay	-	2,296,039	47,845	2,343,884
Debt service:				
Principal retirements	-	-	200,000	200,000
Interest and issuance costs	-	-	464,145	464,145
Total expenditures	<u>8,129,716</u>	<u>2,296,039</u>	<u>1,342,659</u>	<u>11,768,414</u>
Deficiency of revenues under expenditures	<u>(1,098,234)</u>	<u>(302,867)</u>	<u>(1,204,007)</u>	<u>(2,605,108)</u>
Other financing sources (uses):				
Issuance of refunding bonds	-	-	4,430,000	4,430,000
Premium from issuance of refunding bonds	-	-	250,230	250,230
Payment to refunded bond escrow agent	-	-	(4,568,686)	(4,568,686)
Proceeds from sale of capital assets	55,865	-	-	55,865
Transfers in	1,433,043	318,732	621,059	2,372,834
Transfers out	(939,791)	-	-	(939,791)
Total other financing sources (uses)	<u>549,117</u>	<u>318,732</u>	<u>732,603</u>	<u>1,600,452</u>
Net change in fund balances	(549,117)	15,865	(471,404)	(1,004,656)
Fund balances, beginning of year (as restated)	<u>2,371,647</u>	<u>(93,567)</u>	<u>1,416,921</u>	<u>3,695,001</u>
Fund balances, end of year	<u>\$ 1,822,530</u>	<u>\$ (77,702)</u>	<u>\$ 945,517</u>	<u>\$ 2,690,345</u>

The accompanying notes are an integral part of these financial statements:

CITY OF MONROE, GEORGIA**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (1,004,656)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	2,193,289
---	-----------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.	798,757
--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(95,259)
--	----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	192,863
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Internal service funds are used by management to charge the costs of health and workers' compensation insurance to individual funds. The net revenue of the internal service funds is reported with governmental activities.	61,234
--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(359,463)</u>
---	------------------

Change in net assets - governmental activities	<u>\$ 1,786,765</u>
--	---------------------

The accompanying notes are an integral part of these financial statements.

CITY OF MONROE, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,480,500	\$ 6,265,500	\$ 6,118,513	\$ (146,987)
Licenses and permits	210,000	330,000	303,400	(26,600)
Fines and forfeitures	400,000	400,000	331,732	(68,268)
Interest	15,000	55,000	44,476	(10,524)
Charges for services	8,050	8,050	38,459	30,409
Intergovernmental	132,000	132,000	88,418	(43,582)
Miscellaneous	99,750	99,750	106,484	6,734
Total revenues	6,345,300	7,290,300	7,031,482	(258,818)
Expenditures				
Current:				
General government:				
General administration	232,072	664,072	603,670	60,402
Executive	324,373	429,373	427,957	1,416
Board of elections/registrations	6,000	4,000	-	4,000
Financial administration	411,008	431,008	425,955	5,053
Law	60,000	115,000	114,828	172
Internal audit	30,000	30,000	28,690	1,310
General administration fees	4,600	4,600	-	4,600
Total general government	1,068,053	1,678,053	1,601,100	76,953
Judicial:				
Municipal court	107,413	97,413	95,732	1,681
Total judicial	107,413	97,413	95,732	1,681
Public safety:				
Police	2,775,522	2,925,522	2,920,812	4,710
Fire	1,259,189	1,354,189	1,348,848	5,341
Total public safety	4,034,711	4,279,711	4,269,660	10,051
Public works:				
Highways and streets administration	1,435,006	1,610,006	1,576,697	33,309
Total public works	1,435,006	1,610,006	1,576,697	33,309
Health and welfare:				
Community center	9,000	10,000	9,674	326
Total health and welfare	9,000	10,000	9,674	326
Culture and recreation:				
Special facilities	207,774	206,774	179,859	26,915
Senior center	-	-	5,038	(5,038)
Library	101,417	101,417	112,536	(11,119)
Total culture and recreation	309,191	308,191	297,433	10,758
Housing and development:				
Protective inspection administration	287,858	287,858	276,190	11,668
Planning and zoning	3,230	3,230	3,230	-
Total housing and development	291,088	291,088	279,420	11,668
Total expenditures	7,254,462	8,274,462	8,129,716	144,746
Deficiency of revenues under expenditures	(909,162)	(984,162)	(1,098,234)	(114,072)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	75,000	55,865	(19,135)
Transfers in	1,550,000	1,550,000	1,433,043	(116,957)
Transfers out	(640,838)	(640,838)	(939,791)	(298,953)
Total other financing sources (uses)	909,162	984,162	549,117	(435,045)
Net change in fund balances	-	-	(549,117)	(549,117)
Fund balance, beginning of year	2,371,647	2,371,647	2,371,647	-
Fund balance, end of year	\$ 2,371,647	\$ 2,371,647	\$ 1,822,530	\$ (549,117)

The accompanying notes are an integral part of these financial statements.

Item # 1

CITY OF MONROE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

ASSETS	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Utilities Fund	Solid Waste Fund	Totals	
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,545,395	\$ 4,743	\$ 2,550,138	\$ 326,327
Accounts receivable	3,284,542	361,031	3,645,573	-
Due from other funds	-	175,644	175,644	72,854
Interest receivable	10,461	-	10,461	-
Prepaid items	52,671	-	52,671	-
Inventories	902,117	-	902,117	-
Total current assets	6,795,186	541,418	7,336,604	399,181
RESTRICTED ASSETS				
Cash and cash equivalents	2,704,396	-	2,704,396	-
Investments	766,598	-	766,598	-
Total restricted assets	3,470,994	-	3,470,994	-
Total current assets	10,266,180	541,418	10,807,598	399,181
CAPITAL ASSETS				
Non-depreciable	2,780,400	-	2,780,400	-
Depreciable, net of accumulated depreciation	72,579,407	744,428	73,323,835	-
	75,359,807	744,428	76,104,235	-
OTHER NONCURRENT ASSETS	648,070	-	648,070	-
Total noncurrent assets	76,007,877	744,428	76,752,305	-
Total assets	86,274,057	1,285,846	87,559,903	399,181
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,389,946	-	1,389,946	249,151
Accrued liabilities	153,272	-	153,272	-
Customer deposits	1,643,922	-	1,643,922	-
Compensated absences payable	166,082	60,587	226,669	-
Due to other funds	721,273	606,741	1,328,014	40,016
Net pension obligation	474,463	63,051	537,514	-
	4,548,958	730,379	5,279,337	289,167
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Revenue bonds payable - current	1,425,000	-	1,425,000	-
Notes payable - current	85,188	-	85,188	-
Accrued interest	105,770	-	105,770	-
	1,615,958	-	1,615,958	-
Total current liabilities	6,164,916	730,379	6,895,295	289,167
NONCURRENT LIABILITIES				
Revenue bonds payable	27,778,054	-	27,778,054	-
Notes payable	428,685	-	428,685	-
Total noncurrent liabilities	28,206,739	-	28,206,739	-
Total liabilities	34,371,655	730,379	35,102,034	289,167
NET ASSETS				
Invested in capital assets, net of related deb	46,290,950	744,428	47,035,378	-
Unrestricted	5,611,452	(188,961)	5,422,491	110,014
Total net assets	\$ 51,902,402	\$ 555,467	52,457,869	\$ 110,014
Adjustment to reflect the consolidation of internal service fund activities: related to enterprise funds				(61,103)
Net assets of business-type activities				\$ 52,396,766

The accompanying notes are an integral part of these financial statements.

Item # 1

CITY OF MONROE, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Utilities Fund	Solid Waste Fund	Totals	
OPERATING REVENUES				
Charges for sales and services	\$ 33,308,194	\$ 3,248,198	\$ 36,556,392	\$ 2,387,686
Miscellaneous	2,500	-	2,500	-
Total operating revenues	33,310,694	3,248,198	36,558,892	2,387,686
OPERATING EXPENSES				
Cost of sales and services	16,268,476	1,999,338	18,267,814	-
General operating expenses	9,900,924	1,411,448	11,312,372	2,333,734
Depreciation and amortization	2,980,443	86,849	3,067,292	-
Total operating expenses	29,149,843	3,497,635	32,647,478	2,333,734
Operating income (loss)	4,160,851	(249,437)	3,911,414	53,952
NON-OPERATING REVENUES (EXPENSES)				
Interest income	213,660	183	213,843	15,913
Intergovernmental	7,500	-	7,500	-
Interest expense	(1,274,012)	-	(1,274,012)	-
Loss on disposal of capital assets	(105,411)	-	(105,411)	-
Total non-operating expenses	(1,158,263)	183	(1,158,080)	15,913
Income (loss) before capital contributions and transfers	3,002,588	(249,254)	2,753,334	69,865
Capital contributions	708,701	-	708,701	-
Transfers out	(1,433,043)	-	(1,433,043)	-
	(724,342)	-	(724,342)	-
Change in net assets	2,278,246	(249,254)	2,028,992	69,865
Net assets, beginning of year (as restated)	49,624,156	804,721		40,149
Net assets, end of year	<u>\$ 51,902,402</u>	<u>\$ 555,467</u>		<u>\$ 110,014</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			8,632	
Change in net assets of business-type activities			<u>\$ 2,037,624</u>	

The accompanying notes are an integral part of these financial statements.



CITY OF MONROE, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Utilities Fund	Solid Waste Fund	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 33,819,735	\$ 3,079,178	\$ 36,898,913	\$ -
Receipts from interfund services provided	-	-	-	2,314,832
Payments to suppliers	(21,067,299)	(2,130,824)	(23,198,123)	(2,275,384)
Payments to employees	(5,337,366)	(948,355)	(6,285,721)	-
Net cash provided by (used in) operating activities	7,415,070	(1)	7,415,069	39,448
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers out to other funds	(1,433,043)	-	(1,433,043)	-
Net cash used in non-capital financing activities	(1,433,043)	-	(1,433,043)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(1,626,531)	-	(1,626,531)	-
Proceeds from issuance of bonds	15,786,206	-	15,786,206	-
Principal payments on bonds	(1,320,000)	-	(1,320,000)	-
Principal payments on note payable	(83,506)	-	(83,506)	-
Bond closing costs	(357,229)	-	(357,229)	-
Defeasance of bonds	(15,508,979)	-	(15,508,979)	-
Interest paid	(1,278,684)	-	(1,278,684)	-
Capital contributions	221,014	-	221,014	-
Net cash used in capital and related financing activities	(4,167,709)	-	(4,167,709)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	234,475	183	234,658	15,913
Purchases of investments	(350,067)	-	(350,067)	-
Net cash provided by (used in) investing activities	(115,592)	183	(115,409)	15,913
Net increase in cash and cash equivalents	1,698,726	182	1,698,908	55,361
Cash and cash equivalents, beginning of year	3,551,065	4,561	3,555,626	270,966
Cash and cash equivalents, end of year	\$ 5,249,791	\$ 4,743	\$ 5,254,534	\$ 326,327
Classified as:				
Cash and cash equivalents	\$ 2,545,395	\$ 4,743	\$ 2,550,138	\$ 326,327
Restricted cash and cash equivalents	2,704,396	-	2,704,396	-
	\$ 5,249,791	\$ 4,743	\$ 5,254,534	\$ 326,327

(Continued)

CITY OF MONROE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Utilities Fund	Solid Waste Fund	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 4,160,851	\$ (249,437)	\$ 3,911,414	\$ 53,952
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,980,443	86,849	3,067,292	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	509,041	(169,020)	340,021	-
Increase in due from other funds	-	(8,810)	(8,810)	(72,854)
Increase in prepaid items	(4,887)	-	(4,887)	-
Increase in inventories	(105,838)	-	(105,838)	-
Increase (decrease) in accounts payable	(1,028,703)	-	(1,028,703)	18,334
Decrease in accrued liabilities	(226,730)	-	(226,730)	-
Increase in customer deposits	233,976	-	233,976	-
Increase in compensated absences payable	7,018	12,015	19,033	-
Increase in due to other funds	415,436	265,351	680,787	40,016
Increase in net pension obligation	474,463	63,051	537,514	-
Net cash provided by (used in) operating activities	<u>\$ 7,415,070</u>	<u>\$ (1)</u>	<u>\$ 7,415,069</u>	<u>\$ 39,448</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Donations of capital assets	<u>\$ 495,187</u>	<u>\$ -</u>	<u>\$ 495,187</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS



**CITY OF MONROE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Monroe, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

Incorporated in 1821, under the laws of the State of Georgia, the City of Monroe is governed by a nine member Mayor/Council form of government. The mayor is elected to a four-year term, and council members are elected to staggered four-year terms. The Mayor serves as the Chief Executive Officer and the other eight council members serve on a part-time basis. The Mayor is assisted by a city administrator to handle the daily operations of the City.

The City's major operations include public safety, fire protection, public works maintenance, utility services and general administrative services. In addition, the City exercises sufficient control over another governmental authority that is included as part of the City's reporting entity.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable and can impose its will. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The Downtown Development Authority was activated by resolution in 1985 to promote and further develop trade, commerce, industry and employment opportunities within the City of Monroe, Georgia. It operates under an eight member board, one of which is a member of the City Council, appointed by the City. The Authority does not issue separate financial statements and is included as a discretely presented component unit in the City's financial report.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable. The statement of net assets will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received up to sixty days after year end, sales taxes, franchise taxes, licenses, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Project Fund** accounts for the receipts and expenditures of grant money used to fund various capital outlay projects of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The **Utilities Fund** accounts for the operation and maintenance of the City's various utility services.

The **Solid Waste Fund** accounts for the operation and maintenance of the City's transfer station and solid waste disposal.

The City also reports the following fund types:

The **Internal Service funds** account for the City's self-insured health insurance and workers' compensation programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets

Annual appropriated budgets are adopted for all governmental funds, with the exception of capital projects funds for which project length budgets are adopted. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. All appropriations lapse at fiscal year end. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the City's general fund. Encumbrances outstanding at year end are reported as a reservation of fund balance since they do not constitute expenditures or liabilities. There were no outstanding encumbrances at December 31, 2006.

E. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. Investments are reported at fair value as determined by quoted market prices.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories

The costs of governmental fund type inventories (which are not significant to the City) are recorded as expenditures when purchased rather than when consumed (purchase method). Inventories of the proprietary funds are valued at cost using the first-in/first-out (FIFO) method.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items in both government-wide and fund financial statements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Utilities Fund during the current fiscal year was \$1,274,012. None of this interest was included as part of the cost of capital assets under construction.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	15-50
Buildings and improvements	20-50
Vehicles	5
Furniture and fixtures	10
Machinery and equipment	5-15

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The “revenue bond construction” account is used to report those proceeds that are restricted for use in construction. The “revenue bond current debt service” account is used to segregate resources accumulated for debt service payments over the next twelve months.

K. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the straight line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

N. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$7,513,688 difference are as follows:

Bonds payable	\$ (6,950,000)
Bond issuance costs	103,033
Bond premium	(246,937)
Deferred charges on refunding	292,942
Accrued interest payable	(68,268)
Net pension obligation	(341,121)
Compensated absences	(303,337)
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (7,513,688)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$2,193,289 difference are as follows:

Capital outlay	\$ 2,343,884
Capital outlay expenditures recognized in various functions	443,260
Depreciation expense	<u>(593,855)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 2,193,289</u></u>

Another element of that reconciliation explains that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.” The details of this \$798,757 difference are as follows:

In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (32,272)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>831,029</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 798,757</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$192,863 difference are as follows:

Issuance of refunding bonds	\$ (4,430,000)
Bond premium	(250,230)
Bond issuance costs	104,407
Principal retirement of general obligation bonds	200,000
Payment to escrow agent for refunding	<u>4,568,686</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 192,863</u></u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$359,463 difference are as follows:

Compensated absences	\$ (36,183)
Net pension obligation	(341,121)
Accrued interest	21,666
Amortization of issuance costs	(1,374)
Amortization of deferred charges on refunding	(5,744)
Amortization of bond premiums	<u>3,293</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (359,463)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City of Monroe, Georgia employs the following procedures in establishing its annual budget:

1. Prior to January 1, the City Administrator submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means for financing them.
2. The City Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of the City of Monroe, Georgia.
3. The budget is then revised and adopted or amended by the City Council at a subsequent regular meeting in the year to which it applies and within forty-five days following January 1.
4. The adopted budget may be revised during the year only by formal action of the City Council in a regular meeting and no increase shall be made therein without provision also being made for financing same, for anything above the legal level of budgetary control, which is the department level. However, transfers within a department may be made within any fund without council approval. Budget amounts shown in these financial statements reflect amendments approved by the City Council.

The following fund and General Fund departments had excesses of actual expenditures over appropriations for the fiscal year ended December 31, 2006:

Debt Service Fund	\$	105,457
General Fund departments:		
Senior center		5,038
Library		11,119

These over expenditures were funded by available fund balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2006 are summarized as follows:

Amounts as presented on the entity wide statement of net assets:	
Cash and cash equivalents	\$ 4,939,899
Restricted cash and cash equivalents	2,704,396
Restricted investments	766,598
Total	<u>\$ 8,410,893</u>
Cash deposited with financial institutions	\$ 7,644,295
Investments in the Municipal Competitive Trust	766,598
	<u>\$ 8,410,893</u>

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of December 31, 2006, the City's investment in the Municipal Competitive Trust was not rated.

At December 31, 2006, the City had the following investments:

Investment	Maturities	Fair Value
Municipal Competitive Trust - Short-term	January 12, 2007 - May 23, 2007	\$ 766,598
Total		<u>\$ 766,598</u>

Interest rate risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2006, the City did not have any deposits that were uninsured or under collateralized as defined by GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Downtown Development Authority

As of December 31, 2006, the bank balances for the Downtown Development Authority were adequately insured and collateralized as defined by GASB.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City bills and collects its own property taxes. The taxes are levied by October 20 based on the assessed value of property as listed on the previous January 1 and are due on December 20 of each year.

Property taxes are recorded as receivables and deferred revenues when assessed. Revenues are recognized when available.

Receivables at December 31, 2006, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Project	Utilities	Solid Waste	Nonmajor Governmental Funds
Receivables:					
Taxes	\$ 373,112	\$ -	\$ -	\$ -	\$ 3,058
Accounts	29,229	2,450	3,332,359	361,031	7,138
Due from other governments	353,332	86,545	-	-	-
Less allowance for uncollectible	-	-	47,817	-	-
Net total receivable	<u>\$ 755,673</u>	<u>\$ 88,995</u>	<u>\$ 3,284,542</u>	<u>\$ 361,031</u>	<u>\$ 10,196</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2006 is as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,700,424	\$ 260,786	\$ -	\$ 2,961,210
Construction in progress	3,934,135	711,415	(4,266,088)	379,462
Total	<u>6,634,559</u>	<u>972,201</u>	<u>(4,266,088)</u>	<u>3,340,672</u>
Capital assets, being depreciated:				
Infrastructure	1,883,355	2,275,590	-	4,158,945
Buildings and improvements	5,690,551	104,859	4,266,088	10,061,498
Equipment, furniture & vehicles	3,641,296	265,523	(233,767)	3,673,052
Total	<u>11,215,202</u>	<u>2,645,972</u>	<u>4,032,321</u>	<u>17,893,495</u>
Less accumulated depreciation for:				
Infrastructure	(132,489)	(86,682)	-	(219,171)
Buildings and improvements	(1,535,749)	(179,893)	-	(1,715,642)
Equipment, furniture & vehicles	(1,892,587)	(327,280)	201,495	(2,018,372)
Total	<u>(3,560,825)</u>	<u>(593,855)</u>	<u>201,495</u>	<u>(3,953,185)</u>
Total capital assets, being depreciated, net	<u>7,654,377</u>	<u>2,052,117</u>	<u>4,233,816</u>	<u>13,940,310</u>
Governmental activities capital assets, net	<u>\$ 14,288,936</u>	<u>\$ 3,024,318</u>	<u>\$ (32,272)</u>	<u>\$ 17,280,982</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,054,213	\$ -	\$ -	\$ 2,054,213
Construction in progress	222,583	1,240,598	(736,994)	726,187
Total	<u>2,276,796</u>	<u>1,240,598</u>	<u>(736,994)</u>	<u>2,780,400</u>
Capital assets, being depreciated:				
Infrastructure	43,352,387	495,201	6,532,423	50,380,011
Buildings and improvements	36,396,748	9,054	(5,665,183)	30,740,619
Equipment, furniture & vehicles	18,274,003	376,865	(485,225)	18,165,643
Total	<u>98,023,138</u>	<u>881,120</u>	<u>382,015</u>	<u>99,286,273</u>
Less accumulated depreciation for:				
Infrastructure	(9,809,494)	(961,986)	(962,241)	(11,733,721)
Buildings and improvements	(6,681,526)	(781,068)	823,938	(6,638,656)
Equipment, furniture & vehicles	(6,734,520)	(1,243,412)	387,871	(7,590,061)
Total	<u>(23,225,540)</u>	<u>(2,986,466)</u>	<u>249,568</u>	<u>(25,962,438)</u>
Total capital assets, being depreciated, net	<u>74,797,598</u>	<u>(2,105,346)</u>	<u>631,583</u>	<u>73,323,835</u>
Business-type activities capital assets, net	<u>\$ 77,074,394</u>	<u>\$ (864,748)</u>	<u>\$ (105,411)</u>	<u>\$ 76,104,235</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 99,385
Public safety	262,729
Public works	204,146
Culture and recreation	21,852
Housing and development	5,743

Total depreciation expense - governmental activities	<u>\$ 593,855</u>
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Business-type activities:

Utilities	\$ 2,899,617
Solid waste	86,849

Total depreciation expense - business-type activities	<u>\$ 2,986,466</u>
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NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,990,000	\$ 4,430,000	\$ (4,470,000)	\$ 6,950,000	\$ 230,000
Less: Deferred charges, net	-	(48,456)	2,451	(46,005)	-
Total general obligation bonds	6,990,000	4,381,544	(4,467,549)	6,903,995	230,000
Net pension obligation	-	341,121	-	341,121	341,121
Compensated absences	267,154	280,084	(243,901)	303,337	277,000
Governmental activity Long-term liabilities	<u>\$ 7,257,154</u>	<u>\$ 5,002,749</u>	<u>\$ (4,711,450)</u>	<u>\$ 7,548,453</u>	<u>\$ 848,121</u>
Business-type activities:					
Revenue bonds payable	\$ 30,675,000	\$ 15,040,000	\$ (16,120,000)	\$ 29,595,000	\$ 1,425,000
Less: Deferred charges, net	(289,264)	(246,983)	144,301	(391,946)	-
Total revenue bonds	30,385,736	14,793,017	(15,975,699)	29,203,054	1,425,000
Note payable	597,379	-	(83,506)	513,873	85,188
Net pension obligation	-	537,514	-	537,514	537,514
Compensated absences	207,636	377,443	(358,410)	226,669	226,669
Business-type activity Long-term liabilities	<u>\$ 31,190,751</u>	<u>\$ 15,707,974</u>	<u>\$ (16,417,615)</u>	<u>\$ 30,481,110</u>	<u>\$ 2,274,371</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

For governmental funds, compensated absences and net pension obligation are liquidated by the General Fund.

General Obligation Bonds. In November 2000, the City issued General Obligation Bonds (Series 2000) to finance various construction and capital acquisition projects. These bonds were issued for an original amount of \$7,195,000 bearing interest of 5.275% per annum payable semi-annually on April 1 and October 1 and maturing in 2013.

In October 2006, the City issued General Obligation Refunding Bonds (Series 2006) to provide funds to advance refund \$4,270,000 in aggregate principal amount of the City's Series 2000 General Obligation Bonds. These bonds were issued for an original amount of \$4,430,000 bearing interest from 3.625% to 5.00% per annum payable semi-annually on April 1 and October 1 and maturing in 2019.

The debt service to maturity on the general obligation bonds is as follows:

Year Ending December 31,	Series 2006		Series 2000		Total
	Principal	Interest	Principal	Interest	
2007	\$ -	\$ 204,463	\$ 230,000	\$ 123,130	\$ 557,593
2008	-	204,463	270,000	112,435	586,898
2009	-	204,463	310,000	99,744	614,207
2010	-	204,463	355,000	85,020	644,483
2011	10,000	204,463	400,000	67,802	682,265
2012-2016	1,970,000	924,676	955,000	73,504	3,923,180
2017-2019	2,450,000	216,900	-	-	2,666,900
Total	<u>\$ 4,430,000</u>	<u>\$ 2,163,891</u>	<u>\$ 2,520,000</u>	<u>\$ 561,635</u>	<u>\$ 9,675,526</u>

Revenue Bonds. The City issued the following revenue bonds in order to finance construction and system extension:

In February 2001, the City issued the Combined Utility Revenue Bonds (Series 2001) in the original amount of \$20,555,000 bearing interest at an average rate of 4.95% payable each June 1 and December 1 beginning 2003 until 2014.

In July 2003, the City issued the Combined Utility Revenue Bonds (Series 2003) in the original amount of \$13,275,000 bearing interest at an average rate of 3.06% payable each June 1 and December 1 beginning 2003 until 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

The debt service to maturity on the Series 2003 and 2001 revenue bonds is as follows:

Year Ending December 31,	Series 2003		Series 2001		Total
	Principal	Interest	Principal	Interest	
2007	\$ 1,340,000	\$ 306,918	\$ 85,000	\$ 244,878	\$ 1,976,796
2008	1,370,000	280,118	90,000	241,478	1,981,596
2009	635,000	225,318	800,000	237,652	1,897,970
2010	655,000	206,268	835,000	203,652	1,899,920
2011	675,000	186,618	870,000	168,135	1,899,753
2012-2016	3,290,000	577,780	2,845,000	262,845	6,975,625
2017-2018	1,065,000	60,200	-	-	1,125,200
Total	<u>\$ 9,030,000</u>	<u>\$ 1,843,220</u>	<u>\$ 5,525,000</u>	<u>\$ 1,358,640</u>	<u>\$ 17,756,860</u>

In October 2006, the City issued the Combined Utility Revenue Refunding Bonds (Series 2006) to advance refund \$14,720,000 in aggregate principal amount of the Series 2001 Revenue Bonds. These bonds were issued for an original amount of \$15,040,000 bearing interest from 4.00% to 5.00% payable each June 1 and December 1 and maturing in 2025.

The debt service to maturity on the Series 2006 revenue bonds is as follows:

Year Ending December 31,	Principal	Interest	Total
2007	\$ -	\$ 707,163	\$ 707,163
2008	-	707,163	707,163
2009	-	707,163	707,163
2010	-	707,163	707,163
2011	-	707,163	707,163
2012-2016	2,175,000	3,482,815	5,657,815
2017-2021	6,470,000	2,376,810	8,846,810
2022-2025	6,395,000	682,560	7,077,560
Total	<u>\$ 15,040,000</u>	<u>\$ 10,078,000</u>	<u>\$ 25,118,000</u>

As part of the refundings mentioned above, the City has defeased certain outstanding general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On December 31, 2006, the outstanding amount of bonds considered defeased is as follows:

Series 2000 General Obligation Bonds	\$ 4,270,000
Series 2001 Revenue Bonds	14,720,000

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Note Payable. The City has a note payable to the Georgia Environmental Facilities Authority State Revolving Loan Fund in the original amount of \$1,560,000, bearing interest at the rate of 2% per annum payable each quarter beginning December 1, 1992 until September 1, 2012. The note was issued to finance construction and system extension.

The debt service requirements to maturity on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending December 31,			
2007	\$ 85,188	\$ 9,641	\$ 94,829
2008	86,905	7,925	94,830
2009	88,656	6,173	94,829
2010	90,443	4,387	94,830
2011	92,265	2,565	94,830
2012	70,416	705	71,121
Total	<u>\$ 513,873</u>	<u>\$ 31,396</u>	<u>\$ 545,269</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2006 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 110,647
General Fund	Solid Waste Fund	606,741
General Fund	Utilities Fund	539,394
General Fund	Nonmajor governmental funds	9,893
General Fund	Internal service fund - employees' health	40,016
Solid Waste Fund	Utilities Fund	175,644
Internal service fund - employees' health	General Fund	66,619
Internal service fund - workers' compensation	Utilities Fund	6,235
Nonmajor governmental funds	General Fund	12,257
		<u>\$ 1,567,446</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Due from/to primary government and component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Downtown Development Authority	Primary government - Nonmajor governmental fund	\$ 12,257

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 621,059
Capital Projects Fund	General Fund	318,732
		<u>\$ 939,791</u>
General Fund	Utilities Fund	<u>\$ 1,433,043</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Monroe Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, excluding elected officials, who work thirty hours or more per week, are eligible to participate after one year. Benefits vest after five years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 2.0% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he has a minimum of 25 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Elected officials are entitled to \$30 for each year of service after reaching normal retirement age.

At November 1, 2006, the date of the most recent actuarial valuation, there were 267 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	48
Terminated vested participants not yet receiving benefits	19
Active employees - vested	117
Active employees - nonvested	83
Total	267

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2006, the actuarially determined contribution rate was 37.38% of covered payroll, of which 11.20% related to the basic required contribution with an additional 26.18% related to benefit changes as described below.

For 2006, the City's recommended contribution was \$751,774. Additionally, a change in the types and amounts of benefits offered led to a one-time recommended contribution of \$1,756,241 to fund the retroactive adjustment related to the changes. Actual contributions totaled \$1,629,380. The recommended contribution was determined as part of the November 1, 2005 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include an 8.0% rate of return on investments and projected salary increases of 5.5% (5.0% due to inflation and .5% due to merit or seniority increases). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

Annual Pension Cost

The City's actuarially determined contribution, pension cost and increase in net pension obligation for the year ended December 31, 2006, is as follows:

Annual required contribution	\$ 2,508,015
Interest on net pension obligation	-
Adjustments to annual required contribution	-
Annual pension cost	<u>2,508,015</u>
Contributions made	<u>1,629,380</u>
Increase in net pension obligation	878,635
Net pension obligation, beginning of year	-
Net pension obligation, end of year	<u><u>\$ 878,635</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (CONTINUED)

Employer Contributions

<u>Fiscal Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Pension Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 2,508,015	\$ 1,629,380	65.0 %	\$ 878,635
2005	660,176	660,176	100.0	-
2004	466,713	466,713	100.0	-

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described above, the City provides postretirement healthcare benefits, in accordance with City statutes, to all employees who retire from the City after 25 years of service and are between 62 and 65 years of age. These postemployment benefits are financed on a pay-as-you-go basis. Expenditures for postretirement healthcare costs are recognized in the City's self-insurance fund as retirees report claims and include a provision for estimated claims incurred but not yet reported to the City. For the year ended December 31, 2006, the City recognized \$21,891 of expenditures for postretirement healthcare benefits.

NOTE 11. FUND DEFICITS

The following funds had deficit fund balances at December 31, 2006:

Capital Projects Fund	\$ 77,702
Debt Service Fund	183

The above fund deficits will be reduced through General Fund appropriations, as needed.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the 12 county Northeast Georgia area, is a member of the Northeast Georgia Regional Development Center (RDC). Dues to the RDC are assessed at the County level and are, accordingly, paid by Walton County. Membership in the RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RDC. Separate financial statements may be obtained from the RDC's administrative office at 305 Research Drive, Athens, Georgia 30610.

NOTE 13. RELATED ORGANIZATIONS

The City's council is responsible for appointing a majority of the board members of the City of Monroe, Georgia Housing Authority. However, the City has no further accountability for the Authority.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. Settlements have not exceeded coverage for the past three years. The City is self-insured for both employee group health insurance and workers' compensation claims. The City maintains specific stop loss coverage in the amount of \$300,000 per claim for workers' compensation and \$40,000 per covered individual for employee group health insurance. A liability for employee group health insurance and workers' compensation claims is recognized in the respective internal service fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability includes an estimate for claims that have been incurred but not reported.

Changes in the balances of claims liabilities during the past two years are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2006	\$ 230,817	\$ 1,779,084	\$ 1,760,750	\$ 249,151
2005	\$ 62,945	\$ 1,985,207	\$ 1,817,335	\$ 230,817

NOTES TO FINANCIAL STATEMENTS

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation:

Early in 2007, the Georgia Public Service Corporation (GPSC) issued a decision regarding a gas service territory previously undefined. The decision would cause the City to transfer approximately 150 gas customers who fell within the Atlanta Gas Light (AGL) territory. The GPSC has ordered the City to sell the gas service assets related to serving those customers to AGL, as well as to pay a \$100,000 fine to the GPSC. The amount of proceeds from the sale of the gas service assets has not yet been determined. Any net book value in excess of the price ultimately paid by AGL will result in a one-time loss on the disposal of the capital assets.

Subsequent to this decision, the City filed its petition for judicial review and motion for emergency stay, appealing the decision of the GPSC. The City asserts that the GPSC erred in requiring that the City transfer any of its gas service assets since the City's Municipal Charter prohibits the City from doing so without a referendum of the City's voters. On April 11, 2007, the Court granted the City's motion for emergency stay. The City will continue to vigorously pursue its claims on appeal and is unable to reasonably estimate the amount of liability which may be incurred if an adverse decision is rendered.

The City is involved in several other pending legal matters. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel have a material adverse effect on the financial position of the City.

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

Agreements with the Municipal Electric Authority of Georgia:

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by State law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit unless any such profits inure to the benefit of the public.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of December 31, 2006, the City is an electric utility participant in MEAG and obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by the Authority. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on its individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts amounted to \$9,085,312 in 2006.

At December 31, 2006, the outstanding debt of MEAG was approximately \$3.95 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately \$56.82 million at December 31, 2006.

The City has also entered into a contract for natural gas purchases with the Municipal Gas Authority of Georgia (MGAG). MGAG is an association of approximately 84 cities. MGAG has issued bonded debt to purchase various natural gas properties and has contracted for other natural gas supplies. The City has an "obligation share" of these commitments under terms substantially the same as the agreements above.

NOTE 16. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 5% and at least a 3% tax amount (or 60%) is required to be expended for the promotion of tourism. Revenues collected were \$37,017. Of this amount 100%, or \$37,017, was expended for the promotion of tourism.

NOTE 17. CHANGE IN ACCOUNTING POLICY

The City's beginning net assets of its Utilities Fund has been adjusted to write off \$443,505 of capital assets associated with a change in the City's capitalization threshold to \$5,000. The City increased the capitalization threshold to improve the efficiency of tracking capital assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 18. PRIOR PERIOD ADJUSTMENTS

The City has determined that a restatement of beginning net assets of governmental activities is necessary to properly reflect capital assets previously expensed. This adjustment results in a change to beginning net assets of governmental activities as follows:

Net assets, as previously reported	\$ 10,678,902
Effect of recording omitted capital assets	400,307
Net assets, as restated	<u>\$ 11,079,209</u>

The City has also determined that a restatement of the beginning fund balance for the Debt Service Fund, a nonmajor governmental fund, is necessary to reverse the effect of interest expenditures recognized in the prior fiscal year that were not paid or currently due as of December 31, 2005. This adjustment results in a change to the beginning fund balance of the other governmental funds as follows:

Fund balance, as previously reported	\$ 1,326,987
Effect of reversing interest expenditures	89,934
Fund balance, as restated	<u>\$ 1,416,921</u>

The City has also determined that a restatement of beginning net assets of the Solid Waste Fund is necessary to properly reflect a liability and expense for compensated absences incurred as of December 31, 2005. This adjustment results in a change to beginning net assets of Solid Waste Fund as follows:

Net assets, as previously reported	\$ 853,293
Effect of recording expenses incurred for compensated absences	(48,572)
Net assets, as restated	<u>\$ 804,721</u>

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MONROE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
11/1/06	\$ 6,808,604	\$ 10,191,920	\$ 3,383,316	66.8%	\$ 7,164,234	47.2%
11/1/05	4,458,241	8,271,665	3,813,424	53.9%	6,710,595	56.8%
11/1/04	3,967,193	7,408,610	3,441,417	53.5%	6,016,378	57.2%
11/1/03	2,790,556	5,462,645	2,672,089	51.1%	5,857,338	45.6%
11/1/02	2,877,576	4,044,507	1,166,931	71.1%	1,979,891	58.9%
11/1/01	2,971,475	4,069,604	1,098,129	73.0%	2,269,735	48.4%



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULE



CITY OF MONROE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted to expenditure for specified purposes.

Forfeited Drug Fund – This fund is used to account for the City's share of monies that have been forfeited through the court system that are restricted for law enforcement purposes.

Hotel/Motel Tax Fund – This fund is used to account for hotel/motel taxes collected that are restricted for promotion of trade and tourism in the City.

DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Debt Service Fund – To account for the accumulation of resources for, and payment of, principal and interest on the City's general obligation bonds.

CAPITAL PROJECTS FUND

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

GO Bond Fund – This fund is used to account for various improvement and construction projects.



CITY OF MONROE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

ASSETS	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Forfeited Drug Fund	Hotel/Motel Tax Fund		GO Bond Fund	
Cash and cash equivalents	\$ 31,437	\$ 40,226	\$ 13,448	\$ 900,203	\$ 985,314
Taxes receivable	-	3,058	-	-	3,058
Accounts receivable	-	-	7,138	-	7,138
Due from other funds	-	12,257	-	-	12,257
Total assets	<u>\$ 31,437</u>	<u>\$ 55,541</u>	<u>\$ 20,586</u>	<u>\$ 900,203</u>	<u>\$ 1,007,767</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 26,389	\$ 80	\$ -	\$ -	\$ 26,469
Accrued liabilities	-	-	13,631	-	13,631
Due to other funds	-	-	7,138	2,755	9,893
Due to component unit	-	12,257	-	-	12,257
Total liabilities	<u>26,389</u>	<u>12,337</u>	<u>20,769</u>	<u>2,755</u>	<u>62,250</u>
FUND BALANCES (DEFICIT)					
Unreserved	<u>5,048</u>	<u>43,204</u>	<u>(183)</u>	<u>897,448</u>	<u>945,517</u>
Total liabilities and fund balances	<u>\$ 31,437</u>	<u>\$ 55,541</u>	<u>\$ 20,586</u>	<u>\$ 900,203</u>	<u>\$ 1,007,767</u>

CITY OF MONROE, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Forfeited Drug Fund	Hotel/Motel Tax Fund	Debt Service Fund	GO Bond Fund	
REVENUES					
Taxes	\$ -	\$ 36,364	\$ -	\$ -	\$ 36,364
Intergovernmental	-	-	-	58,190	58,190
Fines and forfeitures	5,780	-	-	-	5,780
Interest	1,964	1,084	195	35,075	38,318
Total revenues	7,744	37,448	195	93,265	138,652
EXPENDITURES					
Current					
General government	-	-	1,050	-	1,050
Public safety	12,387	-	-	-	12,387
Public works	-	-	-	565,830	565,830
Housing and development	-	51,402	-	-	51,402
Capital outlay	-	-	-	47,845	47,845
Debt service					
Principal retirements	-	-	200,000	-	200,000
Interest and issuance costs	-	-	464,145	-	464,145
Total expenditures	12,387	51,402	665,195	613,675	1,342,659
Deficiency of revenues under expenditures	(4,643)	(13,954)	(665,000)	(520,410)	(1,204,007)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	36,057	552,600	32,402	621,059
Issuance of refunding bonds	-	-	4,430,000	-	4,430,000
Premium from issuance of refunding bonds	-	-	250,230	-	250,230
Payment to refunded bond escrow agent	-	-	(4,568,686)	-	(4,568,686)
Total other financing sources (uses)	-	36,057	664,144	32,402	732,603
Net change in fund balances	(4,643)	22,103	(856)	(488,008)	(471,404)
FUND BALANCES, beginning of year (as restated)	9,691	21,101	673	1,385,456	1,416,921
FUND BALANCES (DEFICIT), end of year	\$ 5,048	\$ 43,204	\$ (183)	\$ 897,448	\$ 945,517

CITY OF MONROE, GEORGIA
FORFEITED DRUG FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Fines & forfeitures	\$ 25,000	\$ 25,000	\$ 5,780	\$ (19,220)
Interest	-	-	1,964	1,964
Total revenues	25,000	25,000	7,744	(17,256)
EXPENDITURES				
Public safety	25,000	25,000	12,387	12,613
Net change in fund balances	-	-	(4,643)	(4,643)
FUND BALANCES, beginning of year	9,691	9,691	9,691	-
FUND BALANCES, end of year	\$ 9,691	\$ 9,691	\$ 5,048	\$ (4,643)

CITY OF MONROE, GEORGIA
HOTEL/MOTEL TAX FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 40,000	\$ 40,000	\$ 36,364	\$ (3,636)
Interest	-	-	1,084	1,084
Total revenues	40,000	40,000	37,448	(2,552)
EXPENDITURES				
Culture and recreation	500	500	-	500
Housing and development	63,300	63,300	51,402	11,898
Total expenditures	63,800	63,800	51,402	12,398
Deficiency of revenues under expenditures	(23,800)	(23,800)	(13,954)	9,846
OTHER FINANCING SOURCES				
Transfers in	23,800	23,800	36,057	12,257
Net change in fund balances	-	-	22,103	22,103
FUND BALANCES, beginning of year	21,101	21,101	21,101	-
FUND BALANCES, end of year	<u>\$ 21,101</u>	<u>\$ 21,101</u>	<u>\$ 43,204</u>	<u>\$ 22,103</u>

CITY OF MONROE, GEORGIA**DEBT SERVICE FUND****SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 195	\$ 195
EXPENDITURES				
Current				
General government	-	-	1,050	(1,050)
Debt service				
Principal retirements	200,000	200,000	200,000	-
Interest and issuance costs	359,738	359,738	464,145	(104,407)
Total expenditures	559,738	559,738	665,195	(105,457)
Deficiency of revenues under expenditures	(559,738)	(559,738)	(665,000)	(105,262)
OTHER FINANCING SOURCES (USES)				
Transfers in	559,738	559,738	552,600	(7,138)
Issuance of refunding bonds	-	-	4,430,000	4,430,000
Premium from issuance of refunding bonds	-	-	250,230	250,230
Payment to refunded bond escrow agent	-	-	(4,568,686)	(4,568,686)
Total other financing sources (uses)	559,738	559,738	664,144	104,406
Net change in fund balances	-	-	(856)	(856)
FUND BALANCES, beginning of year (as restated)	673	673	673	-
FUND BALANCES, end of year	\$ 673	\$ 673	\$ (183)	\$ (856)



CITY OF MONROE, GEORGIA

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis.

Employees' Health Benefits – This fund accounts for employer and employee contributions for self-funded health insurance coverage.

Workers' Compensation Insurance – This fund accounts for the provision of self-insured workers' compensation and short-term disability coverage for all employees, excluding those of the Utilities Fund.



CITY OF MONROE, GEORGIA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

DECEMBER 31, 2006

ASSETS	Employees' Health Benefits	Workers' Compensation Insurance	Totals
Cash	\$ 277,618	\$ 48,709	\$ 326,327
Due from other funds	66,619	6,235	72,854
Total assets	344,237	54,944	399,181
LIABILITIES			
Accounts payable	247,233	1,918	249,151
Due to other funds	40,016	-	40,016
Total liabilities	287,249	1,918	289,167
NET ASSETS			
Unrestricted	56,988	53,026	110,014
Total net assets	\$ 56,988	\$ 53,026	\$ 110,014

CITY OF MONROE, GEORGIA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Employees' Health Benefits	Workers' Compensation Insurance	Totals
Revenues			
Charges for services	\$ 2,329,686	\$ 58,000	\$ 2,387,686
Expenses			
Benefit expenses	2,259,256	74,478	2,333,734
Operating income	70,430	(16,478)	53,952
Nonoperating revenues			
Interest income	14,275	1,638	15,913
Changes in net assets	84,705	(14,840)	69,865
Net assets, beginning of year	(27,717)	67,866	40,149
Net assets, end of year	\$ 56,988	\$ 53,026	\$ 110,014

CITY OF MONROE, GEORGIA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	Employees' Health Benefits	Workers' Compensation Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 2,263,067	\$ 51,765	\$ 2,314,832
Payments to suppliers	(2,201,151)	(74,233)	(2,275,384)
Net cash provided by (used in) operating activities	<u>61,916</u>	<u>(22,468)</u>	<u>39,448</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	14,275	1,638	15,913
Net cash provided by investing activities	<u>14,275</u>	<u>1,638</u>	<u>15,913</u>
Net increase (decrease) in cash	76,191	(20,830)	55,361
Cash, beginning of year	<u>201,427</u>	<u>69,539</u>	<u>270,966</u>
Cash, end of year	<u><u>\$ 277,618</u></u>	<u><u>\$ 48,709</u></u>	<u><u>\$ 326,327</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 70,430	\$ (16,478)	\$ 53,952
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
Increase in due from other funds	(66,619)	(6,235)	(72,854)
Increase in accounts payable	18,089	245	18,334
Increase in due to other funds	<u>40,016</u>	<u>-</u>	<u>40,016</u>
Net cash provided by (used in) operating activities	<u><u>\$ 61,916</u></u>	<u><u>\$ (22,468)</u></u>	<u><u>\$ 39,448</u></u>



**COMPONENT UNIT –
DOWNTOWN DEVELOPMENT AUTHORITY**



CITY OF MONROE, GEORGIA**STATEMENT OF CASH FLOWS
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to suppliers	\$ (28,809)
Net cash used in operating activities	<u>(28,809)</u>

CASH FLOWS FROM NON-CAPITAL**FINANCING ACTIVITIES**

Tax receipts	29,650
Other nonoperating income	<u>1,499</u>
Net cash provided by non-capital financing activities	<u>31,149</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>701</u>
Net cash provided by capital and related financing activities	<u>701</u>

Net increase in cash	3,041
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Cash, beginning of year	<u>15,380</u>
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Cash, end of year	<u><u>\$ 18,421</u></u>
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RECONCILIATION OF OPERATING LOSS TO NET**CASH USED IN OPERATING ACTIVITIES**

Operating loss	\$ (35,035)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	<u>6,226</u>
Net cash used in operating activities	<u><u>\$ (28,809)</u></u>



STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Monroe's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends	58
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	65
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These schedules contain information to help the reader assess the City's most significant local revenue sources, property taxes and utility charges.

Debt Capacity	79
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	84
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	86
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.



CITY OF MONROE, GEORGIA

NET ASSETS BY COMPONENT LAST FOUR YEARS (accrual basis of accounting)

	2006	2005	2004	2003
Governmental activities				
Invested in capital assets, net of related debt	\$ 10,480,020	\$ 3,271,486	\$ 2,685,278	\$ 1,726,425
Restricted	-	113,454	2,697,316	3,693,156
Unrestricted	2,385,954	7,293,962	2,506,632	1,439,477
Total governmental activities net assets	<u>\$ 12,865,974</u>	<u>\$ 10,678,902</u>	<u>\$ 7,889,226</u>	<u>\$ 6,859,058</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 47,035,378	\$ 46,638,687	\$ 40,778,483	\$ 39,380,191
Unrestricted	5,361,388	4,212,532	6,294,103	6,068,795
Total business-type activities net assets	<u>\$ 52,396,766</u>	<u>\$ 50,851,219</u>	<u>\$ 47,072,586</u>	<u>\$ 45,448,986</u>
Primary government				
Invested in capital assets, net of related debt	\$ 57,515,398	\$ 49,910,173	\$ 43,463,761	\$ 41,106,616
Restricted	-	113,454	2,697,316	3,693,156
Unrestricted	7,747,342	11,506,494	8,800,735	7,508,272
Total primary government net assets	<u>\$ 65,262,740</u>	<u>\$ 61,530,121</u>	<u>\$ 54,961,812</u>	<u>\$ 52,308,044</u>

CITY OF MONROE, GEORGIA

CHANGES IN NET ASSETS LAST FOUR YEARS (accrual basis of accounting)

	2006	2005	2004	2003
Expenses				
Governmental activities:				
General government	\$ 1,694,194	\$ 1,268,756	\$ 996,623	\$ 910,553
Judicial	101,795	66,903	59,771	53,943
Public safety	4,584,679	4,089,578	4,226,825	3,842,396
Public works	2,179,824	1,432,099	2,375,572	2,219,978
Health and welfare	9,674	11,918	47,688	5,519
Culture and recreation	328,177	322,390	358,311	338,373
Housing and development	345,994	239,393	185,843	211,352
Interest on long-term debt	340,523	365,053	370,794	441,473
Total governmental activities expenses	<u>9,584,860</u>	<u>7,796,090</u>	<u>8,621,427</u>	<u>8,023,587</u>
Business-type activities:				
Utilities	30,529,266	30,061,743	26,800,621	22,403,859
Solid Waste	3,489,003	2,863,895	2,768,145	2,622,391
Total business-type activities expenses	<u>34,018,269</u>	<u>32,925,638</u>	<u>29,568,766</u>	<u>25,026,250</u>
Total primary government expenses	<u>\$ 43,603,129</u>	<u>\$ 40,721,728</u>	<u>\$ 38,190,193</u>	<u>\$ 33,049,837</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 310,339	\$ 87,012	\$ 58,566	\$ 89,804
Judicial	331,732	-	-	-
Public safety	23,579	413,337	386,801	316,653
Public works	17,680	800	2,785	-
Health and welfare	-	16,800	20,625	4,000
Culture and recreation	1,225	-	-	-
Housing and development	-	262,033	290,370	213,459
Operating grants and contributions	86,254	-	-	67,080
Capital grants and contributions	2,874,695	-	-	1,022,218
Total governmental activities program revenues	<u>3,645,504</u>	<u>779,982</u>	<u>759,147</u>	<u>1,713,214</u>
Business-type activities:				
Charges for services:				
Utilities	33,310,694	33,730,259	29,919,255	26,627,546
Solid Waste	3,248,198	2,791,420	2,734,281	2,692,889
Operating grants and contributions	-	36,796	12,905	-
Capital grants and contributions	716,201	4,249,412	2,136,117	472,979
Total business-type activities program revenues	<u>37,275,093</u>	<u>40,807,887</u>	<u>34,802,558</u>	<u>29,793,414</u>
Total primary government program revenues	<u>\$ 40,920,597</u>	<u>\$ 41,587,869</u>	<u>\$ 35,561,705</u>	<u>\$ 31,506,628</u>

(Continued)

Item # 1

CITY OF MONROE, GEORGIA

CHANGES IN NET ASSETS LAST FOUR YEARS (accrual basis of accounting)

	2006	2005	2004	2003
Net (expense)/revenue				
Governmental activities	\$ (5,939,356)	\$ (7,016,108)	\$ (7,862,280)	\$ (6,310,373)
Business-type activities	3,256,824	7,882,249	5,233,792	4,767,164
Total primary government net (expense) revenue	<u>\$ (2,682,532)</u>	<u>\$ 866,141</u>	<u>\$ (2,628,488)</u>	<u>\$ (1,543,209)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 2,686,312	\$ 2,542,580	\$ 2,351,239	\$ 2,258,913
Sales taxes	2,390,642	1,780,995	1,609,567	1,267,971
Franchise taxes	263,886	255,742	237,448	217,793
Other taxes	718,778	1,057,955	980,690	924,769
Intergovernmental revenues	-	-	-	62,247
Unrestricted investment earnings	108,567	71,213	37,124	102,621
Miscellaneous	101,300	10,000	-	-
Gain on sale of capital assets	23,593	-	6,905	35,253
Transfers	1,433,043	1,391,317	1,860,198	1,714,894
Total governmental activities	<u>7,726,121</u>	<u>7,109,802</u>	<u>7,083,171</u>	<u>6,584,461</u>
Business-type activities:				
Investment earnings	213,843	132,093	67,039	72,033
Miscellaneous	-	-	-	45,019
Gain on sale of capital assets	-	(9,264)	7,993	36,690
Transfers	(1,433,043)	(1,530,464)	(1,860,947)	(1,714,894)
Total business-type activities	<u>(1,219,200)</u>	<u>(1,407,635)</u>	<u>(1,785,915)</u>	<u>(1,561,152)</u>
Total primary government	<u>\$ 6,506,921</u>	<u>\$ 5,702,167</u>	<u>\$ 5,297,256</u>	<u>\$ 5,023,309</u>
Change in Net Assets				
Governmental activities	\$ 1,786,765	\$ 93,694	\$ (779,109)	\$ 274,088
Business-type activities	2,037,624	6,474,614	3,447,877	3,206,012
Total primary government	<u>\$ 3,824,389</u>	<u>\$ 6,568,308</u>	<u>\$ 2,668,768</u>	<u>\$ 3,480,100</u>

(1) The allocation of charges for services to the various functions was changed in 2006 to more accurately reflect the nature of the City's activities.

(2) The City received several large grants in 2006 that had not been received in prior years.

(3) In 2006, the City received fewer grants and contributions related to business-type activities than in prior years.

CITY OF MONROE, GEORGIA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE LAST FOUR YEARS (accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Business Tax	Total
2003	\$ 2,258,913	\$ 1,267,971	\$ 217,793	\$ 924,769	\$ 4,669,446
2004	2,351,239	1,609,567	237,448	980,690	5,178,944
2005	2,542,580	1,780,995	255,742	1,057,955	5,637,272
2006	2,686,312	2,390,642	263,886	718,778	6,059,618

CITY OF MONROE, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS (modified accrual basis of accounting)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General fund										
Reserved	\$ 54,417	\$ 54,271	\$ 49,024	\$ -	\$ 15,041	\$ 3,541	\$ 15,000	\$ 3,541	\$ 15,000	\$ 15,000
Unreserved	<u>1,768,113</u>	<u>2,317,376</u>	<u>1,976,238</u>	<u>2,241,528</u>	<u>2,556,671</u>	<u>2,362,057</u>	<u>1,551,965</u>	<u>1,745,305</u>	<u>1,552,856</u>	<u>1,376,996</u>
Total general fund	<u>\$ 1,822,530</u>	<u>\$ 2,371,647</u>	<u>\$ 2,025,262</u>	<u>\$ 2,241,528</u>	<u>\$ 2,571,712</u>	<u>\$ 2,365,598</u>	<u>\$ 1,566,965</u>	<u>\$ 1,748,846</u>	<u>\$ 1,567,856</u>	<u>\$ 1,391,996</u>
All other governmental funds										
Reserved	\$ -	\$ 20,000	\$ 20,000	\$ 12,000	\$ 8,000	\$ 4,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Unreserved, reported in:										
Special revenue funds	48,252	30,792	52,863	157,061	160,516	93,081	4,983	25,420	21,051	191,660
Debt service fund	(183)	(89,261)	6,357	5,137	66,734	29,413	-	-	-	-
Capital projects funds	<u>819,746</u>	<u>1,271,889</u>	<u>1,886,939</u>	<u>2,680,178</u>	<u>3,618,423</u>	<u>4,017,621</u>	<u>6,786,920</u>	<u>177,167</u>	<u>103,565</u>	<u>99,640</u>
Total all other governmental funds:	<u>\$ 867,815</u>	<u>\$ 1,233,420</u>	<u>\$ 1,966,159</u>	<u>\$ 2,854,376</u>	<u>\$ 3,853,673</u>	<u>\$ 4,144,115</u>	<u>\$ 6,851,903</u>	<u>\$ 262,587</u>	<u>\$ 184,616</u>	<u>\$ 351,300</u>

CITY OF MONROE, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS (modified accrual basis of accounting)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues										
Taxes	\$ 6,154,877	\$ 5,331,546	\$ 5,076,269	\$ 4,507,752	\$ 4,535,803	\$ 4,436,314	\$ 4,027,071	\$ 3,577,175	\$ 3,231,813	\$ 2,972,773
Licenses and permits	303,400	208,714	241,633	171,298	165,971	147,242	160,862	182,934	216,117	240,890
Intergovernmental	2,129,920	2,090,227	1,383,794	834,318	1,236,721	1,183,036	304,798	282,825	216,652	225,459
Fines and forfeitures	337,512	420,414	398,839	331,814	112,397	1,836,172	1,212,054	1,260,650	1,004,682	927,439
Charges for services	38,459	112,623	113,705	97,257	267,744	344,481	407,064	298,127	235,932	310,996
Interest income	92,654	62,847	28,528	100,070	199,946	186,659	53,606	60,010	69,750	75,597
Miscellaneous	106,484	202,602	44,690	59,541	16,105	250,354	33,910	152,008	208,180	234,791
Total revenues	9,163,306	8,428,973	7,287,458	6,102,050	6,534,687	8,384,258	6,199,365	5,813,729	5,183,126	4,987,945
Expenditures										
General government	1,602,150	988,142	1,167,400	1,331,514	1,466,330	867,705	946,373	1,792,209	1,339,339	1,827,793
Judicial	95,732	77,198	46,817	42,429	-	-	-	-	-	-
Public safety	4,282,047	4,268,592	3,542,765	3,073,846	2,874,614	2,476,931	2,397,795	2,196,658	2,233,250	2,465,806
Public works	2,142,527	1,307,365	1,160,618	1,371,404	1,236,827	2,326,920	568,219	581,233	1,084,498	640,753
Health and welfare	9,674	6,880	7,081	-	-	-	-	-	-	-
Culture and recreation	297,433	280,813	317,589	287,906	472,587	527,241	561,312	498,233	110,729	392,073
Housing and development	330,822	246,559	228,045	167,225	178,129	161,115	133,940	132,325	135,333	118,237
Capital outlay	2,343,884	2,593,331	1,828,500	1,056,490	678,402	4,345,078	339,314	1,041,570	-	1,100
Debt service										
Principal retirements	200,000	125,000	172,815	170,882	574	273,255	421,378	139,542	143,557	42,673
Interest and fiscal charges	464,145	365,053	370,794	441,473	333,141	81,104	161,858	21,579	17,325	9,796
Total expenditures	11,768,414	10,258,933	8,842,424	7,943,169	7,240,604	11,059,349	5,530,189	6,403,349	5,064,031	5,498,231
Excess of revenues over (under) expenditures	(2,605,108)	(1,829,960)	(1,554,966)	(1,841,119)	(705,917)	(2,675,091)	669,176	(589,620)	119,095	(510,286)

(Continued)

CITY OF MONROE, GEORGIA

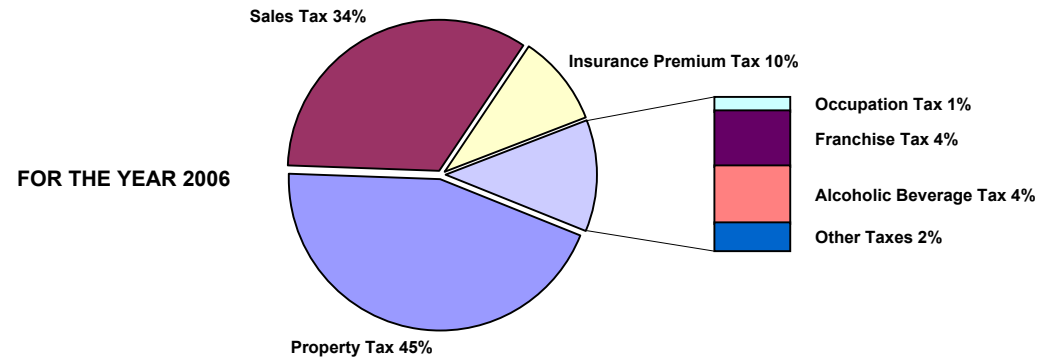
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS (modified accrual basis of accounting)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Other financing sources (uses)										
Issuance of long-term debt	4,430,000 (1)	-	-	-	-	-	6,827,726	-	-	-
Premium from issuance of debt	250,230 (1)	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(4,568,686) (1)	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	149,750	91,605	689,718	107,400	298,838
Proceeds from sale of capital assets	55,865	17,334	12,089	35,253	44,037	11,404	11,500	-	-	-
Transfers in	2,372,834	2,466,036	1,860,403	1,565,271	1,620,354	1,012,275	877,068	1,497,436	1,382,338	1,681,803
Transfers out	(939,791)	(1,039,764)	(1,407,009)	(1,088,883)	(1,020,842)	(693,218)	(509,707)	(524,197)	(405,094)	(807,490)
Total other financing sources (uses)	1,600,452	1,443,606	465,483	511,641	643,549	480,211	7,298,192	1,662,957	1,084,644	1,173,151
Net change in fund balances	\$ (1,004,656)	\$ (386,354)	\$ (1,089,483)	\$ (1,329,478)	\$ (62,368)	\$ (2,194,880)	\$ 7,967,368	\$ 1,073,337	\$ 1,203,739	\$ 662,865
Debt service as a percentage of noncapital expenditures	7.05%	6.39%	7.75%	8.89%	5.09%	5.28%	11.24%	3.00%	3.18%	0.95%

(1) The City issued refunding bonds in 2006.

CITY OF MONROE, GEORGIA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN YEARS
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Occupation Tax	Insurance Premium Tax	Franchise Tax	Alcoholic Beverage Tax	Other Taxes	Total
1997	\$ 1,202,365	\$ 996,728	\$ 109,354	\$ 365,170	\$ 159,394	\$ 212,973	\$ 36,143	\$ 3,082,127
1998	1,284,833	1,127,891	105,099	383,041	164,682	229,498	41,868	3,336,912
1999	1,346,363	1,238,370	98,222	396,772	182,233	248,020	55,268	3,565,248
2000	1,540,999	1,418,122	68,504	421,425	191,954	250,417	113,421	4,004,842
2001	1,733,672	1,632,577	65,750	414,349	202,077	249,668	138,221	4,436,314
2002	1,962,006	1,464,233	65,048	454,635	207,951	254,739	127,191	4,535,803
2003	2,075,224	1,267,971	68,896	489,989	217,793	248,075	139,804	4,507,752
2004	2,223,150	1,609,567	75,562	531,015	237,448	271,194	128,333	5,076,269
2005	2,212,851	1,780,995	76,088	571,302	255,742	283,643	150,925	5,331,546
2006	2,735,068	2,079,950	73,450	597,725	263,886	274,328	130,470	6,154,877



CITY OF MONROE, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN YEARS

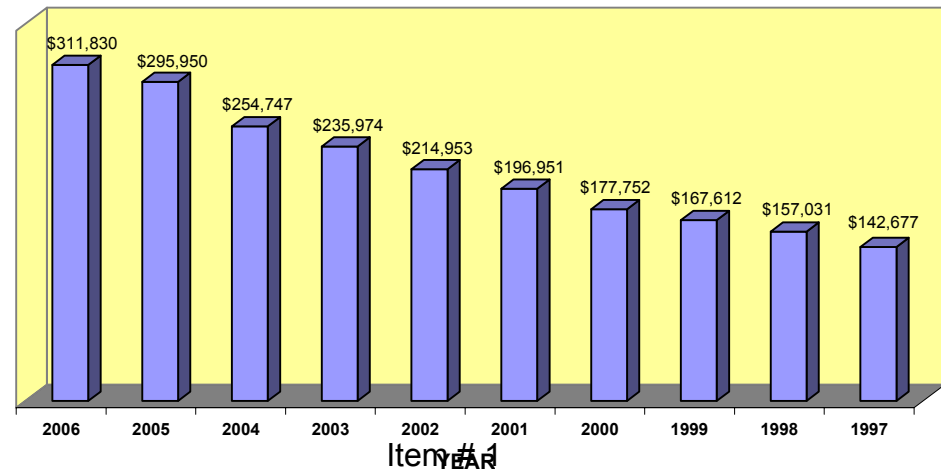
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property (1)	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
1997	\$ 60,854,228	\$ 49,501,666	\$ 24,091,364	\$ 15,538,025	\$ 7,308,748	\$ 142,676,535	8.000	\$ 356,691,338	40%
1998	63,855,340	51,520,755	22,553,951	25,803,234	6,702,315	157,030,965	8.000	392,577,413	40%
1999	73,085,831	56,102,224	23,200,662	23,141,967	7,918,450	167,612,234	8.000	419,030,585	40%
2000	79,018,146	60,826,492	20,666,792	24,441,931	7,201,225	177,752,136	7.967	444,380,340	40%
2001	93,263,923	65,649,258	22,450,885	25,962,448	10,375,674	196,950,840	7.557	492,377,100	40%
2002	100,787,600	69,108,457	28,814,584	28,029,520	11,786,786	214,953,375	7.544	537,383,438	40%
2003	116,774,444	73,355,298	27,270,343	29,426,925	10,852,602	235,974,408	7.214	589,936,020	40%
2004	121,915,717	84,002,249	27,266,091	28,818,686	7,255,689	254,747,054	7.193	636,867,635	40%
2005	145,568,907	104,099,246	23,025,830	29,481,721	6,225,856	295,949,848	6.774	739,874,620	40%
2006	155,682,204	110,239,548	21,823,918	30,254,207	6,170,110	311,829,767	6.748	779,574,418	40%

Source: Walton County, Georgia Tax Assessors Office

Note: Property in the City is reassessed periodically. Property is assessed at 40% of the fair market value; therefore, the assessed values are equal to 40% of the estimated actual value. Tax rates are per \$1,000 of assessed value.

(1) Other property consists of historic, agricultural, conservation use, utility, motor vehicle and mobile homes.

TOTAL TAXABLE ASSESSED VALUE OF PROPERTY



CITY OF MONROE, GEORGIA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS⁽¹⁾ PER \$1,000 OF ASSESSED VALUE LAST TEN YEARS

Fiscal Year	City of Monroe, Georgia			Overlapping Rates					Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage (2)	Total City Millage	County	School District			State	
					Operating Millage	Debt Service Millage	Total School Millage		
1997	8.000	-	8.000	10.830	15.320	1.680	17.000	0.25	36.080
1998	8.000	-	8.000	10.690	15.320	1.540	16.860	0.25	35.800
1999	8.000	-	8.000	10.460	17.280	1.370	18.650	0.25	37.360
2000	7.967	-	7.967	10.050	18.040	1.050	19.090	0.25	37.357
2001	5.717	1.840	7.557	10.050	16.950	0.990	17.940	0.25	35.797
2002	5.905	1.639	7.544	9.643	16.950	0.990	17.940	0.25	35.377
2003	5.515	1.699	7.214	9.643	16.940	0.960	17.900	0.25	35.007
2004	5.604	1.589	7.193	9.630	17.020	0.880	17.900	0.25	34.973
2005	5.034	1.740	6.774	9.577	17.240	1.600	18.840	0.25	35.441
2006	4.870	1.878	6.748	9.585	17.240	2.700	19.940	0.25	36.523

Source: Walton County Tax Assessors Office

Note: Assessed values are established by the County Assessors on January 1 of each year at 40% of the actual value.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Monroe.

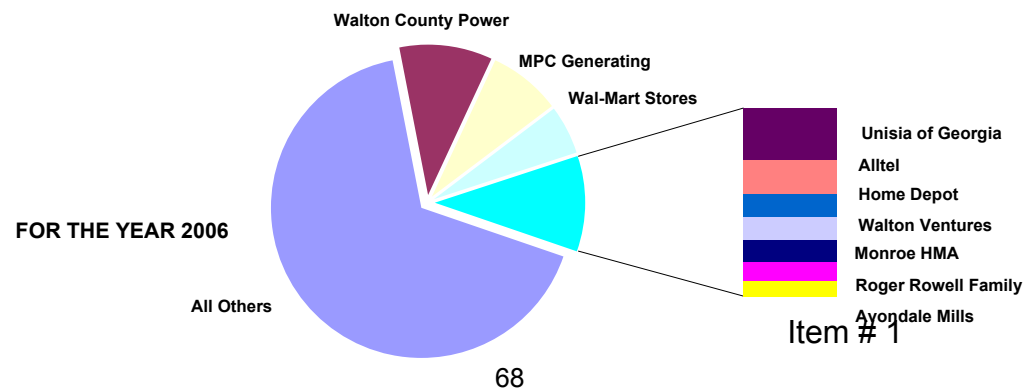
(2) 2001 was the first year for debt service.

CITY OF MONROE, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS CURRENT AND NINE YEARS AGO (amounts expressed in thousands)

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Walton County Power, LLC	\$ 30,856	1	9.90 %	\$ -	-	- %
MPC Generating, LLC	24,841	2	7.97	-	-	-
Wal-Mart Stores East	16,167	3	5.18	-	-	-
Unisia of Georgia Corp	9,068	4	2.91	-	-	-
Alltel Ga Communications	5,836	5	1.87	-	-	-
Home Depot	4,091	6	1.31	-	-	-
Walton Ventures, Inc.	4,011	7	1.29	-	-	-
Monroe HMA	3,836	8	1.23	-	-	-
Roger Rowell Family	3,279	9	1.05	-	-	-
Avondale Mills (Walton-Monroe Mills)	2,608	10	0.84	10,349	1	7.25
Universal Rundle	-	-	-	4,626	2	3.24
Harry Arnold, Jr	-	-	-	3,091	3	2.17
Duckhead Apparel	-	-	-	2,683	4	1.88
Oxford Industries	-	-	-	1,953	5	1.37
David Thompson	-	-	-	1,263	6	0.89
Walton Press	-	-	-	1,207	7	0.85
AMTW Ltd Partnership	-	-	-	1,178	8	0.83
BPT Southeastern	-	-	-	1,081	9	0.76
National Bank of Walton County	-	-	-	1,068	10	0.75
Totals	<u>\$ 104,593</u>		<u>33.54 %</u>	<u>\$ 28,499</u>		<u>19.97 %</u>

Source: City of Monroe Finance Department

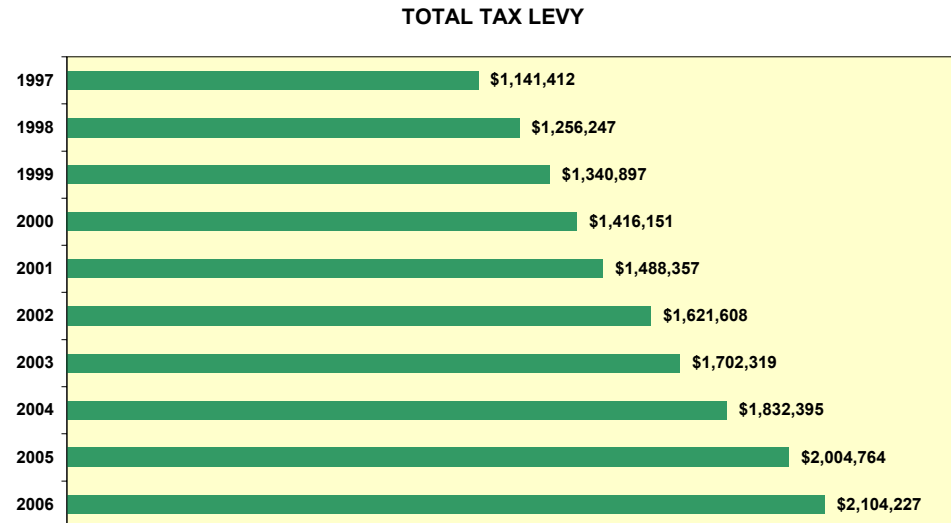


CITY OF MONROE, GEORGIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 1,141,412	N/A	N/A	\$ 98,309	\$ 1,141,412	100.0 %
1998	1,256,247	\$ 1,207,412	96.1 %	100,270	1,307,682	104.1
1999	1,340,897	1,309,759	97.7	137,134	1,446,893	107.9
2000	1,416,151	1,316,692	93.0	187,492	1,504,184	106.2
2001	1,488,357	1,394,605	93.7	188,492	1,583,097	106.4
2002	1,621,608	1,375,935	84.9	185,742	1,561,677	96.3
2003	1,702,319	1,510,603	88.7	186,884	1,697,487	99.7
2004	1,832,395	1,620,022	88.4	204,632	1,824,654	99.6
2005	2,004,764	1,659,986	82.8 (1)	285,082	1,945,068	97.0
2006	2,104,227	1,907,162	90.6	-	1,907,162	90.6

Note: The amount of taxes collected within the fiscal year of the levy for 1997 was not available.

(1) One of the City's principal taxpayers was late remitting taxes in 2005 resulting in a lower percentage of levy collected during that year.



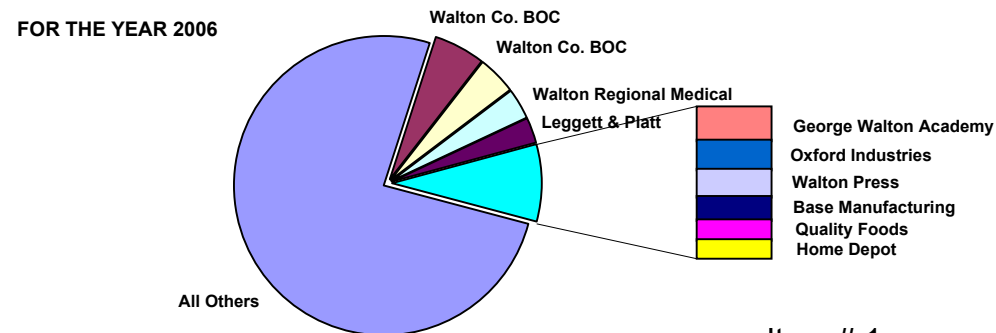
CITY OF MONROE, GEORGIA

TOP TEN ELECTRIC CUSTOMERS CURRENT AND FOUR YEARS AGO

Customer	2006				2002			
	Usage in MWh	Annual Revenue (in thousands)	Rank	Percentage of Total Revenues	Usage in MWh	Annual Revenue (in thousands)	Rank	Percentage of Total Revenues
Walton Co. Board of Education	6,049	\$ 708	1	5.47 %	6,035	\$ 615	1	5.48 %
Walton Co. Board of Commissioners	6,676	549	2	4.24	2,536	140	7	1.25
Walton Regional Medical Center	4,974	415	3	3.21	5,956	418	2	3.72
Leggett & Platt	8,431	388	4	3.00	9,295	329	3	2.93
George Walton Academy	2,301	246	5	1.90	1,904	192	5	1.71
Oxford Industries	1,783	203	6	1.57	2,659	273	4	2.43
Walton Press	1,970	190	7	1.47				
Base Manufacturing	1,272	164	8	1.27	1,397	135	8	1.20
Quality Foods	1,412	138	9	1.07	1,670	128	9	1.14
Home Depot	2,477	124	10	0.96				
Southern Family Markets (Bi-Lo)					2,150	150	6	1.34
Wal-Mart Store					1,283	101	10	0.90
Totals	37,345	3,125		24.14	34,885	2,481		22
All Others	107,390	9,819		75.86	97,221	8,746		77.90
Annual Totals	144,735	\$ 12,944		100.00 %	132,106	\$ 11,227		100.00 %

Source: City of Monroe Utility Department

Note: Information not available for years prior to 2002.



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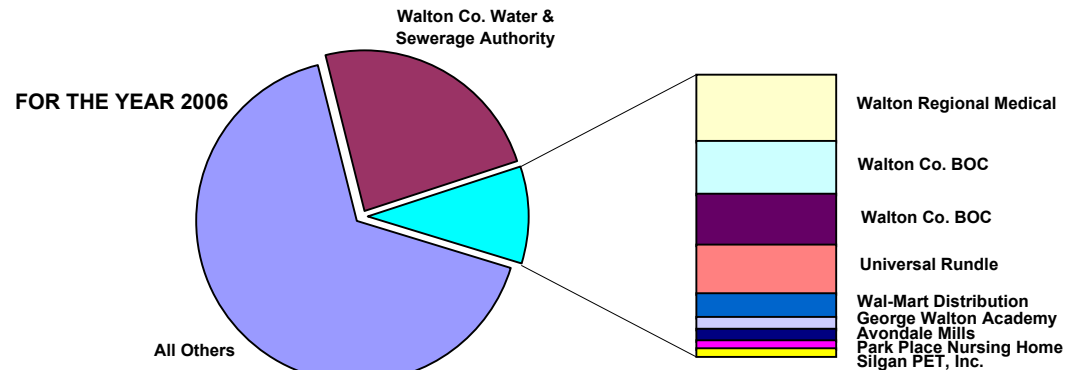
CITY OF MONROE, GEORGIA

TOP TEN WATER CUSTOMERS CURRENT AND THREE YEARS AGO

Customer	2006				2003			
	Usage in Kgallons	Annual Revenue (in thousands)	Rank	Percentage of Total Revenues	Usage in Kgallons	Annual Revenue (in thousands)	Rank	Percentage of Total Revenues
Walton Co. Water & Sewerage Authority	584,349	\$ 891	1	23.93 %	548,354	\$ 771	1	26.06 %
Walton Regional Medical Center	29,346	86	2	2.31	19,318	44	4	1.49
Walton Co. Board of Education	16,443	67	3	1.80	13,405	41	5	1.39
Walton Co. Board of Commissioners	16,003	64	4	1.72	13,234	38	6	1.28
Universal Rundle	21,142	62	5	1.66	34,508	46	3	1.56
Wal-Mart Distribution Center	9,739	29	6	0.78	9,992	33	7	1.12
George Walton Academy	4,975	15	7	0.40	3,140	10	9	0.34
Avondale Mills (Walton-Monroe Mills)	5,101	15	8	0.40	27,897	57	2	1.93
Park Place Nursing Home	2,220	10	9	0.27	2,014	8	10	0.27
Silgan PET, Inc.	2,099	9	10	0.24	4,270	10	8	0.34
Totals	691,417	1,248		33.51	676,132	1,058		35.77
All Others	573,530	2,476		66.49	548,911	1,900		64.23
Annual Totals	1,264,947	\$ 3,724		100.00 %	1,225,043	\$ 2,958		100.00 %

Source: City of Monroe Utility Department

Note: Information not available for years prior to 2003.



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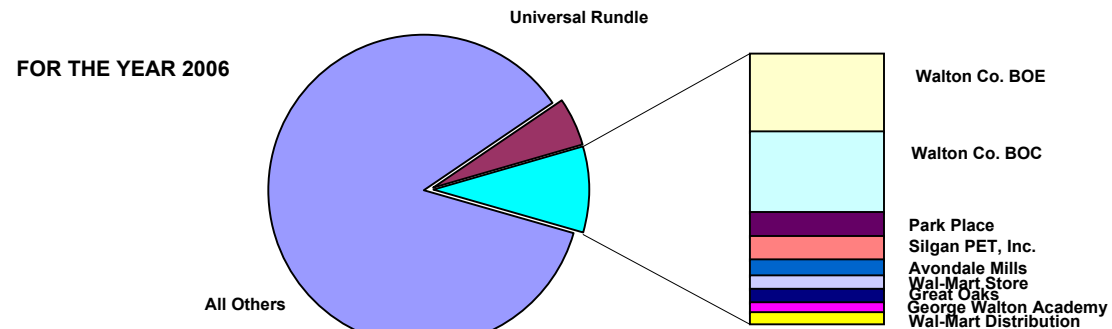
CITY OF MONROE, GEORGIA

TOP TEN SEWER CUSTOMERS CURRENT AND THREE YEARS AGO

Customer	2006				2003			
	Usage in K gallons	Annual Revenue (in thousands)	Rank	Percentage of Total Revenues	Usage in K gallons	Annual Revenue (in thousands)	Rank	Percentage of Total Revenues
Universal Rundle	21,142	\$ 118	1	4.99 %	34,508	\$ 92	2	4.73 %
Walton Co. Board of Education	16,443	62	2	2.62	13,405	54	3	2.77
Walton Co. Board of Commissioners	16,003	62	3	2.62	13,234	54	4	2.77
Park Place Nursing Home	2,220	19	4	0.80	2,014	14	6	0.72
Silgan PET, Inc.	2,099	18	5	0.76	4,270	19	5	0.98
Avondale Mills (Walton-Monroe Mills)	5,101	12	6	0.51	27,897	109	1	5.60
Wal-Mart Store	2,639	11	7	0.47				
Great Oaks	1,176	10	8	0.42				
George Walton Academy	4,975	8	9	0.34	3,140	5	10	0.26
Wal-Mart Distribution Center	9,739	8	10	0.34	9,992	10	7	0.51
Walton Co. Water & Sewerage Authority					3,650	9	8	0.46
Monroe Motor Inn					1,070	5	9	0.26
Totals	81,537	328		13.88	113,180	371		19.05
All Others		2,035		86.12		1,576		80.95
Annual Totals		\$ 2,363		100.00 %		\$ 1,947		100.00 %

Source: City of Monroe Utility Department

Note: Information not available for years prior to 2003.



Item # 1

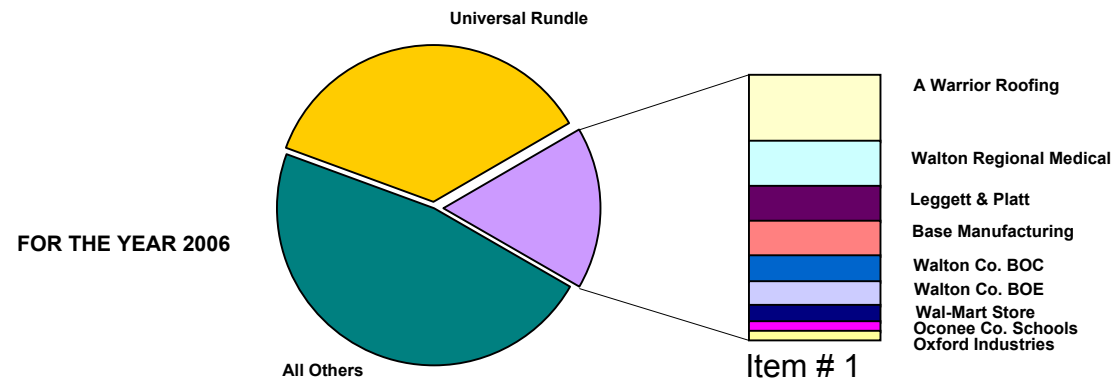
CITY OF MONROE, GEORGIA

TOP TEN GAS CUSTOMERS CURRENT AND THREE YEARS AGO

Customer	2006				2003			
	Usage in MCF	Annual Revenue (in thousands)	Rank	Percentage of Total Revenues	Usage in MCF	Annual Revenue (in thousands)	Rank	Percentage of Total Revenues
Universal Rundle	244,429	\$ 2,937	1	36.12 %	280,888	\$ 1,874	1	30.75 %
A Warrior Roofing	27,247	347	2	4.27				
Walton Regional Medical Center	15,141	227	3	2.79	15,143	145	4	2.38
Leggett & Platt	12,300	180	4	2.21	12,512	140	6	2.30
Base Manufacturing	13,721	174	5	2.14	15,092	144	5	2.36
Walton Co. Board of Commissioners	8,913	133	6	1.64	7,007	76	8	1.25
Walton Co. Board of Education	6,001	121	7	1.49	10,077	108	7	1.77
Wal-Mart Store	5,729	81	8	1.00				
Oxford Industries	3,135	50	9	0.61				
Oconee County Schools	2,748	41	10	0.50				
Silgan PET, Inc.					4,052	36	10	0.59
Avondale Mills (Walton-Monroe Mills)					37,458	286	2	4.69
Sunbelt					17,071	171	3	2.81
Well Luck Co.					6,388	61	9	1.00
Totals	339,364	4,291		52.77	405,688	3,041		49.89
All Others	248,566	3,841		47.23	295,412	3,054		50.11
Annual Totals	587,930	\$ 8,132		100.00 %	701,100	\$ 6,095		100.00 %

Source: City of Monroe Utility Department

Note: Information not available for years prior to 2003.



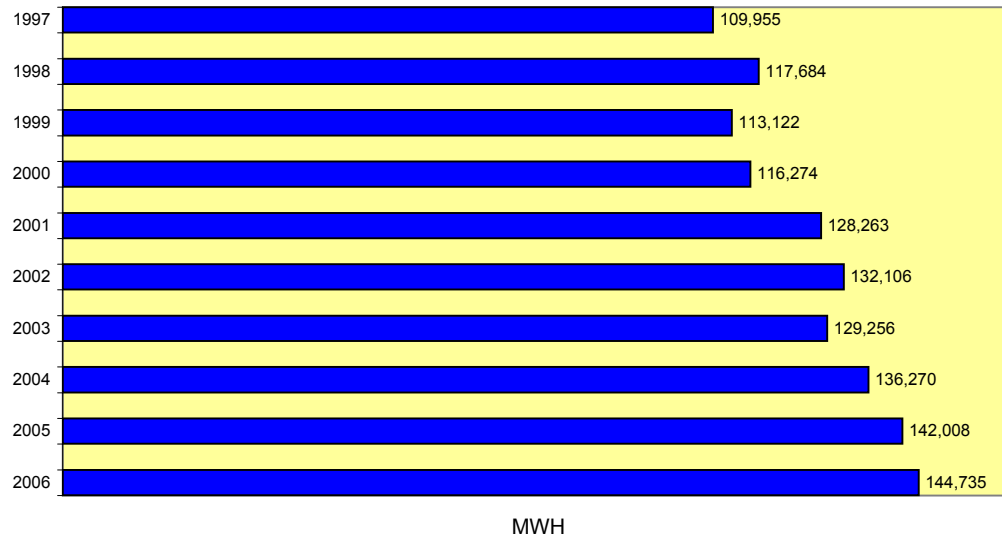
CITY OF MONROE, GEORGIA

ELECTRIC MWH SOLD BY TYPE OF CUSTOMER LAST TEN YEARS

	MWH									
Type of Customer	2006	2005	2004	2003	2002 (1)	2001 (1)	2000 (1)	1999 (1)	1998 (1)	1997 (1)
Residential	66,069	65,327	61,577	59,020	N/A	N/A	N/A	N/A	N/A	N/A
Commercial	78,639	76,651	74,660	70,210	N/A	N/A	N/A	N/A	N/A	N/A
Security Lights	12	15	19	12	N/A	N/A	N/A	N/A	N/A	N/A
Traffic Lights	15	15	14	14	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>144,735</u>	<u>142,008</u>	<u>136,270</u>	<u>129,256</u>	<u>132,106</u>	<u>128,263</u>	<u>116,274</u>	<u>113,122</u>	<u>117,684</u>	<u>109,955</u>

(1) Information by type unavailable.

Source: City of Monroe Utility Department



CITY OF MONROE, GEORGIA

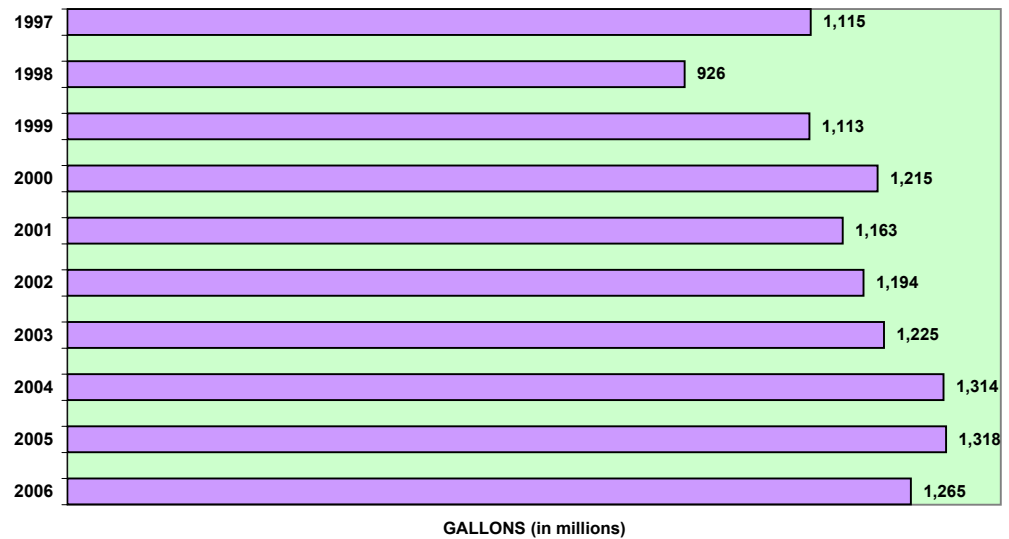
WATER GALLONS SOLD BY TYPE OF CUSTOMER LAST TEN YEARS

	Gallons (in millions)									
Type of Customer	2006	2005	2004	2003	2002 (1)	2001 (1)	2000 (1)	1999 (1)	1998 (1)	1997 (1)
Residential	461	439	413	404	N/A	N/A	N/A	N/A	N/A	N/A
Small Commercial & Industrial (2)	147	223	226	230	N/A	N/A	N/A	N/A	N/A	N/A
Large Commercial & Industrial (2)	73	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Wholesale	584	656	675	591	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>1,265</u>	<u>1,318</u>	<u>1,314</u>	<u>1,225</u>	<u>1,194</u>	<u>1,163</u>	<u>1,215</u>	<u>1,113</u>	<u>926</u>	<u>1,115</u>

(1) Information by type unavailable.

(2) Beginning in 2006, the commercial classification was divided into Small C&I and Large C&I. Large C&I is classified as usage consistently over one million gallons per month through a single meter.

Source: City of Monroe Utility Department



CITY OF MONROE, GEORGIA

GAS MCF SOLD BY TYPE OF CUSTOMER LAST TEN YEARS

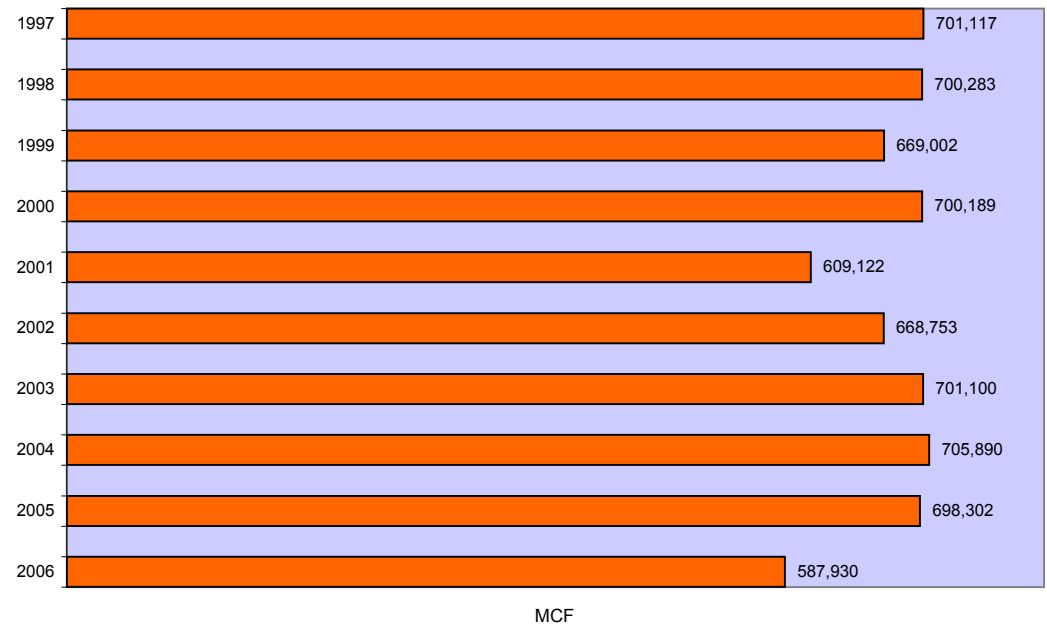
Type of Customer	MCF									
	2006	2005	2004	2003	2002 (1)	2001 (1)	2000 (1)	1999 (1)	1998 (1)	1997 (1)
Residential	166,590 (3)	198,027	191,033	191,711	N/A	N/A	N/A	N/A	N/A	N/A
Commercial	127,735	127,668	122,971	120,813	N/A	N/A	N/A	N/A	N/A	N/A
Agriculture	6,626 (3)	8,135	9,840	2,761	N/A	N/A	N/A	N/A	N/A	N/A
Industrial	286,979	364,472	366,325	348,357	N/A	N/A	N/A	N/A	N/A	N/A
Interruptible (2)	-	-	15,721	37,458	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>587,930</u>	<u>698,302</u>	<u>705,890</u>	<u>701,100</u>	<u>668,753</u>	<u>609,122</u>	<u>700,189</u>	<u>669,002</u>	<u>700,283</u>	<u>701,117</u>

(1) Information by type unavailable

(2) The City only had one Interruptible customer, and that company closed down in 2004.

(3) The decrease in Industrial in 2006 is due to a large industrial customer shutting down its manufacturing operations. Residential usage for 2006 decreased from 2005 as a result of much milder weather conditions.

Source: City of Monroe Utility Department



CITY OF MONROE, GEORGIA

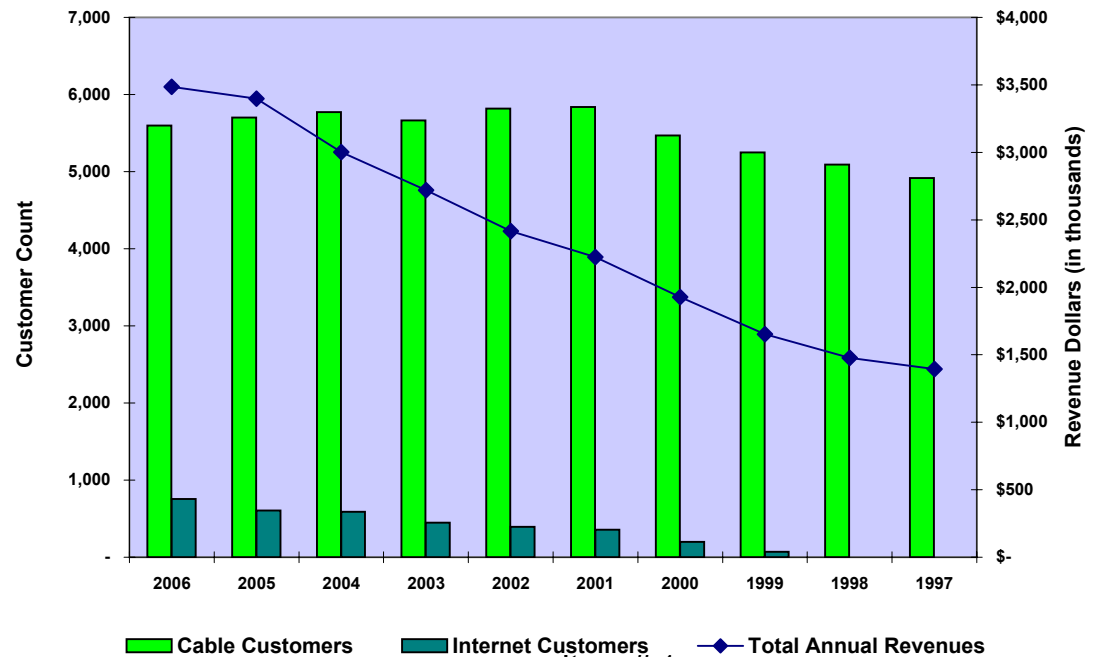
TELECOMMUNICATIONS (CABLE & INTERNET) SALES LAST TEN YEARS

	Fiscal Years									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Standard Cable Customers	5,518	5,613	5,704	5,665	5,818	5,838	5,469	5,247	5,090	4,919
Digital Cable Customers (1)	80	88	66	-	-	-	-	-	-	-
Internet Customers (2)	757	604	588	447	393	357	200	71	-	-
Annual Sales (in thousands)	\$ 3,486	\$ 3,398	\$ 3,002	\$ 2,719	\$ 2,415	\$ 2,225	\$ 1,928	\$ 1,653	\$ 1,477	\$ 1,394

(1) Digital cable service started in 2004.

(2) Internet service started in 1999.

Source: City of Monroe Utility Department



Item # 1

CITY OF MONROE, GEORGIA

RESIDENTIAL UTILITY RATES LAST TEN YEARS

Fiscal Year	Electric				Gas			Water		Sewer	
	Monthly Base Rate	First 700 KWH or less	Over 700 KWH Summer	Over 700 KWH Winter	Monthly Base Rate	Rate per CCF Summer	Rate per CCF Winter	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
1997	\$ 8.50	\$ 0.0650	\$ 0.0900	\$ 0.0530	\$ 5.00	\$ 0.500	\$ 0.600	\$ 6.00 (1)		\$ 8.50 (5)	
1998	8.50	0.0650	0.0900	0.0530	5.00	0.500	0.600	6.00 (1)		8.50 (5)	
1999	8.50	0.0650	0.0900	0.0530	5.35	0.535	0.642	6.00 (1)		8.50 (5)	
2000	8.50	0.0650	0.0900	0.0530	5.35	0.535	0.642	6.50 (1)		10.50 (5)	
2001	9.00	0.0685	0.0950	0.0560	6.00	0.600	0.720	2.71	\$ 2.23 (2)	4.75	\$ 2.10
2002	9.00	0.0685	0.0950	0.0560	10.00	0.375	0.375	3.25	2.68 (2)	5.70	2.52
2003	9.00	0.0685	0.0950	0.0560	10.00	0.375	0.375	3.25	2.68 (2)	5.70	2.52
2004	9.00	0.0685	0.0950	0.0560	10.00	0.375	0.375	3.41	2.81 (2)	5.99	2.65
2005	9.00	0.0685	0.0950	0.0560	10.00	0.375	0.375	3.41	2.85 (3)	6.00	2.75
2006	9.00	0.0685	0.0950	0.0560	10.00	0.375	0.375	8.25	1.50 (4)	7.00	2.75

Note: Rates are plus fuel adjustment and applicable sales tax

- (1) Rates based on first 3000 gallons, residential in-city and do not include out-of-city or commercial rates.
- (2) Rates based on 0 - 100,000 gallons, residential in-city and do not include out-of-city or commercial rates.
- (3) Rates based on 0 - 10,000 gallons, residential in-city and do not include out-of-city or commercial rates.
- (4) Rates based on 0 - 3,000 gallons, residential in-city and do not include out-of-city or commercial rates.
- (5) Rates based on 0 - 3,999 gallons, residential in-city and do not include out-of-city or commercial rates.

CITY OF MONROE, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Capital Leases	Utility Revenue Bonds	Notes Payable	Capital Leases			
1997	\$ -	\$ 73,331	\$ 384,513	\$ 5,820,000	\$ 1,883,899	\$ -	\$ 8,161,743	4.02 %	\$ 802
1998	-	37,037	341,483	5,410,000	1,766,185	-	7,554,705	3.45	714
1999	-	-	1,041,250	4,975,000	2,918,067	1,979,399	10,913,716	4.51	985
2000	7,195,000	-	816,102	4,520,000	7,021,709	1,896,247	21,449,058	7.99	1,880
2001	7,195,000	-	602,730	24,600,000	8,770,838	1,797,168	42,965,736	15.29	3,699
2002	7,195,000	-	263,177	24,100,000	9,618,396	1,959,070	43,135,643	15.36	3,667
2003	7,180,000	-	107,296	33,400,000	789,474	130,806	41,607,576	14.62	3,499
2004	7,115,000	-	-	32,050,000	679,235	24,493	39,868,728	14.01	3,353
2005	6,990,000	-	-	30,675,000	597,379	-	38,262,379	12.91	3,215
2006	6,950,000	-	-	29,595,000	513,873	-	37,058,873	12.07	3,006

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF MONROE, GEORGIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST SEVEN YEARS ⁽¹⁾

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value (2) of Property	Per Capita (3)
2000	\$ 7,195,000	\$ 404,894	\$ 6,790,106	1.53 %	\$ 595
2001	7,195,000	96,041	7,098,959	1.44	611
2002	7,195,000	97,485	7,097,515	1.32	603
2003	7,180,000	97,224	7,082,776	1.20	596
2004	7,115,000	97,713	7,017,287	1.10	590
2005	6,990,000	673	6,989,327	0.94	587
2006	6,950,000	(183)	6,950,183	0.89	564

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) The City did not have any general obligation debt outstanding prior to 2000.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(3) Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF MONROE, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT DECEMBER 31, 2006

<u>Governmental Unit</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Monroe (1)</u>	<u>Amount Applicable to City of Monroe</u>
Debt repaid with property taxes:			
Walton County	\$ 3,750,000	14.08%	\$ 528,000
Walton County Board of Education	78,265,000	12.45%	9,743,993
Subtotal, overlapping debt	82,015,000		10,271,993
Direct:			
City of Monroe	6,950,000	100.00%	6,950,000
Total direct and overlapping debt	\$ 88,965,000		\$ 17,221,993

Source: Assessed value data used to estimate applicable percentages provided by the Walton County Tax Assessors and the Georgia Department of Revenue Property Tax Division. Debt outstanding data obtained from Walton County's financial statements.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Monroe, Georgia. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

CITY OF MONROE, GEORGIA

LEGAL DEBT MARGIN INFORMATION LAST SEVEN YEARS (amounts expressed in thousands)

	Fiscal Year						
	2006	2005	2004	2003	2002	2001	2000
Debt Limit	\$ 31,800	\$ 30,217	\$ 26,200	\$ 24,682	\$ 22,674	\$ 20,732	\$ 18,495
Total net debt applicable to limit	6,950	6,989	7,017	7,083	7,098	7,099	6,790
Legal debt margin	<u>\$ 24,850</u>	<u>\$ 23,228</u>	<u>\$ 19,183</u>	<u>\$ 17,599</u>	<u>\$ 15,576</u>	<u>\$ 13,633</u>	<u>\$ 11,705</u>
Total net debt applicable to the limit as a percentage of debt limit	21.86%	23.13%	26.78%	28.70%	31.30%	34.24%	36.71%
Assessed Value	\$ 311,830						
Add back: exempt real property	6,170						
Total assessed value	318,000						
Debt limit (10% of total assessed value)	31,800						
Debt applicable to limit:							
General obligation bonds	6,950						
Less: Amount set aside for repayment of general obligation debt	-						
Total net debt applicable to limit	6,950						
Legal debt margin	<u>\$ 24,850</u>						

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF MONROE, GEORGIA

COMBINED UTILITY REVENUE BOND COVERAGE LAST TEN YEARS (amounts expressed in thousands)

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Bond Coverage Ratio
				Principal	Interest	Total	
1997	\$ 16,642	\$ 12,147	\$ 4,495	\$ 395	\$ 312	\$ 707	6.36
1998	17,596	13,205	4,391	410	294	704	6.24
1999	17,694	14,070	3,624	435	275	710	5.10
2000	19,902	16,310	3,592	455	256	711	5.05
2001	23,083	17,850	5,233	475	234	709	7.38
2002	25,225	18,151	7,074	500	1,204	1,704	4.15
2003	25,761	19,987	5,774	595	1,179	1,774	3.25
2004	29,260	22,696	6,564	1,350	1,363	2,713	2.42
2005	32,869	25,792	7,077	1,375	1,339	2,714	2.61
2006	32,099	26,169	5,930	1,400	1,308	2,708	2.19

(1) Total revenues include interest, but not tap fees.

(2) Operating expenses do not include depreciation.

(3) Represents principal and interest for revenue bonds only.

CITY OF MONROE, GEORGIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Fiscal Year	Population (1)	Personal Income* (in thousands)	Per Capita Personal Income (2)*	Median Age (1)	Housing Units (1)	Unemployment Rate (3)	Wage & Salary Employment # of Jobs (2)*
1997	10,183	\$ 203,181	\$ 19,953	27	3,933	7.1 %	12,767
1998	10,577	219,134	20,718	27	3,933	5.2	13,470
1999	11,081	242,186	21,856	27	3,933	5.3	14,230
2000	11,407	268,361	23,526	32	4,637	4.9	15,102
2001	11,616	281,072	24,197	32	4,637	5.6	15,809
2002	11,764	280,783	23,868	32	4,637	7.1	16,845
2003	11,892	284,516	23,925	32	4,637	8.4	17,772
2004	11,892	284,516	23,925	32	4,637	10.3	19,202
2005	11,903	296,456	24,906	32	4,637	5.7	20,545
2006	12,329	307,066	24,906	32	4,637	6.1	20,545

(1) Source: U.S. Census

(2) Source: Bureau of Economic Analysis

(3) Source: Georgia Department of Labor

* Data only available at the County level

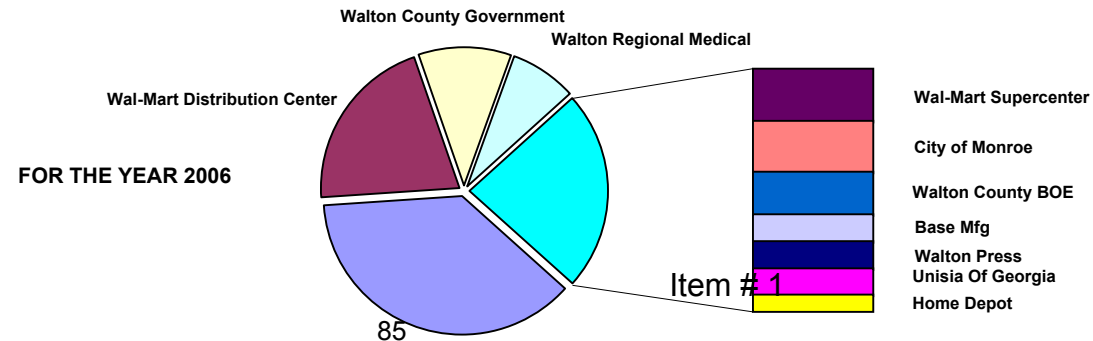
Note: Beginning in 2005, City unemployment rates were calculated by the U.S. Department of Labor's Bureau of Labor Statistics (BLS) using a revised methodology. This methodology incorporates more current residency factors. Historical data could not be revised using the new method. Thus, estimates for city labor force data for 2005 and forward are not comparable to prior years. In some instances, there have been large changes in the unemployment rates from previous years.

CITY OF MONROE, GEORGIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND FOUR YEARS AGO

Employer	2006			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Wal-Mart Distribution Center	990	1	20.9 %			
Walton County Government	517	2	10.9	343	3	10.9 %
Walton Regional Medical Center	362	3	7.7			
Wal-Mart Supercenter	244	4	5.2	86	7	2.7
City of Monroe	225	5	4.8	170	6	5.4
Walton County Board of Education	194	6	4.1			
Base Manufacturing	125	7	2.6			
Walton Press	123	8	2.6	80	8	2.5
Unisia Of Georgia Corp	120	9	2.5			
Home Depot	73	10	1.5			
Oxford Industries				400	1	12.7
Walton County Hospital				385	2	12.2
Avondale Mills (Walton-Monroe Mills)				320	4	10.1
Universal Rundle				272	5	8.6
Southern Family Markets (Bi-Lo)				78	9	2.5
National Bank of Walton County				52	10	1.6
Totals	<u>2,973</u>		<u>62.8 %</u>	<u>2,186</u>		<u>69.2 %</u>

Source: City of Monroe Finance Department

Note: Information not available for years prior to 2002.



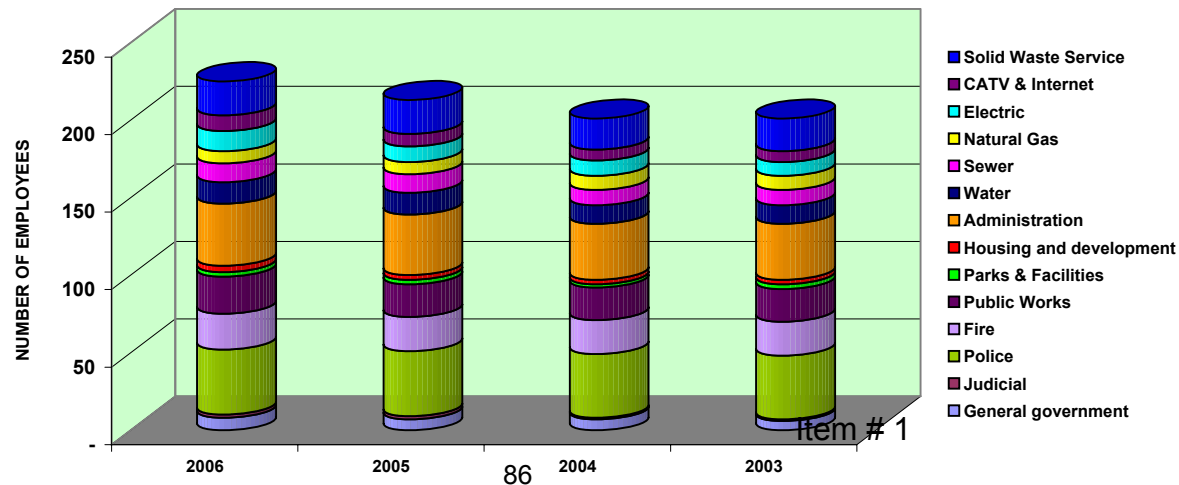
CITY OF MONROE, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION LAST FOUR FISCAL YEARS

Function	2006	2005	2004	2003
General government	8	7	7	6
Judicial	2	2	1	1
Public Safety				
Police	42	42	41	41
Fire	23	22	22	22
Public Works	24	21	21	21
Culture and recreation				
Parks & Facilities	3	3	2	3
Housing and development	4	3	3	3
Utilities				
Administration	40	39	36	36
Water	14	14	12	12
Sewer	12	12	10	10
Natural Gas	8	8	9	9
Electric	13	10	10	9
CATV & Internet	10	8	7	7
Solid Waste Service	22	22	20	21
Totals	225	213	201	201

Source: City Finance Department

Note: Information is not available for years prior to 2003.



CITY OF MONROE, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Function											
Police:											
	Number of dispatches	38,276	33,396	33,549	40,881	38,487	24,300	26,338	24,681	22,008	16,169
	Number of traffic citations issued	3,049	3,759	3,396	3,550	4,211	4,257	5,358	N/A	N/A	N/A
Fire:											
	Number of fire/EMS dispatches	1,207	1,203	1,007	969	948	N/A	N/A	N/A	N/A	N/A
Highways and streets:											
	Street resurfacing (lane miles)	14	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing and development:											
	Value of new building construction (in 000's)	\$ 35,882	\$ 23,207	\$ 37,247	\$ 19,640	\$ 20,895	N/A	N/A	N/A	N/A	N/A
	Number of permits issued	271	131	177	115	107	N/A	N/A	N/A	N/A	N/A
Utilities: Cable & Internet											
	Number of customers standard cable	5,518	5,613	5,704	5,665	5,818	5,838	5,469	5,247	5,090	4,919
	Number of customers digital cable (1)	80	88	66	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Internet customers (2)	757	604	588	447	393	357	200	71	N/A	N/A
Electric											
	Number of customers	5,809	5,647	5,596	5,539	5,600	5,436	5,344	5,360	5,207	5,114
	Average daily consumption (KWh)	400,134	389,060	372,322	354,055	361,918	251,405	318,559	309,923	322,422	301,247
Natural gas											
	Number of customers	4,105	4,081	4,010	3,955	3,950	3,875	3,739	3,678	3,611	3,577
	Average daily consumption (MCF)	1,611	1,913	1,934	1,921	1,832	1,669	1,918	1,833	1,919	1,921
Wastewater											
	Number of customers	6,244	5,905	5,712	5,474	5,381	5,232	5,244	5,040	4,918	4,798
	Average daily sewage treatment (MGD)	2.005	2.170	1.660	1.870	1.660	1.567	1.359	1.110	1.321	1.234
Water											
	Number of customers	8,113	7,699	7,410	7,165	7,075	6,854	6,653	6,340	6,058	5,840
	Average daily consumption (K gallons)	3,466	3,612	3,588	3,356	3,271	3,186	3,329	3,049	2,537	3,055
Solid Waste Service:											
	Refuse collected (tons)	11,517	12,567	12,771	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Recyclables collected (tons)	358	496	415	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of residential customers	6,100	5,852	5,700	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of commercial customers	700	462	437	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of transfer station customers	19	19	19	11	12	N/A	N/A	N/A	N/A	N/A

Source: Various City Departments

N/A - Information not available

Note: Indicators are not available for the General government function.

(1) Digital cable service started in 2004

(2) Internet service started in 1999

CITY OF MONROE, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Function											
Police:											
	Stations	1	1	1	1	1	1	1	1	1	1
	Patrol units	38	38	38	26	21	N/A	N/A	N/A	N/A	N/A
Fire:											
	Stations	1	1	1	1	1	1	1	1	1	1
Highways and streets:											
	Streets (miles)	75	75	75	73	70	N/A	N/A	N/A	N/A	N/A
	Streetlights	1,134	1,109	1,109	1,108	1,104	1,104	1,104	1,102	1,058	1,058
	Traffic signals	4	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Utilities: Cable & Internet											
	Cable (miles)	240	230	220	200	178	N/A	N/A	N/A	N/A	N/A
Electric											
	Lines (miles)	180	175	170	163	160	N/A	N/A	N/A	N/A	N/A
	Substations	3	3	3	3	3	3	2	2	2	2
Natural gas											
	Mains (miles)	149	146	143	141	135	124	118	97	94	94
Wastewater											
	Sanitary sewer (miles)	141	140	115	100	95	N/A	N/A	N/A	N/A	N/A
	Maximum daily treatment capacity (MGD)	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Water											
	Mains (miles)	237	235	210	190	190	N/A	N/A	N/A	N/A	N/A
	Maximum daily treatment capacity (MGD)	10	10	10	10	6	6	6	6	6	6
	Treated water storage capacity (Mgallons)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
	Reservoir (raw) storage capacity (Mgallons)	795	795	795	795	795	795	795	795	247	247
Solid Waste Service:											
	Collection trucks	9	9	8	8	8	N/A	N/A	N/A	N/A	N/A
	Recycling trucks	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
	Transfer stations (1)	1	1	1	1	1	-	-	-	-	-

Source: Various City departments

Note: Capital asset indicators are not available for the General government and Housing and development functions.

(1) 2002 First year to operate transfer station





Finance Committee Meeting

AGENDA

June 5, 2007

Item:

Discussion/Approval Life Insurance

Department:

Finance

Additional Information:**Financial Impact:****Budgeted Item:****Recommendation / Request:**

Viewing Attachments Requires Adobe Acrobat. [Click here](#) to download.

Attachments / click to download

☐ [Williamson Review/Recommendation](#)

☐ [Trinity/Fort Dearborn](#)

☐ [Champion/Standard](#)

Renee Prather

From: Bruce Williamson [Bruce.Williamson@LibertyFirst.us]
Sent: Monday, May 21, 2007 4:05 PM
To: Renee Prather
Subject: Group Life Proposals
Attachments: Monroe Life -ADD 07 Bid Results 050107.xls; Standard Life questions.doc

Dear Renee,

I enjoyed meeting with you and Mrs. Scott this morning in our review of the Group Life Proposals received by the City of Monroe. All of the proposals provided the requested coverage limits requested, with proposal numbers one and seven having the most competitive pricing. The other five quotes were from 25% to 36% percent higher for the combined Life and AD&D rates. The percentage difference between the two lowest quotes is only 1.5%, which represents a billed monthly premium difference of around \$31.00 (based on \$10,392,000 coverage.) Both of the issuing insurance companies have good reputations with extensive experience in the group term market. Both of these companies enjoy good financial ratings.

With the very close difference in monthly premium, I recommend that you call the listed references for both providers and pick the one that will give you the best service. Good service, especially in the billing area, is critical. Both providers indicate that they will lock in 3 year rates for a 4% higher premium. A three year rate lock with either of these two companies, even at the higher cost, would still be a much lower cost than the five other quotes.

I have attached a list of questions for the company representatives. Furthermore I recommend that you review the Human Resource questions we discussed regarding the form 5500 and the ADEA questions raised in proposal number 1.

Let me know if I may be of further service in any way.

Sincerely,

Bruce

Bruce Williamson
Chairman
Liberty First Bank
P.O. Box 430
Monroe, Georgia 30655
Phone 770-267-2566
Cell 770-833-4545
Fax 770-207-1198
bruce.williamson@libertyfirst.us

From: Renee Prather [mailto:RPrather@MonroeGA.gov]
Sent: Wednesday, May 16, 2007 5:21 PM
To: Bruce Williamson
Subject: reminder

Bruce,
I'll see you on Thursday. Thanks in advance for your time.

Renee L. Prather
Finance Director
City of Monroe
P.O. Box 1249
Monroe, GA 30655
770-266-5115
770-266-5114 fax

Item # 2

5/29/2007

City of Monroe
Group Life / AD5/29/2007 Bid Results
Effective June 1, 2007

Coverages	Champion Benefits/Standard	The Deaton Group/GIA/AIG	Covenant /Lafayette Life	AIG-Weeden	Franklin Insurance	Cigna	Trinity
Life Rate	.168/1000	.199/1000	.22/1000	.193/1000	.20/1000	.217/1000	.17/1000
AD&D Rate	.025/1000	.04/1000	.04/1000	.05/1000	.04/1000	.03/1000	.02/1000
Total Life plus AD&D	.193/1000	.239/1000	.26/1000	.243/1000	.24/1000	.247/1000	.19/1000
Dep Life Rate	1.02/unit	1.10/unit	1.02/unit	1.07/unit	.760/Unit	1.216/Unit	.84/unit

A.M. Best Carrier Rating	A	A++	A++	A++	A	A	A+
Life/AD&D Insurance Limit - Employee	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Life/AD&D Insurance Limit - Spouse	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Life/AD&D Insurance Limit - Children 0-6 mos	\$2,500	\$2,500	\$500	\$2,500	\$500	\$500	\$500
Life/AD&D Insurance Limit - Children 6mos-up	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Life/AD&D Insurance Limit - Elected	\$50,000	\$50,000	\$50,000	50000	\$50,000	\$50,000	\$50,000
Life/AD&D Insurance Limit - Retiree	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Rate Guarantee	24 Months	24 Months	24 Months	24 Months	24 Months	24 Months	24 months
Guarantee Issue	\$50,000 under 70	\$100,000 under 65	\$50,000 under 65	\$100,000 under 65	\$50,000 under 70	\$50,000 under 70	\$50,000 under 70
Reduction @ Age	55% @70, 35% @75, 25% @80 Premium Waiver for Disability to 65	35% @ 65, 50% @ 70 Premium Waiver for Disability to 65	45% @70, 65% @75, 75% @80 Premium Waiver for Disability to 65	35% @ 65, 50% @ 70 Premium Waiver for Disability to 65	55% @70, 35% @75, 25% @80 Premium Waiver for Disability to 65	55% @70, 35% @75, 25% @80 Premium Waiver for Disability to 65	45% @70, 35% @75, 25% @80 Premium Waiver for Disability to 65
Portability	Yes						

A Group Insurance Benefits Proposal

Designed for:

CITY OF MONROE



FORT DEARBORN LIFE
Insurance Company

Valid until 6/1/2007 unless extended in writing by Fort Dearborn Life Insurance Company.



FORT DEARBORN LIFE Is Your Group Benefits Resource

Since 1969, Fort Dearborn Life Insurance Company (Fort Dearborn Life) has provided valuable group benefits insurance protection to meet the recruiting needs of employers and the family security needs of employees. Licensed in 49 states (except New York), the District of Columbia and both the U.S. and British Virgin Islands, Fort Dearborn Life proudly ranks among the top group life companies in the nation, and is a top provider of other group benefit products.

Fort Dearborn Life's strong ratings by independent insurance analysts are the cornerstone on which its national reputation is built. The A.M. Best Company, as of June 20, 2005, rated Fort Dearborn Life **A+ (Superior)**¹. In its most recent report, Standard & Poor's rated Fort Dearborn Life **A (Strong)** for its financial strength, citing its very good capitalization, financial performance and competitive position. Fort Dearborn Life is a wholly owned subsidiary of Health Care Service Corporation (HCSC), a Mutual Legal Reserve Company, one of the largest non-investor-owned mutual insurance companies in the United States.

Financial Strength:

- **\$1.6 Billion** in Assets
- **\$123 Billion** of Life Insurance In-force
- **3 Million** + Covered Employees
- **76,000+** In-Force Groups

National Rankings:

#1 for Total Number of Group Life Contracts In-Force²

#14 for Total Group Life Volume In-Force³

Please visit our website at www.FDL-Life.com for additional information regarding our products and Administrative Solutions.

¹ A.M. Best Company rates the overall financial condition of a company using a scale of A++ (Superior) to F (In Liquidation).

² Based on results shown in LIMRA's U.S. Group Life Sales & In Force 2004 Annual Results.

³ Based on results shown in the National Underwriter Life & Health, August 15, 2005.



UNDERWRITING CONDITIONS FOR ALL QUOTED COVERAGES

1. Rates are based on the schedule of benefits, census provided, and the following assumptions for Group Life, Group Short Term Disability (STD) and Group Long Term Disability (LTD):
 - If the policyholder contributes 100% of the cost, all eligible employees must be insured.
 - If the policyholder does not contribute the entire cost, at least 75% of those eligible must be insured.
 - The policyholder must contribute at least 25% of the cost.
 - This proposal illustrates the cost of the insurance program and is based upon the information submitted. Actual cost will be determined after an application has been accepted by Fort Dearborn Life at its home office and will depend upon data obtained when the program becomes effective.
2. Employees eligible for coverage are full-time, working in the United States and actively at work. Full-time means that the employee is Actively at Work at least 30 hours each week on a regularly scheduled basis for the policyholder as of the effective date. Actively at Work means the employee is performing the normal duties of his occupation. Employees not Actively at Work as of their effective date will have their coverage deferred until they return to full-time employment, unless otherwise indicated in the proposal. Spouses and child(ren) who are hospital confined when coverage begins will become covered upon final discharge. Employees hired after the effective date of the plan will become eligible for insurance after completing the waiting period specified in the policy, provided they are actively at work.
3. Employees enrolling more than 31 days after their initial eligibility date must submit satisfactory Evidence of Insurability for all benefit amounts. Spouse and child(ren) if applicable, enrolling more than 31 days after their initial eligibility date must submit satisfactory Evidence of Insurability for all benefit amounts. Coverage for a medically underwritten benefit is not effective until the date Fort Dearborn Life has approved the employee's application.
4. All coverages have been rated together and may not be sold differently than quoted without approval from Fort Dearborn Life. If a later effective date is desired, rates are subject to modification. Fort Dearborn Life reserves the right to change premium rates, but not more than once in a 12-month period.
5. This proposal provides only basic information on the features of the policy. It is not intended to be a complete representation of all terms and provisions of our contract. A complete listing of the terms, conditions, limitations, exclusions, and reduction of benefits that apply to the policyholder's coverage, if issued, is available upon request. In case of conflict between this proposal and the policy, the terms of the policy will govern.
6. The proposal is general in nature and product features and provisions may vary due to state requirements. When sold, the actual policy for the state in which the policy is issued will reflect the state's requirements. In case of conflict between the proposal and the policy, the terms of the policy will govern.
7. The rates stated in this proposal assume self administered billing. Billing fees may apply if Fort Dearborn Life billing is required.



GROUP TERM LIFE / ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) PROGRAM SUMMARY

The death of a family provider can mean that a family will not only find itself facing the loss of a loved one, but also the loss of financial security. With our Group Term Life plan, an employee can achieve peace of mind by giving their family the security they can depend on.

Eligibility	Class 1: ALL ELIGIBLE EMPLOYEES
	Class 2: ALL RETIREES
OTHER - Provisions	Class 2: ALL RETIREE CLASS is only eligible for Group Term Life. Is not eligible for Waiver of Premium, Accelerated Death Benefit or Accidental Death and Dismemberment.
Number of Employees Quoted	206
Group Term Life/AD&D Benefit	Class 1: \$50,000
Group Term Life/(No AD&D Benefit)	Class 2: \$10,000
Guaranteed Issue Amount – Employee	\$50,000
Age Reduction Schedule	Class 1: Life and AD&D benefits reduce by 45% of the original amount at age 70, and further reduce to 35% at age 75, and further reduce to 25% at age 80. All benefits terminate at retirement.
Policyholder Contribution	100%



GROUP TERM SUPPLEMENTAL LIFE PROGRAM SUMMARY

The death of a family provider can mean that a family will not only find itself facing the loss of a loved one, but also the loss of financial security. With our Group Term Life plan, an employee can achieve peace of mind by giving their family the security they can depend on.

Eligibility	Class 1: ALL ELIGIBLE ACTIVE EMPLOYEES
SUPPLEMENTAL PLAN - EMPLOYEE (EMPLOYEE PAID) Group Term Life Benefit	Class 1: Employee may elect increments of \$10,000 up to a maximum of \$100,000.
SUPPLEMENTAL PLAN - SPOUSE (EMPLOYEE PAID) Group Term Life Benefit	Class 1: Employee may elect increments of \$5,000 up to a maximum of the lesser of \$50,000 or 50% of the employee supplemental election.
SUPPLEMENTAL PLAN – CHILD(REN) (EMPLOYEE PAID) Group Term Life Benefit	Class 1: Employee may elect \$5,000 for all child(ren) ages 14 days to age 19, or age 23 if a full time student dependent on the insured for support.
SUPPLEMENTAL PLAN - EMPLOYEE (EMPLOYEE PAID) Guaranteed Issue Amount	Class 1: \$50,000 This is subject to a minimum of 20% of the eligible employees elect to participate in the Supplemental Plan.
SUPPLEMENTAL PLAN - SPOUSE (EMPLOYEE PAID) Guaranteed Issue Amount	Class 2: \$25,000. This is subject to a minimum of 20% of the eligible employees elect to participate in the Supplemental Plan.
SUPPLEMENTAL PLAN: Age Reduction Schedule	Class 1: Life benefits reduce by 35% of the original amount at age 65, and further reduce to 50% at age 70. All benefits terminate at retirement.
Policyholder Contribution	0%



GROUP TERM LIFE / ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) PROGRAM SUMMARY

Spouse Life Benefits	\$2,500
Child(ren) Life Benefits	Birth to 14 days: \$0 15 days to 6 months: \$500 6 months to 19 years: \$2,500 Coverage may be extended beyond Age 19 to Age 23 if the child is attending an accredited educational institute, college or university on a full-time basis.
Guaranteed Issue Amount – Spouse	Guaranteed Issued
Guaranteed Issue Amount – Child(ren)	Guaranteed Issued

Waiver of Premium

If an employee is unable to engage in any occupation as a result of injury or sickness for a minimum of 6 months, prior to age 60, premium will be waived for the employee's life insurance benefit until the employee is no longer disabled or reaches age 65, whichever occurs first.

Definition of Disability

Due to sickness or injury, the employee is completely unable to engage in any occupation for wage or profit.

Accelerated Death Benefit (ADB)

Upon the employee's request, this benefit pays a lump sum up to 75% of the employee's Life insurance, if diagnosed with a terminal illness and has a life expectancy of 12 months or less. Minimum: \$7,500. Maximum: \$250,000. The amount of group term life insurance otherwise payable upon the employee's death will be reduced by the ADB.

Conversion Privilege

Included.

Additional Services Available

EAP – Telephonic Counseling (\$1.04 per employee, per month).
 EAP – Face-to-Face Counseling (\$1.28 per employee, per month).
 Consolidated Claim Management of Life and Long-Term Disability (LTD)
 Waiver of Premium claims.
 Beneficiary Resource Services - includes grief, legal and financial counseling for beneficiaries at no additional cost.



GROUP ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) PROGRAM SUMMARY

Group AD&D is an additional death benefit that pays in the event a covered employee dies or is dismembered in a covered accident. AD&D benefit is 24-hour coverage.

AD&D Schedule of Loss*	Principal Sum
Loss of Life	100%
Loss of Both Hands or Both Feet	100%
Loss of One Hand and One Foot	100%
Loss of Speech and Hearing	100%
Loss of Sight of Both Eyes	100%
Loss of One Hand and the Sight of One Eye	100%
Loss of One Foot and the Sight of One Eye	100%
Loss of Sight of One Eye	50%
Loss of One Hand or One Foot	50%
Loss of Speech or Hearing	50%
Loss of Thumb and Index Finger of Same Hand	25%
* Loss must occur within 365 days of the accident.	
AD&D Product Features Included:	
▪ Seatbelt and Airbag Benefits	
▪ Repatriation Benefit	
▪ Education Benefit	
<p>Exclusions - We will not pay any benefit for any loss that, directly or indirectly, results in any way from or is contributed to by:</p> <ol style="list-style-type: none"> any disease or infirmity of mind or body, and any medical or surgical treatment thereof; or any infection, except a pus-forming infection of an accidental cut or wound; or suicide or attempted suicide, while sane or insane; or any intentionally self-inflicted Accident; or war, declared or undeclared, whether or not the Employee is a member of any armed forces; or travel or flight in an aircraft while a member of the crew, or while engaged in the operation of the aircraft, or giving or receiving training or instruction in such aircraft; or commission of, participation in, or an attempt to commit an assault or felony; or being under the influence of any narcotic, hallucinogen, barbiturate, amphetamine, gas or fumes, poison or any other controlled substance as defined in Title II of the comprehensive Drug Abuse Prevention and Control Act of 1970, as now or hereafter amended, unless as prescribed by the Employee's licensed physician and used in the manner prescribed. Conviction is not necessary for a determination of being under the influence; or intoxication as defined by the laws of the jurisdiction in which the accident occurred. Conviction is not necessary for a determination of being intoxicated; or active participation in a riot. "Riot" means all forms of public violence, disorder, or disturbance of the public peace, by three or more persons assembled together, whether with or without a common intent and whether or not damage to person or property or unlawful act is the intent or the consequence of such disorder. 	



GROUP TERM LIFE/AD&D COST ILLUSTRATION – OPTION 1 – 2 YEAR RATE GUARANTEE

COVERAGE	# OF LIVES	VOLUME	RATES PER \$1,000 OF BENEFIT	MONTHLY PREMIUM
Group Life	206	\$10,142,500	\$.17/\$1,000	\$1,724.23
Group AD&D	204	\$10,122,500	\$.02/\$1,000	\$202.45
Group Dependent Life	103		\$.84/Unit*	\$86.52
TOTAL:				\$2,013.20

RATE GUARANTEE: Initial 24 Months.

* Dependent benefits are quoted as a composite dependent unit (a flat monthly rate covering both spouse and child(ren). AD&D benefits are not available to dependents.

NOTE: The above rates are based on the requirements outlined in the Underwriting Conditions For All Coverages section and the Group Term Life/Accidental Death & Dismemberment (AD&D) Provisions section of the proposal.

GROUP TERM LIFE/AD&D COST ILLUSTRATION – OPTION 2 – 3 YEAR RATE GUARANTEE

COVERAGE	# OF LIVES	VOLUME	RATES PER \$1,000 OF BENEFIT	MONTHLY PREMIUM
Group Life	206	\$10,142,500	\$.18/\$1,000	\$1,825.65
Group AD&D	204	\$10,122,500	\$.02/\$1,000	\$202.45
Group Dependent Life	103		\$.84/Unit*	\$86.52
TOTAL:				\$2,114.62

RATE GUARANTEE: Initial 36 Months.

* Dependent benefits are quoted as a composite dependent unit (a flat monthly rate covering both spouse and child(ren). AD&D benefits are not available to dependents.

NOTE: The above rates are based on the requirements outlined in the Underwriting Conditions For All Coverages section and the Group Term Life/Accidental Death & Dismemberment (AD&D) Provisions section of the proposal.



GROUP TERM SUPPLEMENTAL LIFE

Supplemental Life Rates per \$1,000 per month

Ages	Employee and Spouse	
Under 30	\$	0.08
30-34	\$	0.08
35-39	\$	0.11
40-44	\$	0.18
45-49	\$	0.26
50-54	\$	0.45
55-59	\$	0.82
60-64	\$	1.28
65-69	\$	1.97
70-74	\$	3.22
75 and over	\$	5.64

Supplemental – Child(ren) \$0.20 per \$1,000 per family unit

RATE GUARANTEE: Initial 24 Months.

NOTE: The above rates are based on the requirements outlined in the Underwriting Conditions For All Coverages section and the Group Term Life/Accidental Death & Dismemberment (AD&D) Provisions section of the proposal.



GROUP TERM LIFE/AD&D PROVISIONS

1. Basic Annual, Monthly or Weekly Salary means the gross annual, monthly or weekly compensation prior to before-tax payroll deductions, if any, which an employee earns from his occupation with the policyholder; and it does not include salary from overtime, bonuses or any other form of extra pay. However, if an employee's salary is based in whole or in part on commissions, Basic Annual Salary will include the amount paid in commissions during the preceding 12 month calendar period. An employee's deferred contributions to a 401(k) plan or salary reduction contributions to a cafeteria plan which are maintained by the policyholder will not be deducted when calculating gross annual compensation.
2. Group Term Life - Satisfactory Evidence of Insurability will be required for individual amounts of insurance (if indicated in the benefits Program Summary) which exceed the guarantee issue limit. The guarantee issue limit stated is proportionately reduced according to the scheduled age reduction percentages shown on the benefits Program Summary.
3. Increases to base annual salary which result in a group term life benefit increase of \$50,000 or greater and are above the guarantee issue amount will be subject to evidence of insurability satisfactory to Fort Dearborn Life before the increased benefit can become effective. Receipt of premium before we have approved any evidence of insurability will not constitute acceptance and does not guarantee issuance of any benefit amount prior to our approval.
4. Transition of Coverage from Previous Carrier - It has been Fort Dearborn Life's experience that carriers have standardized provisions that address transition issues. Each carrier has specific responsibilities to ensure all employees who are not actively at work retain coverage.

Our experience has also been that the terminating carrier retains responsibility for all employees who are disabled on the termination date and may or may not already be on waiver of premium. We suggest that you discuss this issue with your previous carrier, regarding all employees not expected to be back to work because of their disability on the effective date of your new Fort Dearborn Life policy, to determine if they would be handled in this manner.

Fort Dearborn Life agrees to waive the actively at work provision provided premiums are paid when due for employees:

- a) who are covered on the day immediately preceding our policy effective date; and
- b) who were on lay-off, non-medical leave of absence, or sabbatical leave; and
- c) who are being provided an extension of benefits with the prior carrier.

Coverage will continue for the balance of the time provided for under the prior carrier's policy, but not to exceed 12 months. This extension does not apply to any short-term disability coverage that may be proposed. We do not agree to waive the actively at work provision on other employees, as we cannot commit to an unknown risk. However, we may consider providing coverage for those other employees upon further review. We would need a census listing all persons with the nature of illness, age, sex, prognosis, date last worked, expected date of return and amount of coverage. Proposed rates are subject to change, depending on the additional risk.



ADDITIONAL BENEFITS & PROVISIONS - Group Term Life Benefit

Beneficiary

The employee may name his own beneficiary and may change the beneficiary at any time. The employee may specify the manner in which he desires the proceeds to be paid.

Waiver of Premium – Active Class Only

Fort Dearborn Life may continue the employee's life insurance benefit without the further payment of premium provided:

1. the employee is insured and is actively at work on or after the effective date; and
2. the employee is under age 60 on the date of disability; and
3. we receive written proof of total disability within 12 months of the date of disability; and
4. the total disability has continued without interruption for at least six months; and
5. the employee is still totally disabled when the proof is submitted; and
6. all required premium has been paid.

If waiver of premium is approved, the amount of continued insurance is subject to any reduction of benefits as a result of age or amendment to the policy.

Life insurance coverage will continue without payment of premium until the employee is no longer disabled or reaches age 65, whichever occurs first.

Consolidated Claim Management for Life and Long-Term Disability Waiver of Premium

When it comes to premium waiver, we provide a seamless process for our claims customers who have both Life and Long-Term Disability insurance, requiring only one claim form.

Extension of Coverage

If the employee is no longer Actively at Work as a result of a disability, layoff, or leave of absence, the employee may continue to be eligible for group insurance coverage, as follows:

Disability – Until the end of the 12th month following the month, in which the disability began, provided all premiums are paid when due.

Layoff – Until the end of the month following the month, during which the layoff began, provided all premiums are paid when due.

Leave of Absence – Until the end of the month following the month in which the leave of absence began, provided all premiums are paid when due; or governed by the policyholder's Human Resource policy on family and medical leaves of absence, for up to 12 weeks during a leave of absence elected under the federal Family and Medical Leave Act of 1993, provided the leave of absence was approved in advance and in writing by the policyholder and all premiums are paid when due.

Conversion Privilege

The policy contains a conversion privilege provision which gives an employee whose life insurance terminates or reduces the right to convert to an individual life insurance policy without furnishing evidence of insurability, provided certain conditions are met. The individual conversion policy will be a whole life policy. It will not contain any disability benefits or AD&D. The request to convert must be made within 31 days following termination of coverage.



ADDITIONAL BENEFITS & PROVISIONS - Accelerated Death Benefit – Active Class Only

The accelerated death benefit is 75% of the employee's Group Term life insurance amount in force on the date we receive proof the employee is terminally ill. This sum is limited to a maximum of \$250,000 and a minimum of \$7,500. For this benefit, terminally ill shall mean an Employee has a life expectancy of 12 months or less, due to a medical condition.

Reduction of Benefit

If the employee's group term life insurance benefit is subject to an age reduction within 12 months after the date we receive proof, the accelerated death benefit will be 75% of the reduced group term life insurance benefit.

Benefit Payment

Fort Dearborn Life will pay the benefit during the employee's lifetime if the employee or his legal representative claims the benefit and provides Fort Dearborn Life with satisfactory proof that the employee is terminally ill. The benefit is payable in one lump sum to the employee.

Disclosure

This benefit does not apply to Accidental Death and Dismemberment benefits.

Limitations

The benefit will not be payable:

1. or any amount of group term life insurance which is less than what is indicated in the benefits Program Summary; or
2. for terminal illness caused by a suicide attempt, while sane or insane; or self-inflicted injuries; or
3. for a group term life insurance benefit that has been assigned; or
4. for a group term life insurance benefit payable to an irrevocable beneficiary; or
5. to retirees.

Provisions may be slightly different by state. Please refer to the actual policy for the state in which the policyholder exists.



ADDITIONAL BENEFITS & PROVISIONS - Group Accidental Death & Dismemberment and Loss Of Sight, Speech & Hearing (AD&D) Benefits – Active Class Only

Group AD&D benefits are payable in the event of death, loss of limbs or loss of eye sight, speech or hearing as a result of an accident.

Benefits are payable provided:

- ⊕ the loss occurs within 365 days of the Accident;
- ⊕ the loss is the direct and sole result of the Accident;
- ⊕ the loss is independent of all other causes.

The amount paid will be as stated in AD&D benefits Program Summary section, but will not exceed the Principal Sum stated in the application. The total amount payable for all losses to any employee resulting from any one accident may not be greater than the Principal Sum.

Group AD&D Features

Seat Belt Benefit

Pays an additional benefit equal to the employee benefit (up to \$25,000) if an insured employee dies as a result of a covered accident which occurs while the employee was driving or riding in an automobile driven by a licensed driver who was not intoxicated, under the influence of a controlled substance or impaired. The automobile must be equipped with seat belts, and the seat belts must have been in actual use and properly fastened at the time of the accident. The position of the seat belt must be certified in the official accident report or by the investigating officer. If an official police report certifying that the seat belt was being properly worn, is not available at the time the claim is submitted, the benefit amount will be \$1,000.

Air Bag Benefit

An additional benefit amount equal to 5% of the Principal Sum will be payable if the employee dies while driving or riding in an automobile, provided that the employee was positioned in a seat equipped with a factory-installed air bag. The employee must have been properly strapped in the seat belt when the air bag inflated, and the air bag inflated properly upon impact. The maximum benefit payable is \$5,000. If it is unclear whether the seat belt was being properly used and the air bag inflated properly, the benefit will be \$1,000.

Repatriation Benefit

If an insured employee dies as a result of a covered accident at least 75 miles from his principal residence, up to \$5,000 will be paid for the preparation and transportation of the insured employee's body. (Not available in Illinois)

Education Benefit

If the Principal Sum is payable under the AD&D benefit for the employee's loss of life, each insured child who qualifies will receive reimbursement for incurred educational expenses in a school of higher education beyond the 12th grade. The maximum education benefit is equal to the lesser of the employee benefit amount or \$12,000 and will be payable in four equal installments. A benefit of \$1,000 is payable for children in elementary or high school. (Not available in Illinois or Pennsylvania)



ADDITIONAL BENEFITS & PROVISIONS - Beneficiary Access Account

The loss of a loved one is an emotional and personal one. Many beneficiaries are dealing with estate settlement, final expenses as well as emotional issues. This is a difficult time to also make major investment decisions with group life insurance proceeds. As a convenience for the beneficiary, Fort Dearborn Life offers a complementary interest-bearing checking account (Beneficiary Access Account).

With the Beneficiary Access Account, the beneficiary can:

- defer stressful financial decisions,
- consider their investment options, and
- earn competitive money market rates.

We have made the necessary arrangements with US Bank, the 8th largest bank in the United States of America, with over \$174 billion in assets. All Beneficiary Access Accounts are FDIC insured.

There are no monthly fees or service charges on these Beneficiary Access Accounts and they can be closed immediately by the beneficiary or kept open for as long as desired.



ADDITIONAL BENEFITS & PROVISIONS - Beneficiary Resource Services

After a loss, employees or their families may need help in dealing with complex personal issues. For example, those who have lost a working spouse can find themselves suddenly forced to assume new responsibilities and make difficult financial decisions.

To provide the support people need at a time of loss – in addition to receiving a check – Fort Dearborn Life offers Beneficiary Resource Services¹, a program that combines grief, legal and financial counseling.

Services are available to insureds and their beneficiaries and include:

- **Unlimited phone contact**

For a period of one year, the insured person or beneficiary has unlimited telephone access to the grief counselors, legal advisors and financial counselors in BDA's networks.

- **Face-to-Face working sessions**

Five face-to-face working sessions, or equivalent professional time, are available to the insured person or beneficiary. All five sessions may be used with one grief counselor or legal advisor, or they may be split among the two types of counselors or advisors in geographically accessible locations.

- **Referrals and support services**

BDA counselors may make referrals to qualified grief counselors and financial and legal consultants. BDA maintains a comprehensive directory of qualified and accessible grief counselors and legal and financial consultants.

- **Follow up**

BDA counselors will initiate follow-up calls when deemed necessary (anniversary date of loss, important holidays) for up to one full year from the date of initial contact.

¹ *Beneficiary Resources Services are provided by Bensinger, DuPont & Associates (BDA). Fort Dearborn Life Insurance Company does not provide any part of the Beneficiary Resource Services.*



ADDITIONAL BENEFITS & PROVISIONS - Group Dependent Life Benefit

Group Dependent Term Life insurance benefits are payable in the event of the death of an insured dependent at any time and from any cause.

Dependent means:

- The employee's spouse and/or
- Any unmarried child(ren) of the employee who is (are):
 - under 19 years of age (or older if described on the benefits Program Summary); and
 - not in active military service.
- Natural, step, foster and legally adopted children are eligible dependents.

Beneficiary

The employee will be the beneficiary of the insured dependent.

Limitations

If a dependent is hospital confined, insurance will not become effective until the date the dependent is no longer hospital confined.

If both employee and spouse are employees, both must apply as employees, and only one insured employee may elect life insurance on dependent children.

Conversion Privilege

The policy contains a conversion privilege provision which gives the dependent the right to convert to an individual life insurance policy without furnishing evidence of insurability, provided certain conditions are met. The request to convert must be made within 31 days following termination of coverage.

*Trinity Insurance Marketing, Inc.,
107 Pilgrim Village Drive Suite 200 Cumming GA 30040
(770) 630-9664 (800) 669-9642 fax (770) 630-9694 e-mail Trinityins@usa.net*

May 1, 2007

City of Monroe
City Hall
215 North Broad Street
Monroe, GA 30655

Re: RFP for Life Benefit Plan - May 1, 2007

To Whom It May Concern,

On behalf of Larry Ray and me, we are pleased to submit the attached proposal for Basic Life and AD&D Insurance for your consideration. Together, we are able to provide the best quality products and the most personal service available.

We look forward to serving you.

Sincerely,

Richard D. Groover

Richard D. Groover
President

SCOPE OF SERVICES

The City of Monroe will have the benefits of personal attention from two insurance and benefits professionals with over 50 years experience. Our primary client base consists of public entities from under 100 employees to over 12,000 employees. These clients are local governments and local school systems serving the North Georgia area, throughout the State of Georgia and the surrounding Southeastern United States.

Mr. Ray will be responsible to provide the on-site service and account management. These functions will include, but not limited to: 1) coordination of all personal activities within the account, 2) Meeting with local management regularly to assure customer satisfaction, 3) arrange and conduct all employee meetings to explain benefits to new and existing employees and insured, and 4) make sure adequate information and supplies are available in the account. Mr. Ray, a Gainesville resident, has over 25 years experience providing the highest level of customer service to individual and group clients in the North Georgia area.

Mr. Groover will be responsible for providing all technical services, customer support, billing, claims and administration matters. Our team of licensed agents are available daily to assist with any administrative issues. We will train and assist local employee benefit, payroll and human resources personnel to assure timely and accurate information at all times. Any questions and/or issues are addressed timely and professionally. Mr. Groover also has over 25 years experience providing quality products and services, primarily to the public sector marketplace. From our office in Cumming, we are always ready to meet your every need.

CLIENT REFERENCES

Rabun County Schools
41 Education Street
Clayton, Georgia 30525
(706) 746-5376
Contact: Helen Wood, Finance Director
Employees: 350
Products & Services: Basic Group Life, AD&D, Voluntary Life, AD&D, Short and Long
Term Disability, Vision
Relationship: Provided products and quality customer service for over 16 years

Union County Schools
10 Hughes Street
Blairsville, Georgia 30512
(706) 745-2322
Contact: Dora Colwell, Benefits Manager
Employees: 500
Products: Voluntary Life, AD&D, Long and Short Disability, Dental
Relationship: Provided products and quality customer service for over 15 years

Towns County Schools
1400 US Highway 76
Hiawassee, GA 30546
(706) 896-2279
Contact: Myra Underwood, Finance Director
Employees: 175
Products: Voluntary Life, AD&D, Short and Long Term Disability, Dental, Whole Life
Relationship: Provided products and quality customer service for over 14 years

I. SCOPE OF SERVICES

The City of Monroe will have the benefits of personal attention from two insurance and benefits professionals with over 50 years experience. Our primary client base consists of public entities from under 100 employees to over 12,000 employees. These clients are local governments and local school systems serving the North Georgia area, throughout the State of Georgia and the surrounding Southeastern United States.

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II. QUESTIONNAIRE

City of Monroe Life and AD&D RFP Basic Group Life and AD&D Questionnaire

- 1. Name of Insurance Company. What was the overall rating assigned to your company by A.M. Best, Stand and Poors, and Duff & Phelps for 2007.**

Fort Dearborn Life's strong ratings by independent insurance analysts are the cornerstone on which its national reputation is built. The A.M. Best Company, as of June 20, 2005, rated Fort Dearborn Life A+ (Superior) ¹. In its most recent report, Standard & Poor's rated Fort Dearborn Life A (Strong) for its financial strength, citing its very good capitalization, financial performance and competitive position. Fort Dearborn Life is a wholly owned subsidiary of Health Care Service Corporation (HCSC), a Mutual Legal Reserve Company, one of the largest non-investor-owned mutual insurance companies in the United States.

- 2. What is your monthly rate per \$1,000 coverage?**

	<u>Coverages on employees, retirees, elected</u>	<u>Voluntary</u>
(a) Group Basic Life	\$.18	\$.18
(b) AD&D	\$.02	\$.02

- 3. Does your proposal include a waiver of premium? YES**
- 4. What is length of your rate guarantee? 3 YEARS Will you guarantee the premium for 3 years? YES**
- 5. Will you guarantee at least 90 days notice prior to the effective date of any rate change? YES**
- 6. Is this proposal contingent upon being awarded any other coverage's? NO**
- 7. Does your plan provide coverage for employees, retirees and elected officials? YES**
- 8. Fully explain any contingencies in your bid. ONLY THOSE INCLUDED IN STANDARD CONTRACT WORDING**
- 9. Please include a copy of your policy form and all applicable endorsements. SEE ATTACHMENTS**

10. Please include a copy of your proposal highlighting the coverage advantages, with an explanation of why you believe your product is superior. SEE ATTACHMENTS

III. CLIENT REFERENCES

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IV. ATTACHMENTS

- GROUP LIFE PROPOSAL
- SAMPLE CERTIFICATE
- ERRORS & OMISSIONS COVERAGE

A Group Insurance Benefits Proposal

Designed for:

CITY OF MONROE



FORT DEARBORN LIFE
Insurance Company

Valid until 6/1/2007 unless extended in writing by Fort Dearborn Life Insurance Company.



FORT DEARBORN LIFE Is Your Group Benefits Resource

Since 1969, Fort Dearborn Life Insurance Company (Fort Dearborn Life) has provided valuable group benefits insurance protection to meet the recruiting needs of employers and the family security needs of employees. Licensed in 49 states (except New York), the District of Columbia and both the U.S. and British Virgin Islands, Fort Dearborn Life proudly ranks among the top group life companies in the nation, and is a top provider of other group benefit products.

Fort Dearborn Life's strong ratings by independent insurance analysts are the cornerstone on which its national reputation is built. The A.M. Best Company, as of June 20, 2005, rated Fort Dearborn Life A+ (Superior)¹. In its most recent report, Standard & Poor's rated Fort Dearborn Life A (Strong) for its financial strength, citing its very good capitalization, financial performance and competitive position. Fort Dearborn Life is a wholly owned subsidiary of Health Care Service Corporation (HCSC), a Mutual Legal Reserve Company, one of the largest non-investor-owned mutual insurance companies in the United States.

Financial Strength:

- **\$1.6 Billion** in Assets
- **\$123 Billion** of Life Insurance In-force
- **3 Million +** Covered Employees
- **76,000+** In-Force Groups

National Rankings:

#1 for Total Number of Group Life Contracts In-Force²

#14 for Total Group Life Volume In-Force³

Please visit our website at www.FDL-Life.com for additional information regarding our products and Administrative Solutions.

¹ A.M. Best Company rates the overall financial condition of a company using a scale of A++ (Superior) to F (In Liquidation)

² Based on results shown in LIMRA's U.S. Group Life Sales & In Force 2004 Annual Results

³ Based on results shown in the National Underwriter Life & Health, August 15, 2005

FORT DEARBORN LIFE
Insurance Company**UNDERWRITING CONDITIONS FOR ALL QUOTED COVERAGES**

- 1 Rates are based on the schedule of benefits, census provided, and the following assumptions for Group Life, Group Short Term Disability (STD) and Group Long Term Disability (LTD):
 - If the policyholder contributes 100% of the cost, all eligible employees must be insured.
 - If the policyholder does not contribute the entire cost, at least 75% of those eligible must be insured.
 - The policyholder must contribute at least 25% of the cost.
 - This proposal illustrates the cost of the insurance program and is based upon the information submitted. Actual cost will be determined after an application has been accepted by Fort Dearborn Life at its home office and will depend upon data obtained when the program becomes effective.
2. Employees eligible for coverage are full-time, working in the United States and actively at work. Full-time means that the employee is Actively at Work at least 30 hours each week on a regularly scheduled basis for the policyholder as of the effective date. Actively at Work means the employee is performing the normal duties of his occupation. Employees not Actively at Work as of their effective date will have their coverage deferred until they return to full-time employment, unless otherwise indicated in the proposal. Spouses and child(ren) who are hospital confined when coverage begins will become covered upon final discharge. Employees hired after the effective date of the plan will become eligible for insurance after completing the waiting period specified in the policy, provided they are actively at work.
3. Employees enrolling more than 31 days after their initial eligibility date must submit satisfactory Evidence of Insurability for all benefit amounts. Spouse and child(ren) if applicable, enrolling more than 31 days after their initial eligibility date must submit satisfactory Evidence of Insurability for all benefit amounts. Coverage for a medically underwritten benefit is not effective until the date Fort Dearborn Life has approved the employee's application.
4. All coverages have been rated together and may not be sold differently than quoted without approval from Fort Dearborn Life. If a later effective date is desired, rates are subject to modification. Fort Dearborn Life reserves the right to change premium rates, but not more than once in a 12-month period.
5. This proposal provides only basic information on the features of the policy. It is not intended to be a complete representation of all terms and provisions of our contract. A complete listing of the terms, conditions, limitations, exclusions, and reduction of benefits that apply to the policyholder's coverage, if issued, is available upon request. In case of conflict between this proposal and the policy, the terms of the policy will govern.
6. The proposal is general in nature and product features and provisions may vary due to state requirements. When sold, the actual policy for the state in which the policy is issued will reflect the state's requirements. In case of conflict between the proposal and the policy, the terms of the policy will govern.
7. The rates stated in this proposal assume self administered billing. Billing fees may apply if Fort Dearborn Life billing is required.



GROUP TERM LIFE / ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) PROGRAM SUMMARY

The death of a family provider can mean that a family will not only find itself facing the loss of a loved one, but also the loss of financial security. With our Group Term Life plan, an employee can achieve peace of mind by giving their family the security they can depend on.

Eligibility	Class 1: ALL ELIGIBLE EMPLOYEES
	Class 2: ALL RETIREES
OTHER - Provisions	Class 2: ALL RETIREE CLASS is only eligible for Group Term Life. Is not eligible for Waiver of Premium, Accelerated Death Benefit or Accidental Death and Dismemberment.
Number of Employees Quoted	206
Group Term Life/AD&D Benefit	Class 1: \$50,000
Group Term Life/(No AD&D Benefit)	Class 2: \$10,000
Guaranteed Issue Amount – Employee	\$50,000
Age Reduction Schedule	Class 1: Life and AD&D benefits reduce by 45% of the original amount at age 70, and further reduce to 35% at age 75, and further reduce to 25% at age 80. All benefits terminate at retirement.
Policyholder Contribution	100%



FORT DEARBORN LIFE
Insurance Company

GROUP TERM LIFE / ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) PROGRAM SUMMARY

Spouse Life Benefits	\$2,500
Child(ren) Life Benefits	Birth to 14 days: \$0 15 days to 6 months: \$500 6 months to 19 years: \$2,500 Coverage may be extended beyond Age 19 to Age 23 if the child is attending an accredited educational institute, college or university on a full-time basis.
Guaranteed Issue Amount – Spouse	Guaranteed Issued
Guaranteed Issue Amount – Child(ren)	Guaranteed Issued

Waiver of Premium

If an employee is unable to engage in any occupation as a result of injury or sickness for a minimum of 6 months, prior to age 60, premium will be waived for the employee's life insurance benefit until the employee is no longer disabled or reaches age 65, whichever occurs first

Definition of Disability

Due to sickness or injury, the employee is completely unable to engage in any occupation for wage or profit.

Accelerated Death Benefit (ADB)

Upon the employee's request, this benefit pays a lump sum up to 75% of the employee's Life insurance, if diagnosed with a terminal illness and has a life expectancy of 12 months or less. Minimum: \$7,500 Maximum: \$250,000. The amount of group term life insurance otherwise payable upon the employee's death will be reduced by the ADB

Conversion Privilege

Included.

Additional Services Available

EAP – Telephonic Counseling (\$1.04 per employee, per month).
 EAP – Face-to-Face Counseling (\$1.28 per employee, per month).
 Consolidated Claim Management of Life and Long-Term Disability (LTD)
 Waiver of Premium claims.
 Beneficiary Resource Services - includes grief, legal and financial counseling for beneficiaries at no additional cost



FORT DEARBORN LIFE
Insurance Company

GROUP ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) PROGRAM SUMMARY

Group AD&D is an additional death benefit that pays in the event a covered employee dies or is dismembered in a covered accident. AD&D benefit is 24-hour coverage.

AD&D Schedule of Loss*	Principal Sum
Loss of Life	100%
Loss of Both Hands or Both Feet	100%
Loss of One Hand and One Foot	100%
Loss of Speech and Hearing	100%
Loss of Sight of Both Eyes	100%
Loss of One Hand and the Sight of One Eye	100%
Loss of One Foot and the Sight of One Eye	100%
Loss of Sight of One Eye	50%
Loss of One Hand or One Foot	50%
Loss of Speech or Hearing	50%
Loss of Thumb and Index Finger of Same Hand	25%

* Loss must occur within 365 days of the accident.

AD&D Product Features Included:

- Seatbelt and Airbag Benefits
- Repatriation Benefit
- Education Benefit

Exclusions - We will not pay any benefit for any loss that, directly or indirectly, results in any way from or is contributed to by:

1. any disease or infirmity of mind or body, and any medical or surgical treatment thereof; or
2. any infection, except a pus-forming infection of an accidental cut or wound; or
3. suicide or attempted suicide, while sane or insane; or
4. any intentionally self-inflicted Accident; or
5. war, declared or undeclared, whether or not the Employee is a member of any armed forces; or
6. travel or flight in an aircraft while a member of the crew, or while engaged in the operation of the aircraft, or giving or receiving training or instruction in such aircraft; or
7. commission of, participation in, or an attempt to commit an assault or felony; or
8. being under the influence of any narcotic, hallucinogen, barbiturate, amphetamine, gas or fumes, poison or any other controlled substance as defined in Title II of the comprehensive Drug Abuse Prevention and Control Act of 1970, as now or hereafter amended, unless as prescribed by the Employee's licensed physician and used in the manner prescribed. Conviction is not necessary for a determination of being under the influence; or
9. intoxication as defined by the laws of the jurisdiction in which the accident occurred. Conviction is not necessary for a determination of being intoxicated; or
10. active participation in a riot. "Riot" means all forms of public violence, disorder, or disturbance of the public peace, by three or more persons assembled together, whether with or without a common intent and whether or not damage to person or property or unlawful act is the intent or the consequence of such disorder.



GROUP TERM LIFE/AD&D COST ILLUSTRATION – OPTION 1 – 2 YEAR RATE GUARANTEE

COVERAGE	# OF LIVES	VOLUME	RATES PER \$1,000 OF BENEFIT	MONTHLY PREMIUM
Group Life	206	\$10,142,500	\$.17/\$1,000	\$1,724.23
Group AD&D	204	\$10,122,500	\$.02/\$1,000	\$202.45
Group Dependent Life	103		\$.84/Unit*	\$86.52
TOTAL:				\$2,013.20

RATE GUARANTEE: Initial 24 Months.

* Dependent benefits are quoted as a composite dependent unit (a flat monthly rate covering both spouse and child(ren). AD&D benefits are not available to dependents.

NOTE: The above rates are based on the requirements outlined in the Underwriting Conditions For All Coverages section and the Group Term Life/Accidental Death & Dismemberment (AD&D) Provisions section of the proposal.

GROUP TERM LIFE/AD&D COST ILLUSTRATION – OPTION 2 – 3 YEAR RATE GUARANTEE

COVERAGE	# OF LIVES	VOLUME	RATES PER \$1,000 OF BENEFIT	MONTHLY PREMIUM
Group Life	206	\$10,142,500	\$.18/\$1,000	\$1,825.65
Group AD&D	204	\$10,122,500	\$.02/\$1,000	\$202.45
Group Dependent Life	103		\$.84/Unit*	\$86.52
TOTAL:				\$2,114.62

RATE GUARANTEE: Initial 36 Months.

* Dependent benefits are quoted as a composite dependent unit (a flat monthly rate covering both spouse and child(ren). AD&D benefits are not available to dependents.

NOTE: The above rates are based on the requirements outlined in the Underwriting Conditions For All Coverages section and the Group Term Life/Accidental Death & Dismemberment (AD&D) Provisions section of the proposal.

FORT DEARBORN LIFE
Insurance Company

GROUP TERM LIFE/AD&D PROVISIONS

1. Basic Annual, Monthly or Weekly Salary means the gross annual, monthly or weekly compensation prior to before-tax payroll deductions, if any, which an employee earns from his occupation with the policyholder; and it does not include salary from overtime, bonuses or any other form of extra pay. However, if an employee's salary is based in whole or in part on commissions, Basic Annual Salary will include the amount paid in commissions during the preceding 12 month calendar period. An employee's deferred contributions to a 401(k) plan or salary reduction contributions to a cafeteria plan which are maintained by the policyholder will not be deducted when calculating gross annual compensation.
2. Group Term Life - Satisfactory Evidence of Insurability will be required for individual amounts of insurance (if indicated in the benefits Program Summary) which exceed the guarantee issue limit. The guarantee issue limit stated is proportionately reduced according to the scheduled age reduction percentages shown on the benefits Program Summary.
3. Increases to base annual salary which result in a group term life benefit increase of \$50,000 or greater and are above the guarantee issue amount will be subject to evidence of insurability satisfactory to Fort Dearborn Life before the increased benefit can become effective. Receipt of premium before we have approved any evidence of insurability will not constitute acceptance and does not guarantee issuance of any benefit amount prior to our approval.
4. Transition of Coverage from Previous Carrier - It has been Fort Dearborn Life's experience that carriers have standardized provisions that address transition issues. Each carrier has specific responsibilities to ensure all employees who are not actively at work retain coverage.

Our experience has also been that the terminating carrier retains responsibility for all employees who are disabled on the termination date and may or may not already be on waiver of premium. We suggest that you discuss this issue with your previous carrier, regarding all employees not expected to be back to work because of their disability on the effective date of your new Fort Dearborn Life policy, to determine if they would be handled in this manner.

Fort Dearborn Life agrees to waive the actively at work provision provided premiums are paid when due for employees:

- a) who are covered on the day immediately preceding our policy effective date; and
- b) who were on lay-off, non-medical leave of absence, or sabbatical leave; and
- c) who are being provided an extension of benefits with the prior carrier.

Coverage will continue for the balance of the time provided for under the prior carrier's policy, but not to exceed 12 months. This extension does not apply to any short-term disability coverage that may be proposed. We do not agree to waive the actively at work provision on other employees, as we cannot commit to an unknown risk. However, we may consider providing coverage for those other employees upon further review. We would need a census listing all persons with the nature of illness, age, sex, prognosis, date last worked, expected date of return and amount of coverage. Proposed rates are subject to change, depending on the additional risk.

FORT DEARBORN LIFE
Insurance Company

ADDITIONAL BENEFITS & PROVISIONS - Group Term Life Benefit

Beneficiary

The employee may name his own beneficiary and may change the beneficiary at any time. The employee may specify the manner in which he desires the proceeds to be paid.

Waiver of Premium – Active Class Only

Fort Dearborn Life may continue the employee's life insurance benefit without the further payment of premium provided:

1. the employee is insured and is actively at work on or after the effective date; and
2. the employee is under age 60 on the date of disability; and
3. we receive written proof of total disability within 12 months of the date of disability; and
4. the total disability has continued without interruption for at least six months; and
5. the employee is still totally disabled when the proof is submitted; and
6. all required premium has been paid.

If waiver of premium is approved, the amount of continued insurance is subject to any reduction of benefits as a result of age or amendment to the policy.

Life insurance coverage will continue without payment of premium until the employee is no longer disabled or reaches age 65, whichever occurs first

Consolidated Claim Management for Life and Long-Term Disability Waiver of Premium

When it comes to premium waiver, we provide a seamless process for our claims customers who have both Life and Long-Term Disability insurance, requiring only one claim form.

Extension of Coverage

If the employee is no longer Actively at Work as a result of a disability, layoff, or leave of absence, the employee may continue to be eligible for group insurance coverage, as follows:

Disability – Until the end of the 12th month following the month, in which the disability began, provided all premiums are paid when due

Layoff – Until the end of the month following the month, during which the layoff began, provided all premiums are paid when due.

Leave of Absence – Until the end of the month following the month in which the leave of absence began, provided all premiums are paid when due; or governed by the policyholder's Human Resource policy on family and medical leaves of absence, for up to 12 weeks during a leave of absence elected under the federal Family and Medical Leave Act of 1993, provided the leave of absence was approved in advance and in writing by the policyholder and all premiums are paid when due.

Conversion Privilege

The policy contains a conversion privilege provision which gives an employee whose life insurance terminates or reduces the right to convert to an individual life insurance policy without furnishing evidence of insurability, provided certain conditions are met. The individual conversion policy will be a whole life policy. It will not contain any disability benefits or AD&D. The request to convert must be made within 31 days following termination of coverage.



FORT DEARBORN LIFE
Insurance Company

ADDITIONAL BENEFITS & PROVISIONS - Accelerated Death Benefit – Active Class Only

The accelerated death benefit is 75% of the employee's Group Term life insurance amount in force on the date we receive proof the employee is terminally ill. This sum is limited to a maximum of \$250,000 and a minimum of \$7,500. For this benefit, terminally ill shall mean an Employee has a life expectancy of 12 months or less, due to a medical condition.

Reduction of Benefit

If the employee's group term life insurance benefit is subject to an age reduction within 12 months after the date we receive proof, the accelerated death benefit will be 75% of the reduced group term life insurance benefit.

Benefit Payment

Fort Dearborn Life will pay the benefit during the employee's lifetime if the employee or his legal representative claims the benefit and provides Fort Dearborn Life with satisfactory proof that the employee is terminally ill. The benefit is payable in one lump sum to the employee.

Disclosure

This benefit does not apply to Accidental Death and Dismemberment benefits.

Limitations

The benefit will not be payable:

1. or any amount of group term life insurance which is less than what is indicated in the benefits Program Summary; or
2. for terminal illness caused by a suicide attempt, while sane or insane; or self-inflicted injuries; or
3. for a group term life insurance benefit that has been assigned; or
4. for a group term life insurance benefit payable to an irrevocable beneficiary; or
5. to retirees.

Provisions may be slightly different by state. Please refer to the actual policy for the state in which the policyholder exists.



ADDITIONAL BENEFITS & PROVISIONS - Group Accidental Death & Dismemberment and Loss Of Sight, Speech & Hearing (AD&D) Benefits – Active Class Only

Group AD&D benefits are payable in the event of death, loss of limbs or loss of eye sight, speech or hearing as a result of an accident.

Benefits are payable provided:

- the loss occurs within 365 days of the Accident;
- the loss is the direct and sole result of the Accident;
- the loss is independent of all other causes.

The amount paid will be as stated in AD&D benefits Program Summary section, but will not exceed the Principal Sum stated in the application. The total amount payable for all losses to any employee resulting from any one accident may not be greater than the Principal Sum.

Group AD&D Features

Seat Belt Benefit

Pays an additional benefit equal to the employee benefit (up to \$25,000) if an insured employee dies as a result of a covered accident which occurs while the employee was driving or riding in an automobile driven by a licensed driver who was not intoxicated, under the influence of a controlled substance or impaired. The automobile must be equipped with seat belts, and the seat belts must have been in actual use and properly fastened at the time of the accident. The position of the seat belt must be certified in the official accident report or by the investigating officer. If an official police report certifying that the seat belt was being properly worn, is not available at the time the claim is submitted, the benefit amount will be \$1,000.

Air Bag Benefit

An additional benefit amount equal to 5% of the Principal Sum will be payable if the employee dies while driving or riding in an automobile, provided that the employee was positioned in a seat equipped with a factory-installed air bag. The employee must have been properly strapped in the seat belt when the air bag inflated, and the air bag inflated properly upon impact. The maximum benefit payable is \$5,000. If it is unclear whether the seat belt was being properly used and the air bag inflated properly, the benefit will be \$1,000.

Repatriation Benefit

If an insured employee dies as a result of a covered accident at least 75 miles from his principal residence, up to \$5,000 will be paid for the preparation and transportation of the insured employee's body. (Not available in Illinois)

Education Benefit

If the Principal Sum is payable under the AD&D benefit for the employee's loss of life, each insured child who qualifies will receive reimbursement for incurred educational expenses in a school of higher education beyond the 12th grade. The maximum education benefit is equal to the lesser of the employee benefit amount or \$12,000 and will be payable in four equal installments. A benefit of \$1,000 is payable for children in elementary or high school (Not available in Illinois or Pennsylvania)



FORT DEARBORN LIFE
Insurance Company

ADDITIONAL BENEFITS & PROVISIONS - Beneficiary Access Account

The loss of a loved one is an emotional and personal one. Many beneficiaries are dealing with estate settlement, final expenses as well as emotional issues. This is a difficult time to also make major investment decisions with group life insurance proceeds. As a convenience for the beneficiary, Fort Dearborn Life offers a complementary interest-bearing checking account (Beneficiary Access Account).

With the Beneficiary Access Account, the beneficiary can:

- defer stressful financial decisions,
- consider their investment options, and
- earn competitive money market rates.

We have made the necessary arrangements with US Bank, the 8th largest bank in the United States of America, with over \$174 billion in assets. All Beneficiary Access Accounts are FDIC insured.

There are no monthly fees or service charges on these Beneficiary Access Accounts and they can be closed immediately by the beneficiary or kept open for as long as desired.



ADDITIONAL BENEFITS & PROVISIONS - Beneficiary Resource Services

After a loss, employees or their families may need help in dealing with complex personal issues. For example, those who have lost a working spouse can find themselves suddenly forced to assume new responsibilities and make difficult financial decisions.

To provide the support people need at a time of loss -- in addition to receiving a check -- Fort Dearborn Life offers Beneficiary Resource Services¹ a program that combines grief, legal and financial counseling.

Services are available to insureds and their beneficiaries and include:

- **Unlimited phone contact**

For a period of one year, the insured person or beneficiary has unlimited telephone access to the grief counselors, legal advisors and financial counselors in BDA's networks.

- **Face-to-Face working sessions**

Five face-to-face working sessions, or equivalent professional time, are available to the insured person or beneficiary. All five sessions may be used with one grief counselor or legal advisor, or they may be split among the two types of counselors or advisors in geographically accessible locations.

- **Referrals and support services**

BDA counselors may make referrals to qualified grief counselors and financial and legal consultants. BDA maintains a comprehensive directory of qualified and accessible grief counselors and legal and financial consultants.

- **Follow up**

BDA counselors will initiate follow-up calls when deemed necessary (anniversary date of loss, important holidays) for up to one full year from the date of initial contact.

¹ Beneficiary Resources Services are provided by Bensinger, DuPont & Associates (BDA). Fort Dearborn Life Insurance Company does not provide any part of the Beneficiary Resource Services.



ADDITIONAL BENEFITS & PROVISIONS - Group Dependent Life Benefit

Group Dependent Term Life insurance benefits are payable in the event of the death of an insured dependent at any time and from any cause

Dependent means:

- The employee's spouse and/or
- Any unmarried child(ren) of the employee who is (are):
 - under 19 years of age (or older if described on the benefits Program Summary); and
 - not in active military service.
- Natural, step, foster and legally adopted children are eligible dependents

Beneficiary

The employee will be the beneficiary of the insured dependent.

Limitations

If a dependent is hospital confined, insurance will not become effective until the date the dependent is no longer hospital confined.

If both employee and spouse are employees, both must apply as employees, and only one insured employee may elect life insurance on dependent children

Conversion Privilege

The policy contains a conversion privilege provision which gives the dependent the right to convert to an individual life insurance policy without furnishing evidence of insurability, provided certain conditions are met. The request to convert must be made within 31 days following termination of coverage.

SPECIMEN

Fort Dearborn Life Insurance Company

Group Certificate

Fort Dearborn Life Insurance Company
(A stock life insurance company)
[Chicago, Illinois]

We agree to pay benefits subject to the provisions, definitions, limitations, and conditions of the master policy. The master policy (herein called the Policy) is a contract issued by Fort Dearborn Life Insurance Company to your Employer (herein called the Policyholder). The Policy may be changed at any time by a written agreement between Fort Dearborn Life Insurance Company and the Policyholder.

This is your certificate of coverage as long as you are eligible for insurance. It is not a contract or a part of one. Your benefits are described in plain English, but a few terms and provisions are written as required by insurance law.

PLEASE READ CAREFULLY

If you have any questions, please contact the Benefits Administrator at your place of employment or write to us. We will assist you in any way we can to help you understand your benefits.

Marion J. McCallister

Ray McCallister

Group Insurance Certificate

Term Life, [Accidental Death and Dismemberment,
[Dependent Life] and [Short Term Disability Insurance]
Nonparticipating

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[SCHEDULE OF BENEFITS]

Policyholder: [ABC Company]

Policy Number: [123456]

Class[I]: [All Active Employees working at least [30] hours per week].

Term Life Insurance Benefit Amount

Employee Coverage: [\$10,000]

**Accidental Death and Dismemberment
Benefit Principal Sum:**

[\$100,000]

[Life and AD&D benefits reduce by [35%] at age[65] [and further reduce to [50%] of the original amount at age [70]] [Benefits terminate at retirement.]

[Dependent Term Life Insurance]

Dependent Spouse Coverage: [\$ 5,000]

[Dependent Child(ren) Coverage: [\$ 5,000] - age [6 months to 23 years]; \$100 - age [15 days to 6 months].]

[Short Term Disability Benefits]

Maximum Weekly Benefit [\$500], not to exceed [70%] of your Basic Weekly Wage

Short Term Disability Benefits Begin on the [1st] day of disability resulting from accident, the [8th] day of disability resulting from sickness, and are payable for a maximum of [26] weeks.]]

DEFINITIONS

This section tells You the meaning of special words and phrases used in this Certificate. To help You recognize these special words and phrases, the first letter of each word, or each word in the phrase, is capitalized wherever it appears.

[Accident or Accidental means a sudden, unexpected event that was not reasonably foreseeable.]

Actively at Work or Active Work means that you are:

- 1 performing the [normal] duties of [your occupation]; and
- 2 working the number of hours set forth in the [Application]

[[Application] means the document which sets forth the [eligible classes, the amounts of insurance, and other relevant information] pertaining to the plan of insurance for which the Policyholder applied.]

[Base Annual Salary means the gross annual compensation prior to before-tax payroll deductions, if any,

- 1 which you earn from your occupation with the Policyholder; and
- 2 which was used in the calculation and remittance of premium.

It does not include Salary from [overtime, [bonuses] or any other form of extra pay] However, if your Salary is based in whole or in part on commissions, Base Annual Salary will include the amount paid in commissions during the preceding twelve-month calendar period Your deferred contributions to a 401K plan or salary reduction contributions to a cafeteria plan which are maintained by the Policyholder will not be deducted when calculating gross annual compensation]

[Basic Weekly Wage means the gross weekly compensation prior to before-tax payroll deductions, if any,

- 1 which you earn from your occupation with the Policyholder; and
- 2 which was used in the calculation and remittance of premium

It does not include compensation from [overtime, [bonuses] or any other form of extra pay]. However, if your compensation is based in whole or in part on commissions, Basic Weekly Wage will include the weekly average paid in commissions during the preceding twelve-month calendar period. Your deferred contributions to a 401K plan or salary reduction contributions to a cafeteria plan which are maintained by the Policyholder will not be deducted when calculating gross weekly compensation.]

[Base Annual Salary/Basic Weekly Wage for each Insured who is a partner means the Insured's annual/average weekly compensation from the partnership during the calendar year prior to the date of the Insured's loss, as reported on the partnership federal income tax return as the "net Salary (loss) from self-employment" for that year.

If an Insured was not a partner during the calendar year prior to the date of loss, Base Annual Salary/Basic Weekly Wage means the Insured's annual/average weekly compensation [(excluding dividends, capital gains, and return of capital)] from the partnership prior to the date of the Insured's loss, determined in accordance with the terms of the applicable partnership agreement. In the event of a disagreement between Us and the claimant, an adjustment will be made, if warranted, after the Insured's subsequent federal income tax return is submitted to Us.

No benefits are payable when any of the above calculations result in an amount less than zero.]

[Base Annual Salary/Basic Weekly Wage for each Insured who is a sole proprietor or shareholder in a Subchapter S corporation or a member in a limited liability company means the Insured's annual/average weekly net taxable income [(excluding dividends, capital gains, and return of capital)] derived from the Policyholder for the calendar year prior to the date of the Insured's loss, as reported on his federal income tax return The Insured's annual/average weekly net taxable income equals A minus B, where:

- A = The Insured's annual/average weekly taxable income derived from the Policyholder for the prior calendar year[(excluding dividends, capital gains, and return of capital)], as reported on the Insured's federal income tax return; and
- B = The Insured's annual/average weekly deductible work expenses attributable to his work for the Policyholder during the prior calendar year, as reported on the Insured's federal income tax return

If an Insured was not a sole proprietor or shareholder in a Subchapter S corporation or a member in a Limited Liability Company during the calendar year prior to the date of the Insured's loss, Base Annual Salary/Basic Weekly Wage means an Insured's annual/average weekly net taxable income derived from the Policyholder for the period he was a sole proprietor or shareholder in a Subchapter S corporation or a member in a Limited Liability Company prior to the date of the Insured's loss. The Insured's annual/average weekly net taxable income will be based on the taxable income derived from the Policyholder for the period of the Insured's work as a sole proprietor or shareholder in a Subchapter S corporation or a member in a Limited Liability Company for You, taking into account his deductible work expenses attributable to his work for the Policyholder during the same period.

No benefits are payable when any of the above calculations result in an amount less than zero]

Contributory means you pay a portion of the premium for this insurance coverage.

[Employee means an Actively at Work [full-time] employee whose principal employment is with the Employer, at the Employer's usual place of business or such place(s) that the Employer's normal course of business may require, who is Actively at Work for the minimum hours per week as stated in the [Application] and is reported on the Employer's records [for Social Security and withholding tax purposes.]]

[Injury means bodily injury resulting directly from an Accident and independently of all other causes.]

Insured means an Employee covered under the Policy.

Male Pronoun whenever used includes the female

[Medical Provider means a medical practitioner licensed to treat illness and acting within the scope of that license. Medical Provider shall include the following practitioners:

- Medical Doctor, M.D.
- Osteopath, D.O.
- Doctor of Dentistry, D.D.S., D.M.D.
- Chiropractor
- Podiatrist, D.P.M.
- Optometrist
- Clinical Psychologist, Ph.D.]

Noncontributory means the Policyholder pays 100% of the premium for this insurance.

[Participating Employer means [a person, firm or institution who is a member of the trust in good standing and whose [Application] for insurance coverage has been approved by Us.][an employer who:

1. is a member of the Association; and
2. who has elected to participate in the insurance program offered through the Association]]

[Participation Agreement means the document showing the eligible classes, the amounts of insurance, and other relevant information pertaining to the Plan of Insurance for which the Participating Employer applied.]

Policy means this contract between the Policyholder and Us including the attached [Application], which provides group insurance benefits.

Policyholder means the person, firm, or institution named in the Policy, including any covered subsidiaries or affiliates named in the Policy. If the Policyholder is a trust or association, the term Participating Employer shall be substituted for Policyholder

[**Proof** under the Accelerated Death Benefit means evidence satisfactory to Us that you are Terminally Ill. We reserve the right to determine, at our sole discretion, if Proof is acceptable.]

[**Sickness** means illness, disease, pregnancy or complications of pregnancy]

[**Terminally Ill** under the Accelerated Death Benefit means you have a life expectancy of [12 months] or less, due to a medical condition.]

[**Total Disability** or **Totally Disabled** under the Short Term Disability Benefit means:

1. you are unable to perform the material and substantial duties of your occupation on a full-time or a part-time basis; and
2. you are not receiving any earnings for performing any work or service.]

[**Total Disability** or **Totally Disabled** under the Waiver of Premium provision means you are completely unable to engage in any occupation for wage or profit because of Sickness or injury.]

You or **Your** means the Employee to whom this Certificate has been delivered.

ELIGIBILITY AND EFFECTIVE DATE PROVISIONS

Eligibility

All Employees who belong to an eligible class and work the minimum number of hours as set forth in the [Application] are eligible for group insurance [An Employee must be **Actively at Work** for his insurance coverage to become effective.]

[Eligibility For Retiree Coverage]

The following conditions only apply if a Participating Employer:

- 1 has defined retirees as an eligible class on his Participation Agreement; and
- 2 has agreed to pay at least 25% of the premium for retiree coverage.

An eligible retiree is one:

Who was continuously employed by a Participating Employer as a full-time Employee for five years prior to retirement (or for the entire existence of the Participating Employer if the firm has been in existence more than one but less than five years); and

- 1 whose age and total length of service with the Participating Employer equals or exceeds 60; and
- 2 who is not eligible for life insurance benefits as an active Employee of any other organization; and
- 3 who remains continuously covered under the Participating Employer's group life insurance plan from the date of his retirement.]

Employee Effective Date of Coverage (Noncontributory Benefits)

[If you are **Actively at Work**,] you will become insured for Noncontributory benefits under the Policy [on the day following completion of the Employee waiting period, if any, set forth in the [Application].]

If you waive all or a portion of your Noncontributory coverage and choose to enroll at a later date, you are considered a late applicant and must furnish evidence of insurability satisfactory to Us before coverage can become effective. Coverage will become effective [on the date We determine that the evidence is satisfactory and We provide written notice of approval].

Employee Effective Date of Coverage (Contributory Benefits)

You may apply for Contributory insurance coverage at any time. Your coverage will become effective as follows, provided you are **Actively at Work** on that date:

1. If you sign the enrollment form on or before the end of the waiting period, if any, as stated in the [Application], coverage will become effective on the day following completion of the waiting period
2. If you sign the enrollment form after the end of the waiting period, but within [31 days] after that day, coverage will become effective the date you sign the enrollment form.
3. If you sign the enrollment form following this [31-day period], you are considered a late applicant and must furnish evidence of insurability satisfactory to Us before coverage can become effective. Coverage will become effective on the date We determine that the evidence is satisfactory and We provide written notice of approval.]

[Deferred Effective Date]

You must be Actively at Work on the date your initial coverage or any increases in coverage are scheduled to begin. If:

1. you are absent from Active Work on the date such coverage would otherwise become effective; and
2. your absence is caused by an injury, illness or layoff,

the effective date of any initial coverage or increased coverage will be [deferred until the first day you return to Active Work]. You will be considered Actively at Work [if you were actually at work on the day immediately preceding]:

- [1. a weekend (except for one or both of these days if they are scheduled work days);
2. a holiday (except when such holiday is a scheduled work day);
3. a paid vacation;
4. any nonscheduled work day]]

**Effective Date if We Require
Evidence of Insurability**

If you are required to submit evidence of insurability satisfactory to Fort Dearborn Life Insurance Company, insurance in the amount for which We require such evidence will become effective [on the date We determine that the evidence is satisfactory and We provide written notice of approval]

Effective Date of Changes in Amount of Benefit

Any change in the amount of your benefits caused by a change in class, change in salary, age reduction or amendment to the Policy will become effective [on the effective date of the change]. If the change results in an increase in the amount of insurance, you must be Actively at Work on that date. If you are not Actively at Work, the increase will take [effect on the day you are again Actively at Work].

Eligibility After Termination of Employment

If your coverage ends due to termination of employment [and you do not elect continued coverage under Portability], you must meet all the requirements of a new Employee if you are rehired at a later date.

GROUP TERM LIFE INSURANCE BENEFIT

Benefit

We will pay your beneficiary the amount of life insurance in force as of the date of your death provided:

1. you are insured under the Policy on the date of death, and
2. We receive proof of death within [two (2) years] after the date of death.

The amount of insurance payable is based upon the Policyholder's [Application], and it is set forth on the Schedule of Benefits

Beneficiary

Your beneficiary designation must be made on a form which We provide or on a form accepted by Us. If you name two or more beneficiaries, payment of proceeds will be apportioned equally unless you had specified otherwise. [The Policyholder may not be named as beneficiary]

Unless you provided otherwise, if a beneficiary dies before you, We will divide that beneficiary's share equally between any remaining named beneficiaries.

If no named beneficiary survives you or if you did not designate a beneficiary, We will pay the amount of insurance:

1. to your spouse, if living; if not,
2. in equal shares to your then living natural or adopted children, if any; if none,
3. in equal shares to your father and mother, if living; if not,
4. to your estate]

If a beneficiary is a minor, or is not able to give a valid release for any payment of benefits made, We will not make payment until a claim is made by the person or entity which, by court order, has been granted control of the estate of such beneficiary. This provision does not prevent Us from making payment to or for the benefit of a minor beneficiary in accordance with the applicable state law.

If any benefits under this provision are to be paid to your estate, We may pay an amount not greater than [\$5,000] to [any person] We consider to be equitably entitled by reason of [having incurred funeral or other expenses incident to your death] Any and all payments made by Us shall fully discharge Us in the amount of such payment.

Change of Beneficiary

You may change your beneficiary at any time by completing a change request form, or a form accepted by Us, and sending it to the [Policyholder]. Your written request for change of beneficiary will not be effective until [it is recorded by the Policyholder]. After it has been so recorded, it will take effect on [the later of the date you signed the change request form or the date you specifically requested]. If you die before the change has been recorded, We will not alter any payment that We have already made. Any prior payment shall fully discharge Us from further liability in that amount.

Conversion of Life Insurance

Conversion if Eligibility Terminates:

You may convert to an individual policy of life insurance if your life insurance, or a portion of it, ceases because:

1. you are no longer employed by the Policyholder; or

2. you are no longer in a class which is eligible for life insurance.

In either of these situations, you may convert all or any portion of your life insurance which was in force at the date of termination.

Conversion if Policy is Terminated or Amended:

You may also convert to an individual policy of life insurance if your life insurance ceases because:

1. life insurance benefits under the Policy cease; or
2. the Policy is amended making him ineligible for life insurance; however, in either of these situations,

you must have been insured under the Policy for at least [five (5)] years. The amount of insurance converted in either of these situations will be the lesser of:

1. the amount of life insurance in force, less any amount for which you become eligible under this or any other group policy within 31 days after the date your life insurance ceased; or
2. [\$10,000].

Conditions for Conversion:

We must receive written application and the first premium for the individual life insurance policy within 31 days after insurance under the Policy ceases. No evidence of insurability will be required.

The individual policy will be a policy of whole life insurance. It will not contain disability benefits, accidental death and dismemberment benefits or any other supplemental benefits.

The premium for the individual policy will be based on:

1. Our current rates based upon your attained age on your nearest birthday; and
2. on the amount of the individual policy.

If application is made for an individual policy, the coverage under the individual policy will be effective on the day following the 31-day period during which you could apply for conversion.

If you die during a period when you would have been entitled to have an individual policy issued to you and if you die before such an individual policy becomes effective, We will pay your beneficiary the greatest amount of group term life insurance for which an individual policy could have been issued, provided:

1. your death occurred during the 31-day period within which you could have made application; and
2. We receive proof of death within [two (2) years] of the date of death.

If life insurance benefits are paid under the Policy, payment will not be made under the converted policy, and premiums paid for the converted policy will be refunded.

Notice. If the Policyholder fails to notify you at least 15 days prior to the date insurance under the Policy would cease, you shall have an additional period within which to elect conversion coverage; but nothing herein shall be construed to continue any insurance beyond the period provided for in the Policy. The additional election period shall expire 15 days immediately after the Policyholder gives you notice, but in no event shall it extend beyond 60 days immediately after the expiration of the 31-day period explained above.

[Waiver of Premium]

We will continue your life insurance benefit under the Policy without the further payment of life insurance premium if you become Totally Disabled, provided:

1. you are insured under the Policy and are Actively at Work on or after the effective date of the Policy; and
2. you are under the age of [60]; and
3. you provide Us with satisfactory written proof of Total Disability within [12 months] after the date you became Totally Disabled; and
4. your Total Disability has continued without interruption for at least [6 months]; and
5. you are still Totally Disabled when you submit the proof of disability; and
6. all required premium has been paid.]

The premium will be waived from the date We receive satisfactory written proof of Total Disability. Premium will continue to be waived provided you:

1. remain Totally Disabled; and
2. provide satisfactory written proof of continuing Total Disability upon request

You are responsible for obtaining initial and continuing proof of Total Disability.

You will be covered for the amount of life insurance in force as of the date Total Disability commenced. The amount of life insurance continued in force will be subject to any reduction in benefits as a result of age or amendment to the Policy. This life insurance coverage will continue without the payment of premium until you are no longer Totally Disabled or reach [age 65], whichever occurs first

We may have you examined at reasonable intervals during the period of claimed Total Disability. Continuation of life insurance under the Waiver of Premium provision shall end immediately and without notice if you refuse to be examined as and when required.

[We will pay the amount of life insurance in force to your beneficiary if you die before furnishing satisfactory proof of Total Disability, provided:

1. you die within [one year] from the date you became Totally Disabled; and
2. We receive proof that you were continuously Totally Disabled until the date of death; and
3. We receive proof of death not more than two (2) years after your death.]

If continuation of life insurance under the Waiver of Premium provision ceases, and you are employed by the Policyholder, your life insurance will continue provided premium payments begin on the next premium due date.

If continuation of life insurance under the Waiver of Premium provision ceases, and you are no longer employed by the Policyholder, [life insurance may be continued by timely election of Portability or] you may apply for an individual life insurance policy in accordance with the Conversion of Life Insurance provision of the Policy.]

[ACCELERATED DEATH - TERMINAL ILLNESS BENEFIT]

The benefit paid under this provision may be taxable. If so, you or your beneficiary may incur a tax obligation. As with all tax matters, you or your beneficiary should consult a personal tax advisor to assess the impact of the benefit. Receipt of this benefit may adversely affect your eligibility for Medicaid or other governmental benefits or entitlements.

Eligibility

This benefit only applies to you if your life insurance benefit equals [\$15,000] or more.

Coverage under the Accelerated Death - Terminal Illness Benefit is subject to the Deferred Effective Date provision. You must be Actively at Work on the date your coverage under this benefit becomes effective. If you are not Actively at Work, the effective date of this coverage will be deferred [until the first day] you return to Active Work]

Benefit

The benefit is [50% of your group term life insurance amount] in force on the date that We receive Proof that you are Terminally Ill. This sum is limited to a maximum of [\$150,000] and a minimum of [\$7,500], and [is payable only once to any one Insured].

If your group term life insurance will reduce, [due to age,] within [12 months] after the date We receive Proof, the benefit will be [50% of] the reduced group term life insurance benefit.

[This benefit does not apply to Accidental Death and Dismemberment benefits].

Benefit Payment

We will pay the benefit during your lifetime if you are Terminally Ill if you or your legal representative elects the Benefit and provides satisfactory Proof. The benefit will be paid in [one sum] to you.

Exceptions

The benefit will not be payable:

1. for any amount of group term life insurance which is less than [\$15,000]; or
2. if you become Terminally Ill as a result of:
 - a. attempted suicide, while sane or insane; or
 - b. self-inflicted injury; or]
3. if your group term life insurance benefit has been assigned; or
4. if your group term life insurance benefit is payable to an irrevocable beneficiary, including notification to Us that such benefit or a portion of such benefit is to be paid to a former spouse as part of a divorce or separation agreement[; or
5. to retirees].

Notice and Proof of Claim

You must elect the benefit in writing on a form that is acceptable to Us. You must furnish Proof that you are Terminally Ill, including certification by a Medical Provider.

Effect on Insurance

The benefit is in lieu of the group term life insurance benefit that would have been paid upon your death.

When the benefit is paid:

1. the amount of group term life insurance otherwise payable upon your death will be reduced by the benefit;
2. the amount of group term life insurance which could otherwise have been converted to an individual contract will be reduced by the benefit; and
3. the premium due for group term life insurance will be calculated on the amount of such insurance remaining in force after deducting the benefit]

[ACCIDENTAL DEATH, DISMEMBERMENT, AND LOSS OF SIGHT BENEFIT]

This provision only applies to you if it is shown on the Schedule of Benefits, you have elected this coverage, and you have paid or agreed to pay the applicable premium.

Benefit

We will pay up to the Principal Sum set forth in the Schedule of Benefits if you lose your life or a member of your body as a result of an Accident while insured under the Policy. The amount payable is shown in the table below. The loss must occur within [365] days of the Accident; and the loss must be the direct and sole result of the Accident and independent of all other causes

[TABLE OF LOSSES]

Principal Sum for Loss of:	One-half of the Principal Sum for Loss of:
Life	Sight of One Eye
Both Hands	One Hand
Both Feet	One Foot
One Hand and One Foot	
Sight of Both Eyes	
One Hand and the Sight of One Eye	
One Foot and the Sight of One Eye]	

[With respect to hand or foot, Loss means actual and permanent severance from the body at or above the wrist or ankle joint, as applicable. With respect to sight, Loss means entire and irrecoverable loss of sight]

The total amount of benefits payable for all losses to any one person resulting from any one Accident will not be greater than the Principal Sum set forth in the Schedule of Benefits.

We will pay benefits for loss of life to the same beneficiary(ies) named to receive life insurance benefits. Benefits for all other losses will be paid to you

[Seat Belt Benefit

We will pay an additional benefit of [the lesser of the Principal Sum or \$25,000] if you suffer loss of life as the result of a covered accident which occurs while you are driving or riding in an Automobile, if:

1. the Automobile is equipped with Seat Belts;
2. the Seat Belt was in actual use and properly fastened at the time of the Accident; and
3. the position of the Seat Belt is certified in the official report of the accident or by the investigating officer. A copy of the police accident report must be submitted with the claim

If such certification is not available, and it is unclear whether you were properly wearing Seat Belt(s), then We will pay a fixed benefit of [\$1,000]

Automobile means a validly registered four-wheel passenger car (including Policyholder-owned cars), station wagons, jeeps, pick-up trucks, and van-type vehicles.

Seat Belt means those belts that form an occupant restraint system.]

Limitations

We will not pay any benefits for a loss caused by or connected with:

1. suicide or attempted suicide;
2. intentionally self-inflicted injury, including but not limited to Russian roulette;
3. bodily or mental disease or treatment of these;
4. your participation in, or as a result of your having participated in the commission of an assault or felony;
5. bacterial infection except pyogenic infection which occurs through or with an Accidental cut or wound;
6. war or any act of war, whether declared or undeclared;
7. travel or flight in an aircraft while a member of the crew, or while engaged in the operation of the aircraft, or giving or receiving training or instruction in such aircraft;
8. your being under the influence of any drug, (except those prescribed by a physician and used in the manner prescribed), including narcotics, hallucinogens and gas or fumes, which are taken or inhaled voluntarily;
9. voluntary poisoning; or
10. your being Intoxicated. A concentration of 0.10% or more by weight of alcohol in the blood is conclusive proof that you are Intoxicated.]

Notice of Claim

If you incur a loss that may result in a claim for benefits under the Policy, written notice must be given to Us at Our home office. This must be done within [20] days after the covered loss occurs. If notice cannot be given within that time, it must be given as soon as reasonably possible. This notice must contain enough information to identify the claimant.

Claim Forms

When We receive written notice of a claim, We will send you forms with which to file proof of loss. If these forms are not given to you within [15 days], you will be excused from filing the forms provided you send Us written proof of loss detailing the occurrence, the character and extent of the loss for which claim is made.

Proof of Loss

We must receive written proof of loss within [90 days] after the date of the loss for which claim was made. If it can be shown that it was not reasonably possible to furnish such proof and that such proof was furnished as soon as reasonably possible, failure to furnish proof of loss within [90 days] will not invalidate or reduce any claim. However, except in the absence of legal capacity, proof of loss must be furnished no later than [one (1) year] from the date such proof is required.

Physical Examination/Autopsy

Upon receipt of a claim, We may examine you, at Our expense, at any reasonable time. We reserve the right to perform an autopsy, at Our expense, if it is not prohibited by any applicable local law(s).

Legal Action

No action at law or in equity may begin prior to [60 days] after We receive valid written proof of loss. No such action may begin after [3] years from the day written proof of loss was required.]

[SHORT TERM DISABILITY BENEFIT]

This provision only applies to you if it is shown on the Schedule of Benefits, you have elected this coverage, and you have paid or agreed to pay the applicable premium.

Total Disability Benefit

We will pay benefits to you if you become Totally Disabled due to an Accidental Injury or Sickness while insured under the Policy and are under the regular care of a Medical Provider.

[The amount of benefit, the day benefits begin, and the maximum benefit period are set forth in the Schedule of Benefits.] Exception: Any disability which begins more than [60 days] after an Injury will be considered a Sickness for the purpose of determining benefits under the Policy.

Unless periods of Total Disability are separated by your return to Active Work for at least [two consecutive weeks,] successive periods of Total Disability resulting from injuries received in any one Accident or from any one Sickness or related Sicknesses will be considered one period of Total Disability.

[Partial Disability Benefit]

We will pay a Partial Disability Benefit if we receive proof that you are Partially Disabled following a period of Total Disability which has continued for at least [30 days]. Receipt of a Partial Disability Benefit will not extend the Maximum Benefit Period shown in the Schedule of Benefits.

Partial Disability or Partially Disabled means you are working, but as a result of the Injury or Sickness which caused Total Disability, you are:

1. able to perform one or more, but not all, of the material and substantial duties of your occupation on a full time or part time basis; or
2. able to perform all of the material and substantial duties of your occupation on a [part time basis]; and
3. are earning less than [80%] of are Pre-disability Earnings at the time the Partial Disability employment begins.

You will no longer be considered Partially Disabled under the Policy when you are able to increase your current earnings by increasing the number of hours you work or the number of duties you perform in your occupation but you does not do so.

Pre-Disability Earnings means your Basic Weekly Wage in effect immediately prior to the date Total Disability begins.

The Partial Disability Benefit will be the lesser of:

1. the Maximum Weekly Benefit shown in the Schedule of Benefits; or
2. your Pre-disability Earnings minus your Partial Disability income

Partial Disability Benefits will cease on the earliest of:

1. the date your earnings exceed [80%] of your Pre-disability Earnings; or
2. the date you are no longer Partially Disabled; or
3. the end of the Maximum Benefit Period; or
4. the date on which you begin to receive benefits under any retirement plan sponsored by the Policyholder; or
5. the date you die.]

Limitations

We will not pay benefits for any Total Disability which is caused by or connected with:

1. Injury arising out of or in the course of any employment for wage or profit; or
2. intentionally self-inflicted injury[; or
3. Sickness for which you are entitled to benefits under any Workers' Compensation or similar law].

Payment of Benefits

We will make benefit payments at regular intervals occurring at least as often as [once every two weeks]. If benefits are due for a period of less than [one (1) week,] [payments will be made at a daily rate of 1/7th the weekly benefit]

[If you are receiving any compensation from the Policyholder, including, but not limited to:

1. vacation pay;
2. salary continuation; or
3. sick leave benefits,

We will not begin payment of short-term disability benefits until such compensation payments cease.]

Short term disability benefits will cease on the earliest of:

1. the date you are no longer Totally Disabled;
2. the end of the maximum benefit period;
3. the date on which you return to work for the Policyholder in any capacity[;
4. the date on which you begin to receive benefits under any retirement plan sponsored by the Policyholder]; or
5. the date you die

Notice of Claim

If you incur a loss that may result in a claim for benefits under the Policy, written notice must be given to Us at Our home office. This must be done within [20] days after the covered loss occurs. If notice cannot be given within that time, it must be given as soon as reasonably possible. This notice must contain enough information to identify the claimant.

Claim Forms

When We receive written notice of a claim, We will send you forms with which to file proof of loss. If these forms are not given to you within [15 days], you will be excused from filing the forms provided you send Us written proof of loss detailing the occurrence, the character and extent of the loss for which claim is made.

Proof of Loss

We must receive written proof of loss within [90 days] after the date of the loss for which claim was made. If it can be shown that it was not reasonably possible to furnish such proof and that such proof was furnished as soon as reasonably possible, failure to furnish proof of loss within [90 days] will not invalidate or reduce any claim. However, except in the absence of legal capacity, proof of loss must be furnished no later than [one (1) year] from the date such proof is required.

Physical Examination/Autopsy

Upon receipt of a claim, We may examine you, at Our expense, at any reasonable time. We reserve the right to perform an autopsy, at Our expense, if it is not prohibited by any applicable local law(s).

Legal Action

No action at law or in equity may begin prior to [60 days] after We receive valid written proof of loss. No such action may begin after [3] years from the day written proof of loss was required.

Workers' Compensation

The Policy does not replace or change any requirement for coverage under any Workers' Compensation or similar law.]

DEPENDENT GROUP LIFE INSURANCE

This provision only applies to you if it is shown on the Schedule of Benefits, you have elected this coverage, and you have paid or agreed to pay the applicable premium.

Benefit

We will pay you the amount of insurance set forth in the Schedule of Benefits on the life of your Dependent(s) while your insurance is in force. Payment will be in [one lump sum].

If you are not living at the time Dependent life insurance benefits become payable, We will pay the benefit:

1. to your spouse, if living; if not,
2. in equal shares to your then living natural or adopted children, if any; if none,
3. in equal shares to your father and mother, if living; if not,
4. to your estate.

Eligibility

If you are insured for life insurance under the Policy and belong to a class listed on the [Application] as eligible for Dependent life insurance benefits, you are eligible to enroll for this benefit. If you are enrolled for Dependent coverage and subsequently acquire a new Dependent, that Dependent will automatically be covered.

[A person cannot be insured as an Employee and also as a Dependent under the Policy. If both the husband and the wife are covered as Insureds under the Policy, only one may enroll for life insurance coverage on Dependent child(ren).]

For the purposes of this provision, an eligible Dependent means:

1. your lawful spouse; and/or
2. any unmarried child (whether natural or adopted) who is within the age limits set forth in the Schedule of Benefits, and is not in active military service.

Eligibility will continue past the age limit for eligible Dependent children who are primarily dependent upon you for support and who cannot work to support themselves due to a physical or mental incapacity which began before the age limit was reached. Proof of such incapacity must be provided to Us upon request.

Effective Dates of Dependent Coverage

Provided you:

1. have completed any required Employee waiting period; and
2. apply for Dependent life insurance no later than [31 days] after becoming eligible for that benefit; and
3. have paid or are obligated to pay any applicable premium,

life insurance for your Dependent(s) will become effective on the later of:

- [1. the date your group insurance coverage becomes effective;
2. the effective date of the Dependent life insurance benefit; or
3. the date you enroll your Dependent(s).]

If you enroll for Dependent coverage more than [31 days] after you are eligible to do so, you must furnish evidence of insurability satisfactory to Fort Dearborn for each Dependent, and coverage will become effective on the date We determine that evidence is satisfactory and We provide notice of approval

Evidence of Insurability/Deferred Effective Date

If a Dependent is required to submit satisfactory evidence of insurability for any reason, insurance in the amount for which We require such evidence will become effective on the date We determine that the evidence is satisfactory and We provide notice of approval

[If a Dependent is hospital confined on the date his coverage would otherwise become effective, insurance will not become effective until the date the Dependent is no longer hospital confined]

Changes in Amount of Dependent Life Insurance

Any increase in the amount of Dependent life insurance will become [effective immediately on the date of the change, provided the Dependent is not hospital confined on that day]. [If the Dependent is hospital confined, the increase will become effective on the date the Dependent is no longer hospital confined]

Any decrease in the amount of Dependent life insurance will become effective immediately on the date of the change.

Dependent Life Conversion Privilege

Conversion if Eligibility Terminates:

The Dependent may convert to an individual policy of life insurance if his life insurance, or any portion of it, ceases because:

1. you are no longer employed by the Policyholder; or
2. you are no longer in a class which is eligible for Dependent life insurance; or
3. you die; or
4. a Dependent child reaches the limiting age under the Policy; or
5. a Dependent spouse is no longer eligible as a result of divorce or dissolution of marriage; or
6. a Dependent is no longer eligible as defined in this provision

In any of these situations, the Dependent may convert up to the amount which was in force on the date insurance was terminated

Conversion if Policy is Terminated or Amended:

A Dependent may also convert to an individual policy of life insurance if his life insurance ceases because:

1. Dependent life insurance benefits under the Policy cease; or
2. the Policy is amended making you ineligible for Dependent life insurance; however,

he must have been insured under the policy for at least [five (5)] years. The amount of insurance converted in either of these situations will be the lesser of:

1. the amount of life insurance in force, less any amount for which the Dependent becomes eligible under this or any other group policy within 31 days after the date his life insurance ceased; or
2. [\$10,000].

Conditions for Conversion:

We must receive written application and the first premium for the individual life insurance policy within 31 days after the insurance under the Policy ceases. No evidence of insurability will be required.

The individual policy will be a policy of whole life insurance. It will not contain Accidental Death and Dismemberment benefits or any other supplementary benefits.

The premium for the individual policy will be based on:

- 1 Our current rates based upon the applicant's attained age on his nearest birthday; and
- 2 on the amount of the individual policy

If the Dependent applies for an individual policy, the coverage under the individual policy will be effective on the day following the 31-day period during which he could apply for conversion.

If the Dependent dies during a period when he would have been entitled to have an individual policy issued to him and if he dies before such an individual policy became effective, We will pay the greatest amount of group term life insurance for which an individual policy could have been issued, provided:

- 1 the death occurred during the 31-day period during which he could have made application; and
- 2 We receive proof of death within two (2) years of the date of death.

If life insurance benefits are paid under the Policy, payment will not be made under the converted policy, and We will refund any premiums paid for the converted policy.]

[If you have elected Dependent Life coverage under the Portability Benefit, conversion is not available unless coverage under Portability terminates. Conversion from Portability will be as specified under Portability]

TERMINATION PROVISIONS

Termination of the Policy under any conditions will not prejudice any claim which is incurred while the Policy is in force.

Termination of Employee Coverage

[Unless you continue life insurance under Portability, your] Your insurance coverage will end on the earliest of:

1. [the date] you are no longer a member of a covered class; or
2. [the date] the Policy is canceled or, if applicable, the date the Participating Employer's participation terminates; or
3. [the effective date] of an amendment to the Policy which terminates insurance for the class to which you belong; or
4. [the date] you stop making any required contribution toward payment of premiums; or
5. [the last day of the insurance month] during which you are no longer Actively at Work; however,

if you are no longer Actively at Work [as a result of a disability, layoff, or leave of absence], you may continue to be eligible for group insurance coverage, except short term disability coverage, as follows:

Disability	Until the [end of the twelfth month following the month in which the disability began], provided all premiums are paid when due.
Layoff	Until the [end of the month following the month during which the layoff began], provided all premiums are paid when due.
Leave of Absence	Until the [end of the month following the month in which the leave of absence began], provided all premiums are paid when due.

[If, on the date of layoff or leave of absence, you are covered for short term disability benefits and are Totally Disabled, We will pay disability benefits up to the maximum period set forth in the Schedule of Benefits. If, on the date of layoff or leave of absence, you are covered for short term disability benefits and are not Totally Disabled, coverage for disability benefits ends immediately.]

Termination of Dependent Coverage

[Unless life insurance is continued under Portability,] Dependent insurance coverage will end on the earliest of:

1. [the date] you are no longer Actively at Work (except in the case of disability, layoff or leave of absence as set forth above); or
2. [the date] you are no longer a member of a covered class; or
3. [the date] the Policy is canceled or, if applicable, the date the Employer's participation terminates; or
4. [the effective date] of an amendment to the Policy which terminates this benefit; or
5. [the effective date] of an amendment to the Policy which terminates insurance for the class to which you belong; or
6. [the date] a Dependent child or spouse is no longer eligible for coverage as defined in the Policy; or
7. [the date] you stop making any required contribution toward payment of premiums.]

GENERAL PROVISIONS

Entire Contract

The Policy, the [Application], and the enrollment forms of the Insureds are considered to be the entire contract.

Statements

We consider any statements made by You, in the absence of fraud, to be representations and not warranties. No such statement shall be used in defense to a claim under the Policy unless it is contained in a written application.

Incontestability

We will not contest the validity of the Policy, except for nonpayment of premium, after it has been in force for [two (2) years] from its effective date. We will not contest the validity of your insurance after your insurance has been in force for [two (2) years] during your lifetime.

Misstatement of Age

If you misstated his age or the age of a Dependent, the true age will be used to determine:

1. the effective date or termination date of insurance; and
2. the amount of insurance; and
3. any other rights or benefits

Premiums will be adjusted to reflect the premiums that would have been paid if the true age had been known.

Conformity with State Law

If any part of the Policy does not conform to a state statute in the state in which it is issued or delivered, it is amended to conform with the minimum requirements of the statutes of that state.

Assignment

You may assign the life insurance benefits under the Policy, and you may assign to anyone other than the Policyholder any incident of ownership you may possess. We are not responsible for the validity or legal effect of any assignment. Collateral assignments, by whatever name called, are not permitted.

Retention of Discretion

Fort Dearborn Life Insurance Company shall have the exclusive right to interpret the terms of the Certificate, Schedule of Benefits, Riders and Endorsements. The decision about whether to pay any claim, in whole or in part, is within the sole discretion of Fort Dearborn and such decisions shall be final and conclusive.

ACORD

CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY)

2/19/07

Producer: Brown & Brown of CA, Inc. DBA CalSurance
P O. Box 7048
Orange CA 92863

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

Insured: Agents Appointed with Designated Life Companies with E-Filings
Service Group, LLC
RICHARD D GROOVER
DBA: TRINITY INSURANCE MARKETING, INC
107 PILGRIM VILLAGE DR STE200
CUMMING, GA 30040
FAX: 770-650-9094

COMPANIES AFFORDING COVERAGES

COMPANY LETTER	A
COMPANY LETTER	B
COMPANY LETTER	C
COMPANY LETTER	D
COMPANY LETTER	E

Coverages

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LT	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE	POLICY EXPIRATION	LIMITS
	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT.				
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS <input type="checkbox"/> GARAGE LIABILITY				COMBINED SINGLE LIMIT \$ BODILY INJURY(Per person) \$ BODILY INJURY(Per Accident) \$ PROPERTY DAMAGE \$
	EXCESS LIABILITY <input type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM				EACH OCCURRENCE \$ AGGREGATE \$
	WORKER'S COMPENSATION & EMPLOYER'S LIABILITY				STATUTORY LIMITS EACH ACCIDENT \$ DISEASE POLICY LIMIT \$ DISEASE EACH EMPLOYEE \$
A	OTHER <input checked="" type="checkbox"/> CLAIMS MADE AND REPORTED Description Deductible Life Agents E&O	267948775	02/01/2007	02/01/2008	Policy Agg/All Insureds \$25,000,000.00 Each Claim/Each Agent \$1,000,000.00 Annual Aggregate/Each \$1,000,000.00

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Coverage is subject to the terms & conditions of the actual policy and endorsements.

Per the terms & conditions of the policy, coverage is predicated upon the individual named as Insured (above) holding an active appointment with one of the following life companies: Fidelity & Guaranty, American Equity, Americo, Loyal American, EquiTrust Life, Mutual of Omaha, United Teachers Association, Shenandoah Life, Great Southern Life, Great American Life, United of Omaha and World Insurance. Coverage includes the sale, attempted sale or servicing of Life, A&H, Disability, Fixed Annuities & Employee Benefit Plans. If Agent is also a Registered Representative, coverage will include Variable Life & Variable Annuities. Deductible (applies to Loss & Defense Costs): \$1,500 each Claim. Limits of Liability apply to Loss & Defense Costs.

Individual Coverage Effective Date is the later of 2/1/2007 or date of contract with sponsor.

CERTIFICATE HOLDER

RICHARD D GROOVER
DBA: TRINITY INSURANCE MARKETING, INC
107 PILGRIM VILLAGE DR STE200
CUMMING, GA 30040

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Richard D Groover #267948775

Life RFP Q & A per Bruce Williamson

Standard Life Insurance
Champion Benefits
Neil Phillips

Standard Life questions

Under the **“Value Proposition”** description of services:

IV. What are the fees for the communication tools? Can any of these fees be waived?

- Personalized Employee Benefit Portal
- Total Compensation statements
- Online open enrollment capabilities

There is a free on-line program. There is also a multi-featured program available for a fee. Please see attached information.

VI. Do municipalities need to file a Form 5500 each year? If so will they waive preparation fee?

Municipalities are not required to file Form 5500.

Under the **“Life Insurance/AD&D Highlights for City of Monroe”** benefits:

Repatriation: Is it limited to an AD&D Claim only or is does it include any death claim?

This applies to any death claim.

Line of Duty: Please confirm that public safety officers are covered under the basic AD&D coverage and that the “line of duty” option is for additional coverage over the basic AD&D amount. We want to confirm that there is not an exclusion for public safety personnel.

Public Safety officers are covered under AD&D – Line of Duty is an ADDITIONAL death benefit.

PAGE 5:

Covered Members:

Can employees currently on leave be covered on the requested effective date?

Employees need to be actively at work at least one day after coverage is in force to be covered. We can look at making an exception to this rule if we need to.

Cost:

Can this rate be guaranteed for three (3) years in lieu of two (2) years as quoted?

For a 3 year rate guarantee add 4% to life/AD&D rates:

	2 year	3 year
Life	.168	.175
AD&D	.025	.026

PAGE 6:

PLAN NOTES:

AD&D includes a Drug and Alcohol Exclusion. Is the alcohol exclusion limited to ANY use of alcohol or is the exclusion limited to alcohol intoxication with a blood alcohol threshold?

If we determine that alcohol or drugs caused or contributed to a death, that claim would most likely be denied and an AD&D benefit would not be paid. That said, claims would investigate each case where alcohol was involved and make a determination based on the facts of each case.

Portability of Insurance is Included. How is portability coverage administered? Does coverage have to be converted to a permanent product or do same group term rates apply?

Group rates do not apply to portability. Please see attached form.

CONDITIONS:

For class 1,2: You state: "this is not our customary age reduction schedule." What is your customary schedule and is it more "liberal" for the employee? If so will the same quoted rates apply?

The traditional age reduction schedule would be more restrictive. Using the one on the bid is not a problem. There are a number of clients who do not use the traditional schedule. It is just always noted.

PAGES 8 AND 9:

ADDITIONAL LIFE PLAN

Under the PLAN NOTES on page 9, you reference the "ONE-TIME open enrollment at time of inception." Is the "proof of good health" requirement waived during this one time open enrollment?

Medical evidence questions would not apply during the one time open enrollment.

Reference check –

Laurens County Board of Commissioners, Linda Rushing, Director of H R
Excellent reference: Ms. Rushing stated that she is very happy and going with the company again this year. They have been with Neil for 8 or 9 years. He gave them the lowest rates and they are well pleased because the rates have consistently stayed low year to year. "In my opinion you can't go wrong with him."

Georgia Insurance Commission

Standard has been in Georgia since 1987. They had no claims filed for the last two years.



TheStandardSM
Positively different.

STANDARD INSURANCE COMPANY

Original



THE BENEFIT ADVOCATE

770 395 6710 phone
770 395 7671 fax

1455 Lincoln Parkway
Suite 100
Atlanta, GA 30346
www.championbenefits.com

April 26, 2007

Renee Prather
Finance Director
City of Monroe
215 North Broad Street
Monroe, GA 30655

RE: PROPOSAL SUBMISSION FOR GROUP LIFE/AD&D

Attached you will find our competitive Group Life/ADD proposal for the City of Monroe employees. Please note that we matched the requested plan design as well as providing an alternate plan design for consideration.

Included with our quote, please find our Value Proposition, Services List, Employer References, Employee Communications brochure, and Online Enrollment brochure. We have over thirty (30) collective years of employee benefit experience and are licensed to work with over thirty-five (35) insurance carriers. Our team members include Certified Insurance Counselors, Brokers and former Human Resource Professionals. We have extensive knowledge with fully insured products and the procurement of cost effective, competitive benefit solutions.

To our clients, we provide administrative expertise to simplify processes for your HR personnel and employees alike. Our Value Proposition for the City of Monroe is outlined on the attached sheet and exemplifies our commitment to support you with service enhancements. We would welcome the opportunity to answer any questions you have about our service capabilities.

Other services to assist HR and streamline Benefits Management processes are also available and can be implemented. Our customized employee benefit portal is a tremendous communication tool that increases employees understanding of all benefits while simultaneously reducing HR time and paperwork. This particular resource may prove of great benefit to the City of Monroe personnel and would be a perceived benefit enhancement to employees.

In summary, we pledge an unwavering commitment to excellence and differentiation from our competitors. It is our goal to serve as a true benefit advocate for you and your employees.

We will count it a privilege to have this business relationship with the City of Monroe.

Sincerely,

A handwritten signature in black ink, appearing to read "Neil H. Phillips".

Neil H. Phillips
President

Enclosure

770.395.6710 phone
770.395.7671 fax

1455 Lincoln Parkway
Suite 100
Atlanta, GA 30346
www.championbenefits.com

REFERENCES

CLIENT 1

Name: **Mansfield Oil Company of Gainesville**
Address: 1025 Airport Parkway
Gainesville, GA 30501
Contact Name: Sandy Bates, Human Resource Manager
Phone Number: 678-450-2030
Group Size: 220 Employees
Services: Benefit Plan Design, Data Analysis, Wellness and Health Fairs,
Employee Communication Portal Platform Design and
Maintenance, Group Health, Dental, Vision, Life and AD&D,
LTD, STD, 401K, EAP, COBRA, FSA
Period of Time: Six (6) years

CLIENT 2

Name: **Hall County**
Address: 300 Green Street, SE
Gainesville, GA 30503
Contact Name: Charley Nix, Director of Human Resources
Phone Number: 770-531-7135
Group Size: 1,200 Employees
Services: Life and AD&D
Period of Time: Five (5) years

CLIENT 3

Name: **Laurens County Board of Commissioners**
Address: 117 East Jackson
Dublin, GA 31021
Contact Name: Linda Rushing, Director of Human Resources
Phone Number: 478-272-7455
Group Size: 308
Services: Life and AD&D
Period of Time: Seven (7) years

Value Proposition:

The following services not only set our organization apart from the competition, but also provide innovative resources for the City of Monroe.

- I.** Provide free access to Client Community Resources for City of Monroe HR Personnel (maximum of 4)
 - A. Human Resources access to Regulatory Research, Legal Compliance, Benefit Essentials (HR resource), Benchmarking, Studies, and Surveys
- II.** Provide billing assistance and/or oversight as part of our services
- III.** Provide dedicated Account Service Representative
- IV.** Provide City of Monroe access to valuable communicative tools for additional fees. Capabilities include:
 - A. Personalized online Employee Benefit Portal
 - i. Post all Benefit Plan Design Summaries, Member Applications, Claim Forms, Provider Directory Links, Internal Announcements, and much more
 - B. Total Compensation Statements to relay hidden value of benefits and associated costs paid by their employer
 - C. Online open enrollment capabilities for all benefits
- V.** Knowledgeable Team of Strategic Business Partners Includes Members Versed in Pharmacy Services, Disease Management, Wellness, Fully Insured Benefits, and Self funded plan Consulting services
- VI.** Preparation of Signature-ready 5500 Form for nominal fee

ENHANCED

Benergy *

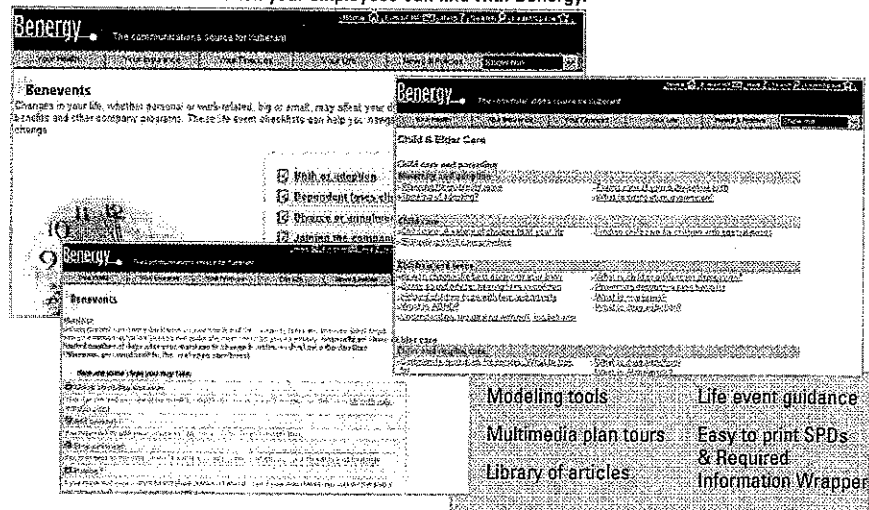
What it is

Benergy Enhanced is a human resource knowledgebase that powers an employee communication portal. Discerning employers rely on the application to ensure an enlightening experience for employees who seek information or guidance on benefit, HR and personal planning matters. The Enhanced package boasts powerful functionality that makes the most of today's Internet technology.

What it does

Benergy Enhanced allows employers to create their ideal employee communication portal. It starts with the core communication tools found in Benergy Essential and enhances them with several invaluable features. Employers can brand the employee portal to meet corporate standards, supplement core knowledge with pre-developed educational content and personalize the view for each individual user.

Here's some of the information your employees can find with Benergy:



What it can do for you

For the HR professional, the enhanced features empower employees with the information needed to learn, plan and make decisions. Benergy Enhanced will provide your employees with:

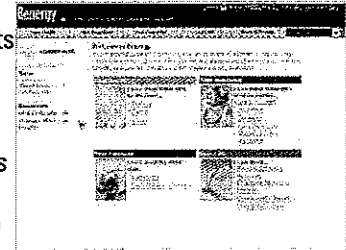
- > A tremendous breadth of benefits, HR and work/life information
- > An employer-branded web resource
- > Advanced education & interactivity modules
- > A personalized employee experience

OnlineBenefits

HR & benefits communication platform

All of the facts, forms and resources needed for effective employee communications have a home in Benergy. Features include:

- > The Benergy Control Center, a state-of-the-art web interface where you can manage the elements of Benergy's flexible, extensive knowledgebase in real-time.
- > User-friendly graphics and intuitive navigation to help employees quickly find information, resources and links about their benefits and HR programs.
- > Clearly written content from the Benergy library to facilitate the creation of an employee portal.

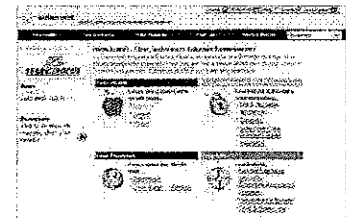


Employer-branded resource

Companies can achieve their desired look and feel with "Design-it-yourself," a remarkably simple way to tailor the branding, colors and images of Benergy.

For instance, you can:

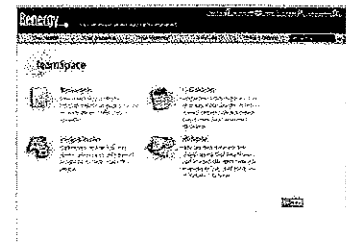
- > Match the colors of Benergy to corporate branding standards.
- > Rename the application and display your own product logo.
- > Re-color the standard photographic images or load custom images.



Advanced education & interactivity

Enhance the interactivity and educational power of Benergy with tools that allow employees to become more informed about their life decisions in a dynamic, enjoyable way. Here are some examples:

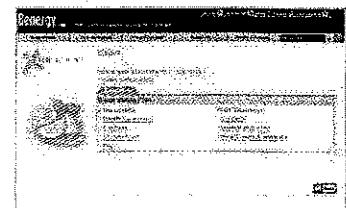
- > Benevents - checklists for major life events that affect benefit decisions.
- > Calculators - online calculators that model a wide array of financial scenarios.
- > Plan tours - multimedia mini-classes that teach employees the concepts of the plan and convey the provisions dynamically.
- > Webzine - an online magazine of over 180 articles about benefits, finances and life.



Personalized employee experience

Personalizing the Benergy experience gives each employee a "for-my-eyes-only" view of information by accessing Benergy with an individual User ID and Password. It empowers an employee to:

- > Go to an exclusive web address branded for the company.
- > Be greeted by name.
- > Identify the exact plan options in which they are enrolled.



All this is seamlessly integrated with Benergy's essential features to generate the ultimate HR and benefits communication tool for employees.

For more information
Contact:

Address:

Phone:

Fax:

E-mail:



Ready...Enroll is an online enrollment assistance module that prepares employees for paper or electronic benefits enrollment.

Ready...Enroll was designed as an initial enrollment tool, readying employees for the enrollment process. It's basically a communication campaign and decision support tool kit rolled into three simple steps. Users learn about and research their benefit options through plan summaries, comparisons and any other plan data. They mark their favorite options as they go along. In the end, these enrollees-to-be are directed to the forms (or links) they need to record their elections along with pertinent instructions.

Ready...Enroll's three-step campaign resides in your benefits communication application, drawing from its extensive knowledge about the company's benefit plans. Companies can construct campaigns in minutes without the need to duplicate any information.

Here are examples of the options and actions steps:

The left screenshot shows the 'options' step of the Ready...enroll campaign. It features a header with the Benenergy logo and navigation links. Below the header, there's a section titled 'ready...enroll' with a sub-header 'options'. The main content area lists various plan options, including 'Options for 2003' and 'Options for 2004'. Each option includes a brief description and a 'ready...enroll' button. The right screenshot shows the 'actions' step of the campaign. It features a header with the Benenergy logo and navigation links. Below the header, there's a section titled 'ready...enroll' with a sub-header 'actions'. The main content area provides instructions on how to enroll, including a 'ready...enroll' button and a link to the 'Enrollment/Change Form'.

The campaign is comprised of the following steps:

Overview

The overview presents messages from the company regarding anything from corporate benefits philosophy, enrollment timing, new plans, changes to existing plans or costs, etc.

Options

Employees find all of the programs that are open for enrollment, along with descriptions that can be highly tailored. From here, they can explore the details of each plan and mark their favorites for the final step.

Actions

Once employees have identified the options they like, they are ready to enroll. In this final step, employees are instructed on how to complete the enrollment process. For each plan, they can print out forms or link to other websites to enroll online.

ACORD

CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY)

11/20/06

Producer: Brown & Brown of CA Inc DBA CalSurance.
P.O. Box 7048
Orange, CA 92863

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

Insured: Agents of American United Life - Brokers
NEIL H. PHILLIPS
1455 LINCOLN PARKWAY
SUITE 100
ATLANTA, GA 30346
FAX: (770) 395-7671

COMPANIES AFFORDING COVERAGES

COMPANY LETTER	A	American Automobile Ins. Co.
COMPANY LETTER	B	
COMPANY LETTER	C	
COMPANY LETTER	D	
COMPANY LETTER	E	

Coverages

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LT	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE	POLICY EXPIRATION	LIMITS
	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT.				
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS <input type="checkbox"/> GARAGE LIABILITY				COMBINED SINGLE LIMIT \$ BODILY INJURY(Per person) \$ BODILY INJURY(Per Accident) \$ PROPERTY DAMAGE \$
	EXCESS LIABILITY <input type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM				EACH OCCURRENCE \$ AGGREGATE \$
	WORKER'S COMPENSATION & EMPLOYER'S LIABILITY				STATUTORY LIMITS EACH ACCIDENT \$ DISEASE POLICY LIMIT \$ DISEASE EACH EMPLOYEE \$
A	OTHER <input checked="" type="checkbox"/> CLAIMS MADE AND REPORTED Description Deductible Life Agent's E&O Liability Coverage Level II	ME07318256	12/01/2006	12/01/2007	Each Claim \$2 000 000.00 Annual Aggregate \$2 000,000.00

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Includes coverage for the sale and/or servicing of Life, A&H, Disability, Annuities, Employee Benefit Plans and Mutual Funds. Deductible (applies to Damages & Defense Costs): \$500 each claim on products of American United Life, State Life, Pioneer Mutual, Union Central, Provident Life & Accident, Illinois Mutual, Educators Mutual, Indianapolis Life, Principal Life and Golden Rule; \$2,500 each claim on other products. If Agent's contract terminates coverage continues until the expiration date of the policy or 90 days after the date of contract termination, whichever is greater.

Individual Coverage Effective Date is the later of 12/1/2006 or date of contract with sponsor.

CERTIFICATE HOLDER

NEIL H. PHILLIPS
1455 LINCOLN PARKWAY
SUITE 100
ATLANTA, GA 30346

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

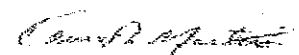


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Employee Benefits Group Life Insurance

The Standard Ranks as a Leading Group Life Carrier

Standard Insurance Company ranks among the top 10 insurance carriers providing Group Life insurance to employers coast to coast. The Standard's Group Life insurance provides a strong foundation for an employee benefits program, offering competitive features, a variety of plan designs and family-friendly provisions for employers and employees.

The Standard helps employers attract top talent with competitive employee benefits. With \$9.7 billion in assets and \$3.1 billion in annual revenue,¹ The Standard has earned a reputation for delivering quality insurance products, personalized service and strong financial performance.

For more information
about our Group Life
insurance, call your
insurance advisor or
the Employee Benefits
Sales and Service
Office for your area
at 800.633.8575 or
visit our Web site at
www.standard.com

Our Block of Group Life Business¹

- \$537 million in force premium
- 15,900+ policies in force
- 3.9+ million covered lives

Our Position in the Group Life Marketplace²

New volume	6th
In force volume	6th
New cases	8th
In force cases	7th

Our Financial Strength Ratings³

A.M. Best	A (Excellent)	3rd of 13 ratings
Standard & Poor's	A+ (Strong)	5th of 16 ratings
Moody's	A1 (Good)	5th of 16 ratings
Fitch	AA- (Very Strong)	4th of 16 ratings

Standard Insurance Company
1100 SW Sixth Avenue
Portland OR 97204

www.standard.com

A subsidiary of StanCorp Financial Group, Inc.

¹ As of 12/31/04 and based on internal data developed by Standard Insurance Company; reinsurance assumed is excluded. Asset and revenue figures are calculated on a statutory basis of accounting. Certain statistics are unaudited.

² "Annual Group Life and A&H Surveys," Employee Benefit Plan Review, July 2005.

³ Current as of August 2005. See "What the Ratings Mean" on the reverse side for more information about the ratings.

What the Ratings Mean

A.M. Best Company

A Range Definition: Assigned to companies that have, in Best's opinion, an excellent ability to meet their ongoing obligations to policyholders

The objective of Best's rating system is to provide an overall opinion of an insurance company's ability to meet its obligations to policyholders. Best's ratings are based on a comprehensive evaluation of a company's financial strength, operating performance and market profile as compared to A.M. Best's quantitative and qualitative standards.

Fitch

AA Range Definition: Insurers are viewed as possessing very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.

A Fitch Insurer Financial Strength Rating provides an assessment of the financial strength of an insurance organization and its capacity to meet senior obligations to policyholders and contract holders on a timely basis. The IFS Rating is assigned to the insurance organization itself, and no liabilities or obligations of the insurer are specifically rated unless otherwise stated

Moody's Investor Services

A Range Definition: Insurance companies rated A offer good financial security. However, elements may be present which suggest a susceptibility to impairment sometime in the future.

Moody's Insurance Financial Strength Ratings are opinions of the ability of insurance companies to repay punctually senior policyholder claims and obligations. Specific obligations are considered unrated unless they are individually rated because the standing of a particular insurance obligation would depend on an assessment of its relative standing under those laws governing both the obligation and the insurance company.

Standard & Poor's

A Range Definition: An insurer rated 'A' has STRONG financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

A Standard & Poor's Insurer Financial Strength Rating is a current opinion of the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. This opinion is not specific to any particular policy or contract, nor does it address the suitability of a particular policy or contract for a specific purpose or purchaser. Furthermore, the opinion does not take into account deductibles, surrender or cancellation penalties, timeliness of payment, nor the likelihood of the use of a defense such as fraud to deny claims

For organizations with cross-border or multinational operations, including those conducted by subsidiaries or branch offices, the ratings do not take into account potential that may exist for foreign exchange restrictions to prevent financial obligations from being met.

Employee Benefits

Your Service Team City of Monroe

Michele Tolle
Employee Benefits Specialist
Atlanta Sales and Service Office
Telephone: (770) 431-1164 or
(800) 962-1672
mtole@standard.com

Kristine Koehler
Customer Service Representative
Atlanta Sales and Service Office
Telephone: (770) 431-1165 or
(800) 962-1672
kkoehler@standard.com

LIFE BENEFITS ADMINISTRATION

Dee Dee Bennett, *Supervisor*
Life Benefits Administration
Portland, Oregon
Telephone: (800) 628-8600
dbennett@standard.com

UNDERWRITING

Kristi McPheters, *Associate Underwriter*
Eastern Region Operations
South Portland, Maine
Telephone: (207) 771-1409 or
(866) 866-6006
kmcphete@standard.com

IMPLEMENTATION

To Be Determined
Supervisor, Eastern Region Claims Of
Eastern Region Operations
Portland, Oregon
Telephone: (800) 628-8600



The StandardSM
Positively different

Employee Benefits Committed to Service

Our Life Benefits Teams

At Standard Insurance Company, our life benefits teams are comprised of professionals dedicated to providing high quality service to all of our customers. This means making the claims experience as easy as possible and paying benefits to entitled individuals in a timely, accurate and sensitive manner.

Experienced and Knowledgeable Staff

The Standard typically dedicates a team of life insurance analysts to each policyholder to provide primary responsibility for that policyholder's claims. These analysts, assigned to a select group of clients, become experts in these plans. As needed, they may also draw upon the experience and expertise of legal and contract experts, investigators and benefits managers to assure appropriate and timely decision making.

Compassionate Service

The Standard recognizes that employers want employees and their beneficiaries to receive fair and respectful treatment. We base our life insurance claims process on this underlying service philosophy. Our benefits teams understand that beneficiaries may be experiencing significant stress when making a claim for life insurance benefits. These circumstances demand both empathy and expertise. Our life insurance analysts have the skills and resources to accurately assess and efficiently process life claims while remaining sensitive to the needs of the beneficiary.

Timely Payment of Benefits

While the actual claims process will vary based on the unique nature of each claim, employers and beneficiaries may expect a determination on life insurance claims within seven business days of receipt in our home office. If additional information is needed, we typically request it within that same seven-day period and follow up at least every 15 business days until the needed information is received. Within one business day of our approval of a life insurance claim, The Standard makes payment to the beneficiary.

At The Standard, we provide more than financial support. Our experienced life benefits teams are dedicated to providing exceptional service that can make a difference for employees and their loved ones during a difficult time in their lives.

To learn more about how
The Standard's life benefits
teams can make a difference,
contact the Employee Benefits
Sales and Service Office for
your area at 800 633 8575

Standard Insurance Company
1100 SW Sixth Avenue
Portland OR 97204
www.standard.com

A subsidiary of StanCorp Financial Group, Inc.



The Standard®
Positively different



Benefit and Cost Summary Proposal

An Employee Benefits Proposal for:

City of Monroe

Presented By:

Champion Benefits

Standard Insurance Company

April 24, 2007

A Positively Different Way of Doing Business

Over the course of a century, Standard Insurance Company has earned a reputation for personal service, financial strength, and the quality of its insurance products. From the home office to the local office, we're dedicated to helping you find productive solutions and explore ways to address your changing needs.

Simple — making it easy for you

Whether you have two eligible employees or thousands, we put all our strengths to work to help you create a cost-effective benefits package — for you and for them.

Find the benefits you want and need. We offer understandable, comprehensive products configured to meet your needs. You'll find a full range of disability, life and dental insurance, retirement plans, and individual and voluntary insurance products.

No financial surprises. Comprehensive contract pricing. We strive to offer the best value, going beyond the formulas, using a long-term pricing philosophy.

Dedicated contacts. No outsourced call centers. Our experienced employees deliver strong, empathetic and personalized service. You'll have expert claim handling, accurate, fair and prompt payments, and a clear, accessible appeals process.

Account support tailored for you. Enjoy customized administration, implementation and enrollment services. Benefit from insightful reporting, industry benchmarking and program recommendations.

Local — supporting you where you do business

We have over 40 offices across the nation to serve our customers. Our representatives are committed to their communities and have an insider's understanding of local needs.

Dependable — a track record you can trust

- **100 years** of history and **five decades** of employee benefits experience
- More than **29,000** group insurance policies in force, covering over **7 million** employees; over **\$1.7 billion** in force premium*
- Recognized as one of the **top 4** companies in the nation for in force group Long Term Disability and Short Term Disability insurance**
- Close to **90%** of our business is employee benefits, letting us focus on what our customers really need
- Our **first group insurance customer** is still with us — after 55 years

* Figures are as of 12/31/05 and are based on internal data developed by Standard Insurance Company and apply to the Employee Benefits Division; reinsurance assumed is excluded. Certain statistics are unaudited

** 2005 U S Group Disability Market Survey, JHA

Life Insurance/AD&D Highlights for City of Monroe

Family Benefits Package

Automatically included with all life quotes unless otherwise requested.

- **Career Adjustment Benefit**
 - Pays up to \$10,000 for surviving spouse for professional or trade-related training.
- **Higher Education Benefit**
 - Pays up to \$20,000 over 4 years towards tuition for children approaching or in college.
- **Child Care Benefit**
 - Pays up to \$10,000 over 3 years for child care expenses

Repatriation

Included feature. Provides 10% of benefit (up to \$5,000) to transport body back for burial (>200 miles away).

Accelerated Benefit

Can receive 75% of benefit up to \$500,000 with life expectancy of less than 12 months.

Private Flying not Excluded

Seatbelt Benefit and Air Bag Benefit

Up to \$10,000 benefit if death occurs while wearing a seatbelt and an additional \$5,000 benefit if car is equipped with air bag system, the air bag system deploys and the insured was intended to be protected by the air bag system.

Line of Duty

Pays additional AD&D benefit to public safety officers (policeman, firefighters, etc.) when killed in the line of duty (Up to \$50,000). Shown as an option.

City of Monroe

Basic Life and AD&D Plan**Covered Members**

An Elected Official of the Employer

An active employee of the Employer working 30 hours per week

A Retired Elected Official of the Employer

Class 1: Elected Officials

Class 2: All Other Employees

Class 3: Retirees

Plan

	Class 1	Class 2	Class 3
Benefit Formula	Flat \$50,000	Flat \$50,000	Flat \$10,000
Age Based Benefit Reduction	To 55% at age 70; To 35% at age 75; To 25% at age 80	To 55% at age 70; To 35% at age 75; To 25% at age 80	None
Guarantee Issue	Full Benefit	Full Benefit	Full Benefit
Employer Contribution	100%	100%	100%

- For class 3: Insurance ends at age 65. (May not comply with ADEA.)

Cost

		Members	Volume	X Rate: Per \$1,000	=	Monthly Premium
All Eligible	Life	211	\$10,392,500	0.168		\$1,746
	AD&D	211	\$10,392,500	0.025		\$260
Total						\$2,006

- The policyholder will be notified of renewal rates 90 days prior to the renewal effective date.
- The rate will be guaranteed for 2 years.

Features

- For class 1, 2: Waiver Of Premium is included. Eligibility to age 60; ends at age 65.



City of Monroe

Plan Notes

- Includes Child Care, Higher Education and Career Adjustments Benefits.
- A Repatriation Benefit is included. This benefit provides an additional benefit to help pay for the expenses incurred by the transport of an insured employee's body when the employee dies more than 200 miles from home.
- A Seat Belt and an Air Bag benefit are included.
- AD&D includes a Drug and Alcohol exclusion.
- An Accelerated Benefit up to 75% of Life and Supplemental Insurance is included.
- MEDEX® Travel Assist is included, offering plan participants access to appropriate medical care and other emergency services when traveling at least 100 miles from home or internationally. MEDEX Travel Assist offers a full range of professional 24-hour medical, legal and travel assistance services.
- AdminEASE service is included, offering online resources for day-to-day administration of employee benefit plans.
- Portability of Insurance is included.
- For class 3: Waiver Of Premium and Accelerated Benefits are not included for retirees.
- E-Contract Documents service is included, offering online efficiency and convenience in contract document delivery.

Options

	Applies to:	Rate Change	Premium Change	Initial to select
With Line of Duty, \$50,000 Maximum Benefit	Class 2	+0.019	+\$197	

Conditions

- For class 1, 2: This is not our customary age reduction schedule. As an employer, you are responsible for determining that the schedule you have requested complies with the ADEA. We assume that you have made that determination.
- The rates assume billing is centralized.
- Proposal assumes coverage is currently in force.

City of Monroe

Dependent Life Plan

Covered Members

- An Elected Official of the Employer working 0 hours per week
- An active employee of the Employer working 30 hours per week
- A Retired Elected Official of the Employer working 0 hours per week

Plan

Spouse Benefit Formula	\$2,500
Child Benefit Formula: Under 6 months	\$2,500
Child Benefit Formula: 6 months or more	\$2,500

Cost

Rates: Per Member			
Members:	Composite: Paid for each member	Required: Paid for each member with dependents	Elective: Paid by each member electing coverage
All Eligible	\$0.66	\$1.02	\$1.17

Plan Notes

- Insurance continues without premium for 5 months after the death of the insured employee.
- Portability of Insurance is included.
- The Right to Convert is included.
- Dependents coverage includes unmarried child(ren) from live birth through age 20, or through age 24 if the child is a full-time registered student.

Conditions

- Dependents of at least 75% of eligible Members must be insured for Dependents Life Insurance.
- Dependents Life may only be purchased with Basic Life.

City of Monroe

Additional Life Plan

Covered Members

- An Elected Official of the Employer
- An active employee of the Employer working 30 hours per week
- A Retired Elected Official of the Employer

Plan

Benefit Formula	Increments of \$10,000 to a maximum of \$300,000 with a minimum of \$10,000
Minimum Benefit	\$10,000
Age Based Benefit Reduction	To 55% at age 70; To 35% at age 75; To 25% at age 80
Guarantee Issue	\$50,000
Employer Contribution	0%

- For coverage to become effective on 06/01/2007, the greater of 25% of eligible members, or 25 members must enroll.

Cost

	Members	Age	Rate: Per \$1,000	X	Volume	=	Monthly Premium
All Enrolled	28	<= 29	0.085		\$300,000		\$26
	28	30-34	0.085		\$450,000		\$38
	30	35-39	0.118		\$720,000		\$85
	28	40-44	0.182		\$520,000		\$95
	25	45-49	0.283		\$630,000		\$178
	33	50-54	0.442		\$420,000		\$186
	22	55-59	0.769		\$300,000		\$231
	11	60-64	0.856		\$120,000		\$103
	3	65-69	1.453		\$30,000		\$44
	2	70-74	2.583		\$20,000		\$52
	1	75 +	9.795		\$10,000		\$98
Total							\$1,134

- The policyholder will be notified of renewal rates 60 days prior to the renewal effective date.

Features

- Waiver Of Premium is included: eligibility to age 60; ends at age 65. Scheduled reductions do apply.

City of Monroe

Plan Notes

- An Accelerated Benefit of up to 75% of Life and Supplemental Insurance is included.
- MEDEX® Travel Assist is included, offering plan participants access to appropriate medical care and other emergency services when traveling at least 100 miles from home or internationally. MEDEX Travel Assist offers a full range of professional 24-hour medical, legal and travel assistance services.
- Portability of Insurance is included.
- Proof of good health is required for employees who are eligible under the current plan but are not enrolled.
- Proof of good health is required for employees who enroll more than 31 days after eligibility.
- Proof of good health is required for elective increases.
- In order to boost participation to minimum requirement for Additional Life, group will be offered a ONE-TIME open enrollment at time of inception to raise participation to 25%.

Conditions

- Additional Life may be purchased only with Basic Life.
- Until coverage has been in force for 2 years, death which results from suicide or other intentional self-inflicted injury is not covered (in force for 1 year in CO, not available in WA.)
- This proposal assumes the census includes participants only.
- This is not our customary age reduction schedule. As an employer, you are responsible for determining that the schedule you have requested complies with the ADEA. We assume that you have made that determination.
- The rates assume billing is centralized.
- Proposal assumes coverage is currently in force.

City of Monroe

Producer Compensation Disclosure

The Standard recognizes the valuable role of insurance advisors in helping their clients design an employee benefits program, and we support reasonable and fair compensation for these services. Any questions regarding the compensation connected with this proposal should be directed to the insurance advisor or broker. Please visit our website at http://www.standard.com/producer/comm_scales.html to view our normal commission scales. If this proposal is quoted with a non-standard scale or override it is noted below. Please consult with your agent or broker for details.

Non-standard commission scale: **Yes**
Override: **N/A**

Subject to participation and eligibility requirements, contingent compensation may be paid based on performance factors, for example volume and persistency (unless participation is declined by the producer or client.) For information about our customary producer rewards program visit <http://www.standard.com/producer/bonus.html>.

Additionally, fees for administrative, marketing or consulting services may apply. If applicable, fees are noted below.

Fees: **N/A**

City of Monroe

We appreciate the opportunity to provide you with this benefit and cost summary proposal from The Standard. This document outlines certain important features of the group insurance coverages available. This is not a contract or an offer to contract for such coverages. Detailed information about other important features of the coverage proposed is available on request. Just ask your broker/consultant or Standard representative.

A completed application must be submitted before a group can be considered for coverage. Insurance will be effective after the application is accepted by The Standard. If approved, we will issue a contract containing our customary language. It will not duplicate existing policy language, if any. The group contract will contain provisions and defined terms not described in this Benefit and cost summary proposal. The group contract will control if there are discrepancies between it and this proposal.

The proposed premium rate and plan design for each coverage are based on the underwriting data received by The Standard. Final premium rates and plan provisions will be determined by The Standard on the basis of: applicable state laws, policyholder contributions, confirmation of occupations, the actual composition of the group of persons who will become insured, and our current underwriting rules and practices.

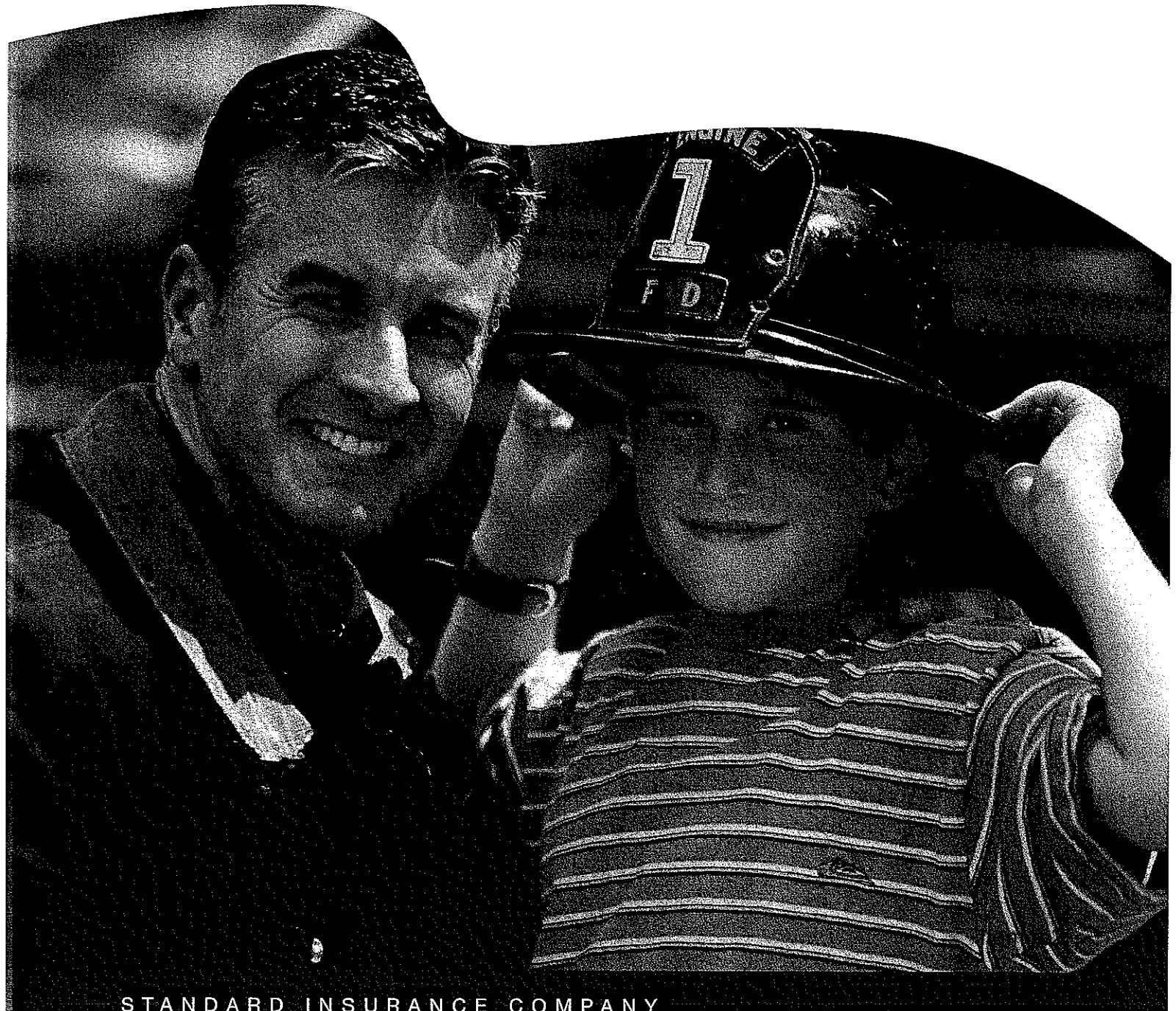
This benefit and cost summary proposal expires on July 15, 2007, unless replaced or withdrawn by The Standard.



TheStandardSM
Positively different

Employee Benefit Plans for Public Employers

Meeting the needs of public groups



STANDARD INSURANCE COMPANY

Providing Insurance to Public Groups for More than

Standard Insurance Company has over 50 years of experience meeting the needs of public employer groups. Our first group client, which remains in force today, was a public employer that chose The Standard in 1951. Since then, we've been leading the way in public group insurance protection.

Asking the Right Questions

At The Standard, we recognize that public employers have unique requirements for their employee benefits plans. To develop appropriate solutions, we ask the right questions to fully understand these needs.

We ask about unique contractual provisions, special administrative requirements and reporting needs. We ask about integration with other benefits and programs. We ask about union representation and employee classification. We ask about funding requirements and budget concerns.

We ask these and many more questions to assure that the coverage we provide meets or exceeds the expectations of each policyholder.

Across the country, hundreds of cities, counties, school districts and other public organizations count on The Standard to understand the nuances of their public groups and to provide cost-effective answers to their employee benefits needs.

Offering the Right Products

Group Life Insurance

As the foundation of an employee benefits plan, Group Life insurance from The Standard offers public employers the opportunity to help protect employees and their families from financial hardship in the event of death. Group Life may be combined with Accidental Death and Dismemberment (AD&D) and/or Dependents Life insurance to help provide additional financial security for employees.



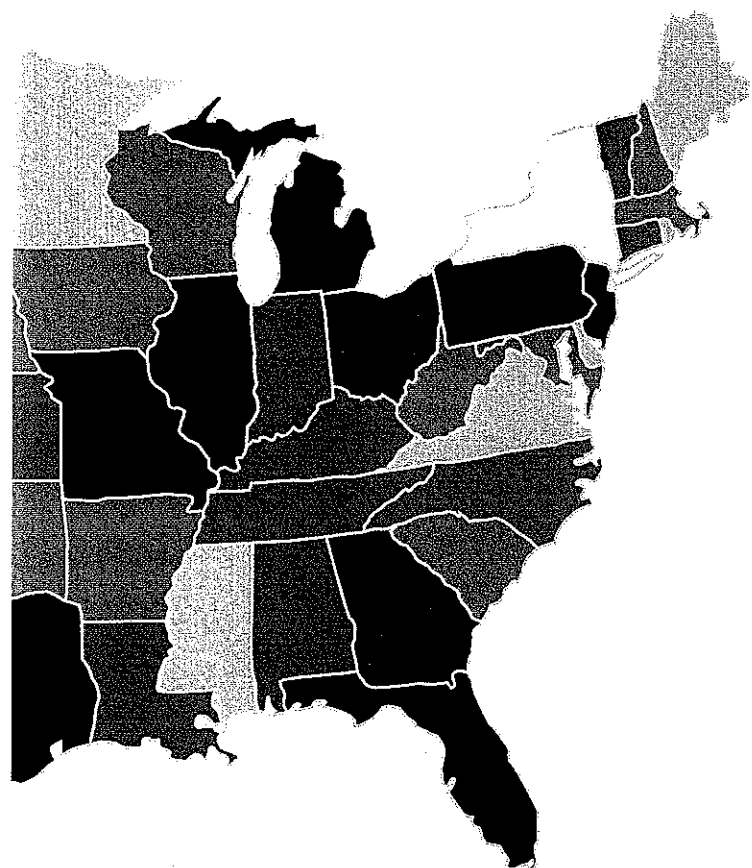
Group Long Term Disability Insurance

Long Term Disability (LTD) from The Standard helps to protect employees from the loss of income and lifestyle associated with an extended disabling illness or injury. Our dedicated teams of claims management professionals assure superior service to policyholders and eligible employees.

Group Short Term Disability Insurance

Short Term Disability (STD) from The Standard offers an attractive option for public employers who want to supplement a sick leave or statutory disability benefits program. STD coverage is designed to replace a portion of an employee's weekly income in a time of need. We work with employers to improve time-loss management efforts to help reduce costs and **item # 2** employee productivity.

) Years



Total group policies with public employers
as of December 31, 2004

Total Policies 1-15	City	1,190
Total Policies 16-30	County	244
Total Policies 31-50	School	613
Total Policies 51-100	College	131
Total Policies 101 and up	Safety	539
	State	20
	Utility	83
	Misc.	245
	Total	3,065

Notes: Policyholders may have one or more coverages with The Standard

For a state-by-state breakdown of public policies in force with The Standard, refer to Public Employers Map flyer (SI 8029)

Standard Insurance Company is not authorized to sell products in the state of New York. In New York, group insurance products are available from our sister company, The Standard Life Insurance Company of New York.

Additional Services and Options

- Alternate funding arrangements including refunding, retrospective premium, minimum premium, termination premium agreement and self-funded benefit plan administrative services agreement
- Contributory and non-contributory plan options to meet the needs of employers and employees
- Coordinated disability claims management for groups with multiple coverages with The Standard
- Dedicated National Accounts team assigned to groups with 2,500 or more employees
- AdminEASESM plan administration tools for instant, round-the-clock access to resources, tools and forms specific to the employer's products and services with The Standard
- Financial performance guarantee program for groups with 1,000 or more employees

Group Statutory Disability Benefits Insurance

In California¹ and New Jersey, public employers that want to consolidate disability coverage with one carrier may choose a Statutory Disability Benefits plan from The Standard to round out their STD and LTD coverages. Designed to comply with each state's specific laws, Statutory Disability Benefits plans help provide financial support to public employees with non-occupational sicknesses and accidental injuries.

Group Dental Insurance

In today's highly competitive employment market, group dental insurance is no longer viewed as a luxury, but as a necessity. The Standard offers public employers a variety of dental plan design choices. These include flexible indemnity, incentive, Participating Provider Organization (PPO) and Voluntary plans.

Public employers can count on The Standard to put a half-century of public group experience to work for them.

Item # 2

¹ Provided in partnership with a third party vendor.

Standard Insurance Company

Standard Insurance Company is a subsidiary of StanCorp Financial Group, Inc., a Fortune 1000 company. The Standard is a leading provider of employee benefits products and services, and offers group disability, life and dental insurance and retirement plans. We insure more than 29,000 groups covering over 6.5 million employees nationwide.

Founded in Portland, Oregon, in 1906, we wrote our first group insurance policy in 1951. This plan remains in force today as a testament to our commitment to building long-term relationships. We have also earned a solid reputation for quality products, expert resources and strong financial performance. The Standard is dedicated to meeting the insurance needs of each policyholder and providing superior customer service at every opportunity.

For more information about The Standard, contact your insurance advisor or the Employee Benefits Sales and Service Office for your area at 800 633 8575 or visit our Web site at www.standard.com.



TheStandard[®]
Positively different

Standard Insurance Company
1100 SW Sixth Avenue
Portland OR 97204
www.standard.com

A subsidiary of StanCorp Financial Group, Inc.



Public Sector Customers in Georgia

Appling County BOE
Atlanta Public Schools
Atlanta Regional Commission
Baker County BOE
Barrow County
Bartow County
Ben Hill County BOE
Berrien County BOE
Bleckley City Schools
Brooks County BOE
Calhoun County BOE
Camden County Board of Commissioners
Mitchell County Board of Commissioners
Carrollton City Schools
Chattooga County
City of Acworth
City of Adel
City of Atlanta
City of Augusta
City of Calhoun
City of Dawson
City of Dublin
City of Garden City
City of Holly Springs
City of Perry
City of Port Wentworth
City of Riverdale
City of Sandy Springs
City of Summerville
City of Thomaston
Coastal Plains RESA
Crisp County Schools
DeKalb County
Early County BOE
Echols County BOE
Floyd County
Forsyth County BOE
Gilmer County Schools
Griffin RESA
Gwinnett County
Irwin County BOE
Jackson County School Board
Jones County BOE
Liberty County BOE
Long County Schools
McDuffie County Schools
Meriwether County BOE
Miller County BOE
Mitchell County BOE
Northeast Georgia RESA
Savannah Chatham BOE
Seminole County BOE
Southwest Georgia RESA
Spalding County
State of GA

Taylor County BOE
Terrell County BOE
Thomas County BOE
Turner County BOE
Warren County BOC
Whitfield County BOE

**CITY OF MONROE LIFE AND AD&D RFP
BASIC GROUP LIFE AND AD&D QUESTIONNAIRE**

1. Name of Insurance Company. What was the overall letter rating assigned to your company by A.M. Best., Standard & Poors, and Duff & Phelps for 2007. **Standard Insurance Company**
AM Best- A, Standard & Poors- A+, Duff & Phelps- AA-
2. What is your Monthly rate per \$ 1,000 of coverage?
Coverage on Employees, Retirees, Elected Voluntary
- | | | | |
|-----|------------------|---------------------|-------------------|
| (a) | Basic Group Life | \$ <u>.168/1000</u> | <u>Age-graded</u> |
| (b) | AD&D | \$ <u>.025/1000</u> | <u>N/A</u> |
3. Does your proposal include a waiver of premium? Yes 60/65
4. What is the length of your rate of guarantee? 2 years
- Will you guarantee the premium for three years? .175/.026
5. Will you guarantee at least 90 days notice prior to the effective date of any rate change? Yes
6. Is this proposal contingent upon being awarded any other coverage's? No
7. Does your plan provide coverage for employees, retirees and elected officials? Yes
8. Fully explain any contingencies in your bid. N/A
9. Please include a copy of your policy form and all applicable endorsements. **Included**
10. Please include a copy of your own proposal highlighting the coverage advantages, with an explanation of why you believe your product is superior.

Authorized Company Representative

Michael B. Allen
Paul H. Phelps

References

As a courtesy to our past, current, and future customers, The Standard prefers not to list reference information during the initial proposal process. Upon being selected as a finalist, we would be happy to contact current policyholders for permission to provide you with their contact information. If this does not satisfy your needs, we would be happy to discuss this in more detail.

Experience in the Public Sector

Standard Insurance Company has over 50 years of experience meeting the needs of public employer groups. Please refer to marketing piece included in Section 4.

ACORD™ CERTIFICATE OF LIABILITY INSURANCEDATE (MM/DD/YY)
06/29/2006

PRODUCER
Woodruff-Sawyer Oregon, Inc.
1001 SW 5th Avenue, Suite 500
Portland, OR 97204
(503) 416-7180

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE

INSURED
Standard Insurance Company
1100 SW Sixth Avenue, P11C
Portland, OR 97204-1093

INSURER A: Atlantic Specialty Insurance Company
INSURER B: St. Paul Mercury Insurance Company
INSURER C:
INSURER D:
INSURER E:

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY	7120072800001	07/01/2006	07/01/2007	EACH OCCURRENCE \$ 1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				FIRE DAMAGE (Any one fire) \$ 1,000,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				MED EXP (Any one person) \$ 10,000
					PERSONAL & ADV INJURY \$ 1,000,000
					GENERAL AGGREGATE \$ 2,000,000
					PRODUCTS - COMP/OP AGG \$ 2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC				
A	AUTOMOBILE LIABILITY	7120072800001	07/01/2006	07/01/2007	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
	<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident) \$
	<input checked="" type="checkbox"/> SCHEDULED AUTOS				PROPERTY DAMAGE (Per accident) \$
	<input checked="" type="checkbox"/> HIRED AUTOS				
	<input checked="" type="checkbox"/> NON-OWNED AUTOS				
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT \$
	<input type="checkbox"/> ANY AUTO				OTHER THAN EA ACC \$
					AUTO ONLY: AGG \$
	EXCESS LIABILITY				EACH OCCURRENCE \$
	<input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE \$
					\$
	DEDUCTIBLE				\$
	RETENTION \$				\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY				WC STATU-TORY LIMITS OTH-ER
					E.L. EACH ACCIDENT \$
					E.L. DISEASE - EA EMPLOYEE \$
					E.L. DISEASE - POLICY LIMIT \$
B	OTHER Professional Liability	594CM1531	07/01/2006	07/01/2007	Limit \$ 2,000,000
					\$
					\$

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS
Operations of named insured subject to terms and conditions of the policy.

CERTIFICATE HOLDER

ADDITIONAL INSURED; INSURER LETTER:

CANCELLATION 10 Day Notice for Non-Payment of Premium

Evidence of Coverage

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Kimberly Schaefer

Item # 2

LOAN #:

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s)

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

ACORD CERTIFICATE OF LIABILITY INSURANCEDATE (MM/DD/YY)
06/29/2006

PRODUCER
Woodruff-Sawyer Oregon, Inc.
1001 SW 5th Avenue, Suite 500
Portland, OR 97204
(503) 416-7180

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE

INSURED
Standard Insurance Company
Standard Life Insurance Co of New York
1100 SW Sixth Avenue, P11C
Portland, OR 97204-1093

INSURER A: Atlantic Specialty Insurance Company

INSURER B:

INSURER C:

INSURER D:

INSURER E:

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY	7120072800001 Stop Gap \$100,000 per Accident \$100,000 Each Employee \$500,000 Disease Aggregate	07/01/2006	07/01/2007	EACH OCCURRENCE \$ 1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				FIRE DAMAGE (Any one fire) \$ 1,000,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				MED EXP (Any one person) \$ 10,000
					PERSONAL & ADV INJURY \$ 1,000,000
					GENERAL AGGREGATE \$ 2,000,000
					PRODUCTS - COMP/OP AGG \$ 2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO- JECT <input checked="" type="checkbox"/> LOC				
A	AUTOMOBILE LIABILITY	7120072800001	07/01/2006	07/01/2007	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
	<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident) \$
	<input checked="" type="checkbox"/> SCHEDULED AUTOS				PROPERTY DAMAGE (Per accident) \$
	<input checked="" type="checkbox"/> HIRED AUTOS				
	<input checked="" type="checkbox"/> NON-OWNED AUTOS				
A	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT \$
	<input type="checkbox"/> ANY AUTO				OTHER THAN EA ACC \$
					AUTO ONLY: AGG \$
A	EXCESS LIABILITY	7120072800001	07/01/2006	07/01/2007	EACH OCCURRENCE \$ 3,000,000
	<input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE \$ 3,000,000
	<input type="checkbox"/> DEDUCTIBLE				\$
	<input type="checkbox"/> RETENTION \$ 0				\$
					\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY				WC STATU- TORY LIMITS OTH- ER
					E.L. EACH ACCIDENT \$
					E.L. DISEASE - EA EMPLOYEE \$
					E.L. DISEASE - POLICY LIMIT \$
	OTHER				\$
					\$
					\$

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS

Evidence purposes only.
Excess Liability Limit follows General Liability and Stop Gap.

CERTIFICATE HOLDER

ADDITIONAL INSURED; INSURER LETTER:

CANCELLATION 10 Day Notice for Non-Payment of Premium

Evidence of Coverage

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT. BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Kimberly Schlegel

Item # 2

LOAN #:

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

STANDARD INSURANCE COMPANY

A Stock Life Insurance Company
900 SW Fifth Avenue
Portland, Oregon 97204-1282
(503) 321-7000

People. Not Just Policies.®

GROUP LIFE INSURANCE POLICY

Policyowner:	ABC COMPANY
Policy Number:	(Basic Life, Sup Life, Deps Life, AD&D) 999999-H
Effective Date:	May 1, 1999

The consideration for this Group Policy is the application of the Policyowner and the payment by the Policyowner of premiums as provided herein.

Subject to the **Policyowner Provisions** and the **Incontestability Provisions**, this Group Policy (a) is issued for the Initial Rate Guarantee Period shown in the **Coverage Features**, and (b) may be renewed for successive renewal periods by the payment of the premium set by us on each renewal date. The length of each renewal period will be set by us, but will not be less than 12 months.

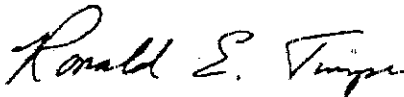
For purposes of effective dates and ending dates under this Group Policy, all days begin and end at 12:00 midnight Standard Time at the Policyowner's address.

This policy includes an Accelerated Benefit. Death benefits will be reduced if an Accelerated Benefit is paid. The receipt of this benefit may be taxable and may affect your eligibility for Medicaid or other government benefits or entitlements. However, if you meet the definition of "terminally ill individual" according to the Internal Revenue Code Section 101, your Accelerated Benefit may be non-taxable. You should consult your personal tax and/or legal advisor before you apply for an Accelerated Benefit.

All provisions on this and the following pages are part of this Group Policy. "You" and "your" mean the Member. "We", "us", and "our" mean Standard Insurance Company. Other defined terms appear with their initial letters capitalized. Section headings and references to them, appear in boldface type.

STANDARD INSURANCE COMPANY

By


President


Corporate Secretary

GP190-LIFE/S399

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COVERAGE FEATURES

This section contains many of the features of your group life insurance. Other provisions, including exclusions and limitations, appear in other sections. Please refer to the text of each section for full details. The Table of Contents and the Index of Defined Terms help locate sections and definitions.

GENERAL POLICY INFORMATION

Group Policy Number:	999999-H
Type of Insurance Provided:	
Life Insurance:	Yes
Supplemental Life Insurance:	Yes
Dependents Life Insurance:	Yes
Accidental Death And Dismemberment (AD&D) Insurance:	Yes
Policyowner:	ABC COMPANY
Employer (s):	ABC COMPANY
Group Policy Effective Date:	May 1, 1999
Policy Issued in:	Generic

BECOMING INSURED

To become insured for Life Insurance you must: (a) Be a Member; (b) Complete your Eligibility Waiting Period; and (c) Meet the requirements in **Life Insurance** and **Active Work Provisions**. The requirements for becoming insured for coverages other than Life Insurance are set out in the text.

Definition of Member:	You are a Member if you are: <ol style="list-style-type: none">1. An active employee of the Employer, other than a store manager; and2. Regularly working at least 30 hours each week.
	You are not a Member if you are: <ol style="list-style-type: none">1. A temporary or seasonal employee; or2. A full time member of the armed forces of any country.

Class Definition:	None
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Eligibility Waiting Period:	You are eligible on one of the following dates: <p>If you are a Member on the Group Policy Effective Date, you are eligible on that date.</p> <p>If you become a Member after the Group Policy Effective Date, you are eligible on the first day of the calendar month coinciding with or next following 90 consecutive days as a Member.</p>
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Evidence of Insurability:

Required:

- a. For late application for Contributory insurance.
- b. For reinstatements if required.
- c. For Members and Dependents eligible but not insured under the Prior Plan.

PREMIUM CONTRIBUTIONS

Life and AD&D Insurance:	Noncontributory
Supplemental Life Insurance:	Contributory
Dependents Life Insurance:	Contributory

SCHEDULE OF INSURANCE

SCHEDULE OF LIFE INSURANCE

For you:

Life Insurance Benefit:	1 times your Annual Earnings, rounded to the next higher multiple of \$1,000, if not already a multiple of \$1,000. The maximum amount is \$150,000.
Repatriation Benefit:	The expenses incurred to transport your body to a mortuary near your primary place of residence, but not to exceed \$5,000 or 10% of the Life Insurance Benefit, whichever is less.
Supplemental Life Insurance Benefit:	You may apply for Supplemental Life Insurance in multiples of \$30,000 from \$30,000 to \$300,000.

For your Spouse:

Supplemental Life Insurance Benefit:	You may apply for Supplemental Life Insurance in multiples of \$30,000 from \$30,000 to \$300,000.
--------------------------------------	--

Dependents Life Insurance Benefit: \$5,000

The amount of Dependents Life Insurance for your Spouse may not exceed 100% of the amount of your Life Insurance.

For your Child:

Dependents Life Insurance Benefit: \$3,000

The amount of Dependents Life Insurance for your Child may not exceed 100% of the amount of your Life Insurance.

SCHEDULE OF AD&D INSURANCE

For you:

AD&D Insurance Benefit:	The amount of your AD&D Insurance Benefit is equal to the amount of your Life Insurance Benefit. The amount payable for certain Losses is less than 100% of the AD&D Insurance Benefit. See AD&D Table Of Losses.
Seat Belt Benefit:	The amount of the Seat Belt Benefit is the lesser of (1) \$10,000 or (2) the amount of AD&D Insurance Benefit payable for loss of life.
Career Adjustment Benefit:	The tuition expenses for training incurred by your Spouse within 36 months after the date of your death, exclusive of room and board, but not to exceed \$5,000 per year, or the cumulative total of \$10,000 or 25% of the AD&D Insurance Benefit, whichever is less.
Child Care Benefit:	The total child care expense incurred by your Spouse within 36 months after the date of your death for all Children under age 13, but not to exceed \$5,000 per year, or the cumulative total of \$10,000 or 25% of the AD&D Insurance Benefit, whichever is less.
Higher Education Benefit:	The tuition expenses incurred per Child within 4 years after the date of your death at an accredited institution of higher education, exclusive of room and board, but not to exceed \$5,000 per year, or the cumulative total of \$20,000 or 25% of the AD&D Insurance Benefit, whichever is less.

AD&D TABLE OF LOSSES

The amount payable is a percentage of the AD&D Insurance Benefit in effect on the date of the accident and is determined by the Loss suffered as shown in the following table:

Loss:	Percentage Payable:
a. Life	100%
b. One hand, one foot or sight of one eye	50%
c. Two or more of the Losses listed in b. above	100%

No more than 100% of your AD&D Insurance will be paid for all Losses resulting from one accident.

REDUCTIONS IN INSURANCE

If you reach an age shown below, the amount of insurance will be the amount determined from the Schedule of Insurance, multiplied by the appropriate percentage below:

Life and AD&D Insurance:

Age	Percentage
65 through 69	65%

70 through 74	50%
75 or over	35%

If you or your Spouse reach an age shown below, the amount of Supplemental Life Insurance will be the amount determined from the Schedule of Insurance, multiplied by the appropriate percentage below:

Supplemental Life Insurance:

Age	Percentage
70 through 74	65%
75 through 79	45%
80 through 84	30%
85 through 89	20%
90 through 94	15%
95 or over	10%

OTHER BENEFITS

Waiver Of Premium:	Yes
Accelerated Benefit:	Yes

OTHER PROVISIONS

Limits on Right To Convert if
Group Policy terminates
or is amended:

Minimum Time Insured:	5 years
Maximum Conversion Amount:	\$2,000
Leave Of Absence Period:	60 days
Insurance Eligible For Portability:	

For you:

Life Insurance and Supplemental Life Insurance:	Yes
Minimum combined amount:	\$10,000
Maximum combined amount:	\$300,000

For your Spouse:

Dependents Life Insurance and Supplemental Life Insurance:	Yes
Minimum combined amount:	\$5,000
Maximum combined amount:	\$100,000

For your Child:

Dependents Life Insurance: Yes
Minimum combined amount: \$1,000
Maximum combined amount: \$5,000

For you:

AD&D Insurance: Yes
Minimum combined amount: \$10,000
Maximum combined amount: \$300,000

Annual Earnings based on: Earnings in effect on your last full day of Active Work.
Earnings Period for Commissions
(see **Definitions**): The preceding 12 calendar months.

PREMIUM RATES AND RENEWALS

Premium Rates:

Life Insurance: \$ 260 monthly per \$1,000 of Life Insurance

Supplemental Life Insurance:

Age of Insured On Last January 1	Monthly Rate Per Multiple of \$10,000
Under age 30	\$ 1.00
30 through 39	1.10
40 through 44	2.20
45 through 49	3.90
50 through 54	6.40
55 through 59	9.90
60 through 64	14.80
65 through 69	22.30
70 through 74	34.30
75 through 79	49.55
80 through 84	74.35
85 through 89	111.50
90 through 94	148.65
95 or over	223.00

Dependents Life Insurance: \$2 880 monthly per Member electing Dependents Life Insurance, regardless of the number of Dependents covered

AD&D Insurance: \$.050 monthly per \$1,000 of AD&D Insurance

Premium Due Dates: May 1, 1999 and the first day of each calendar month thereafter.

Grace Period: 31 days

Initial Rate Guarantee Period: May 1, 1999 to May 1, 2002

Notice of Rate Change: 31 days

Minimum Participation:

Life Insurance:

Number: 10 insured Members

Percentage: 100% of eligible Members

Supplemental Life Insurance: Not applicable

Dependents Life Insurance: 75% of insured Members with eligible Dependents must elect to insure those Dependents

LIFE INSURANCE

A. Insuring Clause

If you die while insured for Life Insurance, we will pay benefits according to the terms of the Group Policy after we receive satisfactory Proof Of Loss.

B. Amount Of Life Insurance

See the **Coverage Features** for the Life Insurance schedule.

C. Changes In Life Insurance

1. Increases

You must apply in writing for any elective increase in your Life Insurance.

Subject to the **Active Work Provisions**, an increase in your Life Insurance becomes effective as follows:

a. Increases Subject To Evidence Of Insurability

An increase in your Life Insurance subject to Evidence Of Insurability becomes effective on the date we approve your Evidence Of Insurability

b. Increases Not Subject To Evidence Of Insurability

An increase in your Life Insurance not subject to Evidence Of Insurability becomes effective on the first day of the calendar month coinciding with or next following the date you apply for an elective increase or the date of change in your classification, age or Annual Earnings.

2. Decreases

A decrease in your Life Insurance because of a change in your classification, age or Annual Earnings becomes effective on the first day of the calendar month coinciding with or next following the date of the change.

Any other decrease in your Life Insurance becomes effective on the first day of the calendar month coinciding with or next following the date the Policyowner or your Employer receives your written request for the decrease.

D. Repatriation Benefit

The amount of the Repatriation Benefit is shown in the **Coverage Features**.

We will pay a Repatriation Benefit if all of the following requirements are met.

1. A Life Insurance Benefit is payable because of your death.
2. You die more than 200 miles from your primary place of residence.
3. Expenses are incurred to transport your body to a mortuary near your primary place of residence.

E. When Life Insurance Becomes Effective

The **Coverage Features** states whether your Life Insurance is Contributory or Noncontributory.

Subject to the **Active Work Provisions**, your Life Insurance becomes effective as follows:

1. Life Insurance subject to Evidence Of Insurability

Life Insurance subject to Evidence Of Insurability becomes effective on the date we approve your Evidence Of Insurability.

2. Life Insurance not subject to Evidence Of Insurability

a. Noncontributory Life Insurance

Noncontributory Life Insurance not subject to Evidence Of Insurability becomes effective on the date you become eligible.

b. Contributory Life Insurance

You must apply in writing for Contributory Life Insurance and agree to pay premiums. Contributory Life Insurance not subject to Evidence Of Insurability becomes effective on:

- (i) The date you become eligible if you apply on or before that date.
- (ii) The date you apply if you apply within 31 days after you become eligible.

Late application: Evidence Of Insurability is required if you apply more than 31 days after you become eligible.

3. Takeover Provision

- a. If you were insured under the Prior Plan on the day before the effective date of your Employer's coverage under the Group Policy, your Eligibility Waiting Period is waived on the effective date of your Employer's coverage under the Group Policy.
- b. You must submit satisfactory Evidence Of Insurability to become insured for Life Insurance if you were eligible under the Prior Plan for more than 31 days but were not insured.

F. When Life Insurance Ends

Life Insurance ends automatically on the earliest of:

- 1. The date the last period ends for which you made a premium contribution, if your insurance is Contributory;
- 2. The date the Group Policy terminates;
- 3. The date your employment terminates; and
- 4. The date you cease to be a Member. However, if you cease to be a Member because you are working less than the required minimum number of hours, your Life Insurance will be continued with premium payment during the following periods, unless it ends under 1 through 3 above.
 - a. While your Employer is paying you at least the same Annual Earnings paid to you immediately before you ceased to be a Member.
 - b. While your ability to work is limited because of Sickness, Injury, or Pregnancy.
 - c. During the first 60 days of:
 - (1) A temporary layoff; or
 - (2) A strike, lockout, or other general work stoppage caused by a labor dispute between your collective bargaining unit and your Employer.
 - d. During a leave of absence if continuation of your insurance under the Group Policy is required by a state-mandated family or medical leave act or law.

- e. During any other scheduled leave of absence approved by your Employer in advance and in writing and lasting not more than the period shown in the **Coverage Features**.

G. Reinstatement Of Life Insurance

If your Life Insurance ends, you may become insured again as a new Member. However, 1 through 4 below will apply.

1. If your Life Insurance ends because you cease to be a Member, and if you become a Member again within 90 days, the Eligibility Waiting Period will be waived.
2. If your Life Insurance ends because you fail to make a required premium contribution, you must provide Evidence Of Insurability to become insured again.
3. If you exercised your Right To Convert, you must provide Evidence Of Insurability to become insured again.
4. If your Life Insurance ends because you are on a federal or state-mandated family or medical leave of absence, and you become a Member again immediately following the period allowed, your insurance will be reinstated pursuant to the federal or state-mandated family or medical leave act or law.

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SUPPLEMENTAL LIFE INSURANCE

A. Insuring Clause

If you die, while insured for Supplemental Life Insurance, or if your Spouse dies, while insured for Supplemental Life Insurance, we will pay benefits according to the terms of the Group Policy after we receive satisfactory Proof Of Loss.

B. Amount Of Supplemental Life Insurance

See **Coverage Features** for the schedule of Supplemental Life Insurance. If we approve Evidence Of Insurability, we will issue a notice showing the amount of Supplemental Life Insurance Benefit we have approved.

C. Changes In Supplemental Life Insurance

1. Increases

You must apply in writing for any increase in Supplemental Life Insurance on your life or on your Spouse's life. Subject to the **Active Work Provisions**, an increase in your Supplemental Life Insurance becomes effective on the date we approve your Evidence Of Insurability.

An increase in your Spouse's Supplemental Life Insurance becomes effective on the date we approve your Spouse's Evidence Of Insurability.

2. Decreases

A decrease in Supplemental Life Insurance because of a change in age becomes effective on the first day of the calendar month coinciding with or next following the change in age.

Any other decrease in Supplemental Life Insurance becomes effective on the first day of the calendar month coinciding with or next following the date the Policyowner or Employer receives your written request for the decrease.

D. Suicide Exclusion: Supplemental Life Insurance

If death results from suicide or other intentionally self-inflicted Injury, while sane or insane, 1 and 2 below will apply.

1. The amount payable will exclude the amount of Supplemental Life Insurance which has not been continuously in effect for at least 2 years on the date of death. In computing the 2-year period, we will include time insured under the Prior Plan.
2. We will refund all premiums paid for Supplemental Life Insurance which is excluded from payment under this suicide exclusion.

E. Becoming Insured For Supplemental Life Insurance

1. Eligibility

You and your Spouse are eligible if you are insured for Life Insurance.

A Member may not be insured as both a Member and a Spouse.

2. Effective Date

You must apply in writing for Supplemental Life Insurance on your life or on your Spouse's life and agree to pay premiums. All Supplemental Life Insurance is subject to Evidence Of Insurability.

Subject to the **Active Work Provisions**, your Supplemental Life Insurance becomes effective on the first day of the calendar month coinciding with or next following the date we approve your Evidence Of Insurability.

Your Spouse's Supplemental Life Insurance becomes effective on the date we approve your Spouse's Evidence Of Insurability.

F. When Supplemental Life Insurance Ends

Supplemental Life Insurance ends automatically for you and your Spouse on the earliest of:

1. The date all your Life Insurance ends;
2. The date the last period ends for which you made a premium contribution for the Supplemental Life Insurance;
3. The date you retire;
4. The date you die;
5. For your Spouse, the date of your divorce; and
6. The date Supplemental Life Insurance terminates under the Group Policy.

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DEPENDENTS LIFE INSURANCE

A. Insuring Clause

If your Dependent dies while insured for Dependents Life Insurance, we will pay benefits according to the terms of the Group Policy after we receive satisfactory Proof Of Loss.

B. Amount Of Dependents Life Insurance

See the **Coverage Features** for the amount of your Dependents Life Insurance.

C. Changes In Dependents Life Insurance

1. Increases

You must apply in writing for any elective increase in your Dependents Life Insurance.

Subject to the **Active Work Provisions**, an increase in your Dependents Life Insurance becomes effective as follows:

a. Increases Subject To Evidence Of Insurability

An increase in your Dependents Life Insurance subject to Evidence Of Insurability becomes effective on the date we approve that Dependent's Evidence Of Insurability.

b. Increases Not Subject To Evidence Of Insurability

An increase in your Dependents Life Insurance not subject to Evidence Of Insurability becomes effective on the first day of the calendar month coinciding with or next following the date you apply for an elective increase.

An increase in your Dependents Life Insurance because of an increase in your Life Insurance becomes effective on the date your Life Insurance increases.

2. Decreases

A decrease in your Dependents Life Insurance because of a decrease in your Life Insurance becomes effective on the date your Life Insurance decreases.

D. Definitions For Dependents Life Insurance

Dependent means your Spouse or Child. Dependent does not include a person who is a full-time member of the armed forces of any country.

E. Becoming Insured For Dependents Life Insurance

1. Eligibility

You become eligible to insure your Dependents on the later of:

- a. The date your Life Insurance becomes effective; and
- b. The date you first acquire a Dependent.

A Member may not be insured as both a Member and a Dependent. A Child may not be insured by more than one Member.

2. Effective Date

The **Coverage Features** states whether your Dependents Life Insurance is Contributory or Noncontributory. Subject to the **Active Work Provisions**, your Dependents Life Insurance becomes effective as follows:

a. Dependents Life Insurance Subject To Evidence Of Insurability

Dependents Life Insurance subject to Evidence Of Insurability becomes effective on the later of:

- 1. The date your Life Insurance becomes effective; and
- 2. The first day of the calendar month coinciding with or next following the date we approve the Dependent's Evidence Of Insurability.

b. Dependents Life Insurance Not Subject To Evidence Of Insurability

1. Noncontributory Dependents Life Insurance

Noncontributory Dependents Life Insurance not subject to Evidence Of Insurability becomes effective on the later of:

- i. The date your Life Insurance becomes effective; and
- ii. The date you first acquire a Dependent.

2. Contributory Dependents Life Insurance

You must apply in writing for Contributory Dependents Life Insurance and agree to pay premiums. Contributory Dependents Life Insurance not subject to Evidence Of Insurability becomes effective on the latest of:

- i. The date your Life Insurance becomes effective if you apply on or before that date;
- ii. The date you become eligible to insure your Dependents if you apply on or before that date; and
- iii. The date you apply if you apply within 31 days after you become eligible.

Late Application: Evidence Of Insurability is required for each Dependent if you apply more than 31 days after you become eligible.

c. While your Dependents Life Insurance is in effect, each new Child becomes insured immediately.

d. Takeover Provision

Each Dependent who was eligible under the Prior Plan for more than 31 days but was not insured must submit satisfactory Evidence Of Insurability to become insured for Dependents Life Insurance

F. When Dependents Life Insurance Ends

Dependents Life Insurance ends automatically on the earliest of:

1. Five months after you die (no premiums will be charged for your Dependents Life Insurance during this time);
2. The date your Life Insurance ends;
3. The date the Group Policy terminates, or the date Dependents Life Insurance terminates under the Group Policy;
4. The date the last period ends for which you made a premium contribution, if your Dependents Life Insurance is Contributory;
5. For your Spouse, the date of your divorce;
6. For any Dependent, the date the Dependent ceases to be a Dependent; and
7. For a Child who is Disabled, 90 days after we mail you a request for proof of Disability, if proof is not given.

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ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE

A. Insuring Clause

If you have an accident, while insured for AD&D Insurance, and the accident results in a Loss, we

will pay benefits according to the terms of the Group Policy after we receive satisfactory Proof Of Loss.

B. Definition Of Loss For AD&D Insurance

Loss means loss of life, hand, foot, or sight which:

1. Is caused solely and directly by an accident;
2. Occurs independently of all other causes; and
3. Occurs within 365 days after the accident.

With respect to a hand or foot, Loss means actual and permanent severance from the body at or above the wrist or ankle joint. With respect to sight, Loss means entire and irrecoverable loss of sight.

C. Amount Payable

See **Coverage Features** for the AD&D Insurance schedule. The amount payable is a percentage of the AD&D Insurance Benefit in effect on the date of the accident and is determined by the Loss suffered. See AD&D Table Of Losses in the **Coverage Features**.

D. Changes In AD&D Insurance

Changes in your AD&D Insurance will become effective on the date your Life Insurance changes.

E. AD&D Insurance Exclusions

No AD&D Insurance benefit is payable if the accident or Loss is caused or contributed to by any of the following:

1. War or act of War. War means declared or undeclared war, whether civil or international, and any substantial armed conflict between organized forces of a military nature.
2. Suicide or other intentionally self-inflicted Injury, while sane or insane.
3. Committing or attempting to commit an assault or felony, or actively participating in a violent disorder or riot. Actively participating does not include being at the scene of a violent disorder or riot while performing your official duties.
4. The voluntary use or consumption of any poison, chemical compound or drug, unless used or consumed according to the directions of a Physician.
5. Sickness or Pregnancy existing at the time of the accident.
6. Heart attack or stroke.
7. Medical or surgical treatment for any of the above.

F. Additional AD&D Benefits

Seat Belt Benefit

The amount of the Seat Belt Benefit is shown in the **Coverage Features**.

We will pay a Seat Belt Benefit if all of the following requirements are met:

1. You die as a result of an Automobile accident for which an AD&D Insurance Benefit is payable for Loss of your Life; and
2. You are wearing and properly utilizing a Seat Belt System at the time of the accident, as evidenced by a police accident report.

Seat Belt System means a properly installed combination lap and shoulder restraint system

that meets the Federal Vehicle Safety Standards of the National Highway Traffic Safety Administration. Seat Belt System will include a lap belt alone, but only if the Automobile did not have a combination lap and shoulder restraint system when manufactured. Seat Belt System does not include a shoulder restraint alone.

Automobile means a motor vehicle licensed for use on public highways.

Career Adjustment Benefit

The amount of the Career Adjustment Benefit is shown in the **Coverage Features**.

We will pay a Career Adjustment Benefit to your Spouse if all of the following requirements are met:

1. You are insured under the Group Policy.
2. You die as a result of an accident for which an AD&D Insurance Benefit is payable for Loss of your life.
3. Your Spouse is, within 36 months after the date of your death, registered and in attendance at a professional or trades training program for the purpose of obtaining employment or increasing earnings.

No Career Adjustment Benefit will be paid if you have no surviving Spouse

Child Care Benefit

The amount of the Child Care Benefit is shown in the **Coverage Features**.

We will pay a Child Care Benefit to your Spouse if all of the following requirements are met:

1. You are insured under the Group Policy.
2. You die as a result of an accident for which an AD&D Insurance Benefit is payable for Loss of your life.
3. Your Spouse pays a licensed child care provider who is not a member of your family for child care provided to your Child(ren) under age 13 within 36 months of your death.
4. The child care is necessary in order for your Spouse to work or to obtain training for work or to increase earnings.

No Child Care Benefit will be paid if you have no surviving Spouse.

Higher Education Benefit

The amount of the Higher Education Benefit is shown in the **Coverage Features**.

We will pay a Higher Education Benefit to your Child if all of the following requirements are met:

1. You are insured under the Group Policy.
2. You die as a result of an accident for which an AD&D Insurance Benefit is payable for Loss of your life.
3. Your Child is, within 12 months after the date of your death, registered and in full-time attendance at an accredited institution of higher education beyond high school.

The Higher Education Benefit will be paid annually to each Child who meets the requirements of item 3 above, for a maximum of 4 consecutive years beginning on the date of your death. No Higher Education Benefit will be paid if there is no Child eligible to receive it.

G. Becoming Insured For AD&D Insurance

1. Eligibility

You become eligible for AD&D Insurance on the date your Life Insurance is effective.

2. Effective Date

The **Coverage Features** states whether AD&D Insurance is Contributory or Noncontributory. Subject to the **Active Work Provisions**, AD&D Insurance becomes effective as follows:

a. Noncontributory AD&D Insurance

Noncontributory AD&D Insurance becomes effective on the date you become eligible.

b. Contributory AD&D Insurance

You must apply in writing for Contributory AD&D Insurance and agree to pay premiums. Contributory AD&D Insurance becomes effective on the later of:

- (i) The date you become eligible if you apply on or before that date.
- (ii) The first day of the calendar month coinciding with or next following the date you apply, if you apply after you become eligible.

H. When AD&D Insurance Ends

AD&D Insurance ends automatically on the earlier of:

1. The date your Life Insurance ends.
2. The date your Waiver Of Premium begins.
3. The date AD&D Insurance terminates under the Group Policy.

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ACTIVE WORK PROVISIONS

If you are incapable of Active Work because of Sickness, Injury or Pregnancy on the day before the scheduled effective date of your insurance or an increase in your insurance, your insurance or increase will not become effective until the day after you complete one full day of Active Work as an eligible Member.

Active Work and Actively At Work mean performing the material duties of your own occupation at your Employer's usual place of business.

You will also meet the Active Work requirement if:

1. You were absent from Active Work because of a regularly scheduled day off, holiday, or vacation day;
2. You were Actively At Work on your last scheduled work day before the date of your absence; and
3. You were capable of Active Work on the day before the scheduled effective date of your insurance or increase in your insurance.

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PORTABILITY OF INSURANCE

A. Portability Of Insurance

If your insurance under the Group Policy ends because your employment with your Employer terminates, you may be eligible to buy portable group insurance coverage as shown in the **Coverage Features** for yourself or your Dependents without submitting Evidence Of Insurability. To be eligible you must satisfy the following requirements:

1. On the date your employment terminates, you must be able to perform with reasonable continuity the material duties of at least one gainful occupation for which you are reasonably fitted by education, training and experience.

(If you are unable to meet this requirement, see the **Right To Convert** and **Waiver Of Premium** provisions for other options that may be available to you under the Group Policy.)
2. On the date your employment terminates, you are under age 65.
3. On the date your employment terminates, you must have been continuously insured under the Group Policy for at least 12 consecutive months. In computing the 12 consecutive month period, we will include time insured under the Prior Plan.
4. You must apply in writing and pay the first premium directly to us at our Home Office within 31 days after the date your employment terminates. You must purchase portable group life insurance coverage for yourself in order to purchase any other insurance eligible for portability.

This portable group insurance will be provided under a master Group Life Portability Insurance Policy we have issued to the Standard Insurance Company Group Insurance Trust. If approved, the certificate you will receive will be governed under the terms of the Group Life Portability Insurance Policy and will contain provisions that differ from your Employer's coverage under the Group Policy.

B. Amount Of Portable Insurance

The minimum and maximum amounts that you are eligible to buy under the Group Life Portability Insurance Policy are shown in the **Coverage Features**. You may buy less than the maximum amounts in increments of \$1,000.

The combined amounts of insurance purchased under this **Portability Of Insurance** provision and the **Right To Convert** provision cannot exceed the amount in effect under the Group Policy on the day before your employment terminates.

C. When Portable Insurance Becomes Effective

Portable group insurance will become effective the day after your employment with your Employer terminates, if you apply within 31 days after the date your employment terminates.

If death occurs within 31 days after the date insurance ends under the Group Policy, life insurance benefits, if any, will be paid according to the terms of the Group Policy in effect on the date your employment terminates and not the terms of the Group Life Portability Insurance Policy. AD&D benefits, if any, will be paid according to the terms of the Group Policy or the Group Life Portability Insurance Policy, but not both. In no event will the benefits paid exceed the amount in effect under the Group Policy on the day before your employment terminates.

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WAIVER OF PREMIUM

A. Waiver Of Premium Benefit

Insurance will be continued without payment of premiums while you are Totally Disabled if:

1. You become Totally Disabled while insured under the Group Policy and under age 60;
2. You complete your Waiting Period; and
3. You give us satisfactory Proof Of Loss.

B. Definitions For Waiver Of Premium

1. Insurance means all your insurance under the Group Policy, except AD&D Insurance.
2. Totally Disabled means that, as a result of Sickness, accidental Injury, or Pregnancy, you are unable to perform with reasonable continuity the material duties of any gainful occupation for which you are reasonably fitted by education, training and experience.
3. Waiting Period means the 180 consecutive day period beginning on the date you become Totally Disabled. Waiver Of Premium begins when you complete the Waiting Period.

C. Premium Payment

Premium payment must continue until the later of:

1. The date you complete your Waiting Period; and
2. The date we approve your claim for Waiver Of Premium.

D. Refund Of Premiums

We will refund up to 12 months of the premiums that were paid for Insurance after the date you become Totally Disabled.

E. Amount Of Insurance

The amount of Insurance continued without payment of premium is the amount in effect on the day before you become Totally Disabled, subject to the following requirements:

1. Insurance will be reduced or terminated according to the Group Policy provisions in effect on the day before you become Totally Disabled.
2. The amount of Supplemental Life Insurance on your Spouse will be the lesser of:
 - a. The amount in effect on the day before you become Totally Disabled; and
 - b. The amount in effect one year before the date you become Totally Disabled.
3. If you receive an Accelerated Benefit, Insurance will be reduced according to the **Accelerated Benefit** provision.

F. Effect Of Death During The Waiting Period

If you die during the Waiting Period and are otherwise eligible for Waiver Of Premium, the Waiting Period will be waived.

G. Termination Or Amendment Of The Group Policy

Insurance will not be affected by termination or amendment of the Group Policy after you become Totally Disabled.

H. When Waiver Of Premium Ends

Waiver Of Premium ends on the earliest of:

1. The date you cease to be Totally Disabled;
2. 90 days after the date we mail you a request for additional Proof Of Loss, if it is not given;
3. The date you fail to attend an examination or cooperate with the examiner;
4. With respect to the amount of Insurance which an insured has converted, the effective date of the individual life insurance policy issued to the insured; and
5. The date you reach age 65.

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ACCELERATED BENEFIT

A. Accelerated Benefit

If you qualify for Waiver Of Premium and give us satisfactory proof of having a Qualifying Medical Condition while you are insured under the Group Policy, you may have the right to receive during your lifetime a portion of your Insurance as an Accelerated Benefit. You must have at least \$10,000 of Insurance in effect to be eligible.

If your Insurance is scheduled to end within 24 months following the date you apply for the Accelerated Benefit, you will not be eligible for the Accelerated Benefit.

Qualifying Medical Condition means you are terminally ill as a result of an illness or physical condition which is reasonably expected to result in death within 12 months.

We may have you examined at our expense in connection with your claim for an Accelerated Benefit. Any such examination will be conducted by one or more Physicians of our choice.

B. Application For Accelerated Benefit

You must apply for an Accelerated Benefit. To apply you must give us satisfactory Proof Of Loss on our forms. Proof Of Loss must include a statement from a Physician that you have a Qualifying Medical Condition.

C. Amount Of Accelerated Benefit

You may receive an Accelerated Benefit of up to 75% of your Insurance. The maximum Accelerated Benefit is \$500,000. The minimum Accelerated Benefit is \$5,000 or 10% of your Insurance, whichever is greater.

If the amount of your Insurance is scheduled to reduce within 24 months following the date you apply for the Accelerated Benefit, your Accelerated Benefit will be based on the reduced amount.

The Accelerated Benefit will be paid to you once in your lifetime in a lump sum. If you recover from your Qualifying Medical Condition after receiving an Accelerated Benefit, we will not ask you for a refund.

D. Effect On Insurance And Other Benefits

For any purpose other than premium payment, the amount of your Insurance after payment of the Accelerated Benefit will be the greater of the amounts in (1) and (2) below; however, if you assign your rights under the Group Policy, the amount of your Insurance will be the amount in (2) below.

- (1) 10% of the amount of your Insurance as if no Accelerated Benefit had been paid; or

(2) The amount of your Insurance as if no Accelerated Benefit had been paid; minus

The amount of the Accelerated Benefit; minus

An interest charge calculated as follows:

A times B times C divided by 365 = interest charge.

A = The amount of the Accelerated Benefit.

B = The monthly average of our variable policy loan interest rate.

C = The number of days from payment of the Accelerated Benefit to the earlier of (1) the date you die, and (2) the date you have a Right To Convert.

Your AD&D Insurance, if any, is not affected by payment of the Accelerated Benefit.

E. Exclusions

No Accelerated Benefit will be paid if:

1. All or part of your Insurance must be paid to your Child(ren), or your Spouse or former Spouse as part of a court approved divorce decree, separate maintenance agreement, or property settlement agreement.
2. You are married and live in a community property state unless you give us a signed written consent from your Spouse.
3. You have made an assignment of all or part of your Insurance unless you give us a signed written consent from the assignee.
4. You have filed for bankruptcy, unless you give us written approval from the Bankruptcy Court for payment of the Accelerated Benefit.
5. You are required by a government agency to use the Accelerated Benefit to apply for, receive, or continue a government benefit or entitlement.
6. You have previously received an Accelerated Benefit under the Group Policy.

F. Definitions For Accelerated Benefit

Insurance means your Life Insurance Benefit and Supplemental Life Insurance Benefit, if any, under the Group Policy.

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RIGHT TO CONVERT

A. Right To Convert

You may buy an individual policy of life insurance without Evidence Of Insurability if:

1. Your Insurance ends or is reduced due to a Qualifying Event; and
2. You apply in writing and pay us the first premium during the Conversion Period

Except as limited under C. Limits On Right To Convert, the maximum amount you have a Right To Convert is the amount of your Insurance which ended.

B. Definitions For Right To Convert

1. Conversion Period means the 31-day period after the date of any Qualifying Event.
2. Insurance means all your insurance under the Group Policy, including insurance continued under Waiver Of Premium, but excluding AD&D Insurance.

3. Qualifying Event means termination or reduction of your Insurance for any reason except:
 - a. The Member's failure to make a required premium contribution
 - b. Payment of an Accelerated Benefit.

4. You and your mean any person insured under the Group Policy.

C. Limits On Right To Convert

If your Insurance ends or is reduced because of termination or amendment of the Group Policy, 1 and 2 below will apply.

1. You may not convert Insurance which has been in effect for less than the Minimum Time Insured. See **Coverage Features**.
2. The maximum amount you have a Right To Convert is the lesser of:
 - a. The amount of your Insurance which ended, minus any other group life insurance for which you become eligible during the Conversion Period; and
 - b. The Maximum Conversion Amount. See **Coverage Features**.

D. The Individual Policy

You may select any form of individual life insurance policy we issue to persons of your age, except:

1. A term insurance policy;
2. A universal life policy;
3. A policy with disability, accidental death, or other additional benefits; or
4. A policy in an amount less than the minimum amount we issue for the form of life insurance you select.

The individual policy of life insurance will become effective on the day after the end of the Conversion Period. We will use our published rates for standard risks to determine the premium.

E. Death During The Conversion Period

If you die during the Conversion Period, we will pay a death benefit equal to the maximum amount you had a Right To Convert, whether or not you applied for an individual policy. The benefit will be paid according to the **Benefit Payment And Beneficiary Provisions**.

II RC OT 1

CLAIMS

A. Filing A Claim

Claims should be filed on our forms. If we do not provide our forms within 15 days after they are requested, the claim may be submitted in a letter to us.

B. Time Limits On Filing Proof Of Loss

Proof Of Loss must be provided within 90 days after the date of the loss. If that is not possible, it must be provided as soon as reasonably possible, but not later than one year after that 90-day period.

Proof Of Loss for Waiver Of Premium must be provided within 12 months after the end of the Waiting Period. We will require further Proof Of Loss at reasonable intervals, but not more often than once a year after you have been continuously Totally Disabled for two years.

If Proof Of Loss is filed outside these time limits, the claim will be denied. These limits will not apply while the Member or Beneficiary lacks legal capacity.

C. Proof Of Loss

Proof Of Loss means written proof that a loss occurred:

1. For which the Group Policy provides benefits;
2. Which is not subject to any exclusions; and
3. Which meets all other conditions for benefits.

Proof Of Loss includes any other information we may reasonably require in support of a claim. Proof Of Loss must be in writing and must be provided at the expense of the claimant. No benefits will be provided until we receive Proof Of Loss.

D. Investigation Of Claim

We may have you examined at our expense at reasonable intervals. Any such examination will be conducted by specialists of our choice.

We may have an autopsy performed at our expense, except where prohibited by law.

E. Time Of Payment

We will pay benefits within 60 days after Proof Of Loss is satisfied.

F. Notice Of Decision On Claim

The claimant will receive a written decision on a claim within a reasonable time after we receive the claim.

If the claimant does not receive our decision within 90 days after we receive the claim, the claimant will have an immediate right to request a review as if the claim had been denied.

If we deny any part of the claim, the claimant will receive a written notice of denial containing:

1. The reasons for our decision;
2. Reference to the parts of the Group Policy on which our decision is based;
3. A description of any additional information needed to support the claim; and
4. Information concerning the claimant's right to a review of our decision

G. Review Procedure

If all or part of a claim is denied, the claimant must request a review in writing within 60 days after receiving notice of the denial.

The claimant may send us written comments or other items to support the claim, and may review any nonprivileged information that relates to the request for review.

We will review the claim promptly after we receive the request. We will send notice of our decision within 60 days after we receive the request, or within 120 days if special circumstances require an extension. We will state the reasons for our decision and refer to the relevant parts of the Group Policy.

II CL OT 1

ASSIGNMENT

The rights and benefits under the Group Policy cannot be assigned.

LIAS OT 1

BENEFIT PAYMENT AND BENEFICIARY PROVISIONS

A. Payment Of Benefits

1. Except as provided in item 6 below, benefits payable because of your death will be paid to the Beneficiary you name. See B through E of this section.
2. AD&D Insurance benefits payable for Losses other than Loss of Life will be paid to the person who suffers the Loss for which benefits are payable. Any such benefits remaining unpaid at that person's death will be paid according to the provisions for payment of a death benefit.
3. The benefits below will be paid to you if you are living.
 - a. AD&D Insurance benefits payable because of the death of your Dependent.
 - b. Dependents Life Insurance benefits.
 - c. Supplemental Life Insurance benefits payable because of the death of your Spouse.
 - d. Accelerated Benefits.
4. Dependents Life Insurance benefits and AD&D Insurance benefits payable because of the death of your Dependent which are unpaid at your death will be paid in equal shares to the first surviving class of the classes below.
 - a. The children of the Dependent.
 - b. The parents of the Dependent.
 - c. The brothers and sisters of the Dependent.
 - d. Your estate.
5. Supplemental Life Insurance benefits payable because of the death of your Spouse which are unpaid at your death will be paid in equal shares to the first surviving class of the classes below.
 1. The children of your Spouse.
 2. The parents of your Spouse.
 3. The brothers and sisters of your Spouse.
 4. Your estate.
6. Additional Benefits will be paid as follows:

The Child Care Benefit will be paid to your surviving Spouse. No Child Care Benefit will be paid if you have no Spouse.

The Career Adjustment Benefit will be paid to your Spouse. No Career Adjustment Benefit will be paid if you have no Spouse.

The Higher Education Benefit will be paid annually to each eligible Child. No Higher Education Benefit will be paid if there is no Child eligible to receive it.

The Repatriation Benefit will be paid to the person who incurs the transportation expenses

B. Naming A Beneficiary

Beneficiary means a person you name to receive death benefits.

You may name one or more Beneficiaries. Two or more surviving Beneficiaries will share equally, unless you specify otherwise. You may name or change Beneficiaries at any time without the consent of a Beneficiary.

Your Beneficiary designation must be the same for Life Insurance and AD&D Insurance death benefits. Your Beneficiary designations for Life Insurance and your Supplemental Life Insurance may be different.

You must name or change Beneficiaries in writing. Your designation:

1. Must be dated and signed by you;
2. Must be delivered to the Policyowner or Employer during your lifetime;
3. Must relate to the insurance provided under the Group Policy; and
4. Will take effect on the date it is delivered to the Policyowner or Employer

If we approve it, a written designation signed and dated by you under the Prior Plan will be accepted as your Beneficiary designation under the Group Policy.

C. Simultaneous Death Provision

If a Beneficiary dies on the same day you die, or within 15 days thereafter, benefits will be paid as if that Beneficiary had died before you, unless Proof Of Loss with respect to your death is delivered to us before the date of the Beneficiary's death.

D. No Surviving Beneficiary

If you do not name a Beneficiary, or if you are not survived by one, benefits will be paid in equal shares to the first surviving class of the classes below.

1. Your spouse.
2. Your children.
3. Your parents.
4. Your brothers and sisters.
5. Your estate.

E. Methods Of Payment

Recipient means a person who is entitled to benefits under this **Benefit Payment and Beneficiary Provisions** section.

1. Lump Sum

If the amount payable to a Recipient is less than \$10,000, we will pay it in a lump sum.

2. Standard Secure Access Checking Account

If the amount payable to a Recipient is \$10,000 or more, we will deposit it into a Standard Secure Access checking account which:

- a. Bears interest;
- b. Is owned by the Recipient;

- c. Is subject to the terms and conditions of a confirmation certificate which will be given to the Recipient; and
 - d. Is fully guaranteed by us.
3. Installments
- Payment to a Recipient may be made in installments if:
- a. The amount payable is \$10,000 or more;
 - b. The Recipient chooses; and
 - c. We agree.

To the extent permitted by law, the amount payable to the Recipient will not be subject to any legal process or to the claims of any creditor or creditor's representative.

(FB_REPA1) LI.BB OT 1

ALLOCATION OF AUTHORITY

Except for those functions which the Group Policy specifically reserves to the Policyowner, we have full and exclusive authority to control and manage the Group Policy, to administer claims, and to interpret the Group Policy and resolve all questions arising in the administration, interpretation, and application of the Group Policy.

Our authority includes, but is not limited to:

- 1. The right to resolve all matters when a review has been requested;
- 2. The right to establish and enforce rules and procedures for the administration of the Group Policy and any claim under it;
- 3. The right to determine:
 - a. Eligibility for insurance;
 - b. Entitlement to benefits;
 - c. Amount of benefits payable;
 - d. Sufficiency and the amount of information we may reasonably require to determine a , b., or c., above.

Subject to the review procedures of the Group Policy, any decision we make in the exercise of our authority is conclusive and binding.

LI.AL OT 1

TIME LIMITS ON LEGAL ACTIONS

No action at law or in equity may be brought until 60 days after we have been given Proof Of Loss. No such action may be brought more than three years after the earlier of:

- 1. The date we receive Proof Of Loss; and
- 2. The time within which Proof Of Loss is required to be given.

LI.II OT 1

INCONTESTABILITY PROVISIONS

A. Incontestability Of Insurance

Any statement made to obtain insurance is a representation and not a warranty.

No misrepresentation will be used to reduce or deny a claim unless:

1. The insurance would not have been approved if we had known the truth; and
2. We have given you or any other person claiming benefits a copy of the signed written instrument which contains the misrepresentation.

We will not use a misrepresentation to reduce or deny a claim after the insured's insurance has been in effect for two years.

B. Incontestability Of Group Policy

Any statement made by the Policyowner or Employer to obtain the Group Policy is a representation and not a warranty.

No misrepresentation by the Policyowner or Employer will be used to deny a claim or to deny the validity of the Group Policy unless:

1. The Group Policy would not have been issued if we had known the truth; and
2. We have given the Policyowner or Employer a copy of a written instrument signed by the Policyowner or Employer which contains the misrepresentation.

The validity of the Group Policy will not be contested after it has been in force for two years, except for nonpayment of premiums.

LI IN OT 1

DEFINITIONS

AD&D Insurance means accidental death and dismemberment insurance, if any, under the Group Policy.

Annual Earnings means your annual rate of earnings from your Employer. Your Annual Earnings will be based on your earnings in effect on your last full day of Active Work unless a different date applies (see the **Coverage Features**).

A. Partners, P.C. Partners, Owner-Employees, Sole Proprietors and S-Corporation Shareholders

If you are a Partner, Owner-Employee, Sole Proprietor or S-Corporation Shareholder, Annual Earnings means your annual compensation from your Employer during the Employer's prior tax year. If you are a P.C. Partner, Annual Earnings means your annual compensation received by your professional corporation from the Policyowner during the Policyowner's prior tax year. Your annual compensation is determined by adding the following amounts as reported on the applicable Schedule K-1, Schedule C, Form W-2 or S-Corporation federal income tax return:

1. Your ordinary income (loss) from trade or business activity(ies).
2. Your guaranteed payments, if you are a Partner.
3. Your net profit from business.
4. Your compensation (as an officer), salary, or wages, if you are an S-Corporation Shareholder.

If you were not a Partner, P.C. Partner, Owner-Employee, Sole Proprietor or S-Corporation Shareholder during the entire prior tax year, your Annual Earnings will be 12 times your average

monthly compensation for your period as a Partner, P.C. Partner, Owner-Employee, Sole Proprietor or S-Corporation Shareholder.

B. All Other Members

Annual Earnings includes:

1. Commissions averaged over the Earnings Period shown in the **Coverage Features** or over the period of your employment if less than the Earnings Period.
2. Shift differential pay.

Annual Earnings does not include:

1. Bonuses.
2. Overtime pay.
3. Any other extra compensation.

C. All Members

Annual Earnings includes:

1. Contributions you make through a salary reduction agreement with your Employer to:
 - a. An Internal Revenue Code (IRC) Section 401(k), 403(b), 408(k), or 457 deferred compensation arrangement; or
 - b. An executive nonqualified deferred compensation arrangement.
2. Amounts contributed to your fringe benefits according to a salary reduction agreement under an IRC Section 125 plan.

Annual Earnings does not include your Employer's contributions on your behalf to any deferred compensation arrangement or pension plan.

Child means:

1. Your unmarried child from live birth through age 20 (through age 24 if a registered student in full time attendance at an accredited educational institution); or
2. Your unmarried child who meets either of the following requirements:
 - a. The child is insured under the Group Policy and, on and after the date on which insurance would otherwise end because of the Child's age, is continuously Disabled.
 - b. The child was insured under the Prior Plan on the day before the effective date of your Employer's coverage under the Group Policy and was Disabled on that day, and is continuously Disabled thereafter.

Child includes any of the following, if they otherwise meet the definition of Child:

- i. Your adopted child; or
- ii. Your stepchild, if living in your home;

Your child is Disabled if your child is:

1. Continuously incapable of self-sustaining employment because of mental retardation or physical handicap; and
2. Chiefly dependent upon you for support and maintenance, or institutionalized because of mental retardation or physical handicap.

You must give us proof your Child is Disabled on our forms within 31 days after a) the date on which insurance would otherwise end because of the Child's age or b) the effective date of your Employer's coverage under the Group Policy if your child is Disabled on that date. At reasonable intervals thereafter, we may require further proof, and have your Child examined at our expense.

Contributory means you pay all or part of the premium for insurance.

Dependents Life Insurance means dependents life insurance, if any, under the Group Policy.

Eligibility Waiting Period means the period you must be a Member before you become eligible for insurance. See **Coverage Features**

Evidence Of Insurability means an applicant must:

1. Complete and sign our medical history statement;
2. Sign our form authorizing us to obtain information about the applicant's health;
3. Undergo a physical examination, if required by us, which may include blood testing; and
4. Provide any additional information about the applicant's insurability that we may reasonably require.

Group Policy means the group life insurance policy issued by us to the Policyowner and identified by the Group Policy Number.

Injury means an injury to your body.

Life Insurance means life insurance under the Group Policy.

Noncontributory means the Policyowner or Employer pays the entire premium for insurance.

Physician means a licensed M.D. or D.O., acting within the scope of the license. Physician does not include you or your spouse, or the brother, sister, parent or child of either you or your spouse

Pregnancy means your pregnancy, childbirth, or related medical conditions, including complications of pregnancy.

Prior Plan means your Employer's group life insurance plan in effect on the day before the effective date of your Employer's coverage under the Group Policy and which is replaced by the Group Policy.

Sickness means your sickness, illness, or disease.

Spouse means a person to whom you are legally married. Spouse does not include a person who is a full-time member of the armed forces of any country.

Supplemental Life Insurance means supplemental life insurance, if any, under the Group Policy.

(KI_REG WITH COM) LI DEF OT 1

POLICYOWNER PROVISIONS

A. Premiums

The premium due on each Premium Due Date is the sum of the premiums for all persons then insured. Premium Rates are shown in the **Coverage Features**.

B. Contributions From Members

The Policyowner determines the amount, if any, of each Member's contribution toward the cost of insurance under the Group Policy.

C. Changes In Premium Rates

We may change Premium Rates for Supplemental Life Insurance upon 31 days written notice, but not more often than once in any calendar year.

We may change any other Premium Rates when:

1. A change or clarification in law or governmental regulation affects the amount payable under the Group Policy. Any such change in Premium Rates will reflect only the change in our obligations; or
2. The number of insured Members changes by 25% or more; or
3. We and the Policyowner mutually agree to change Premium Rates.

Except as provided above, Premium Rates will not be changed during the Initial Rate Guarantee Period shown in the **Coverage Features**. Thereafter, except as provided above, we may change Premium Rates upon advance written notice to the Policyowner. The minimum advance notice is shown in the **Coverage Features** as Notice of Rate Change. Any such change in Premium Rates may be made effective on any Premium Due Date, but no such change will be made more than once in any contract year. Contract years are successive 12 month periods computed from the end of the Initial Rate Guarantee Period.

D. Payment Of Premiums

All premiums are due on the Premium Due Dates shown in the **Coverage Features**.

Each premium is payable on or before its Premium Due Date directly to us at our home office. The payment of each premium as it becomes due will maintain the Group Policy in force until the next Premium Due Date.

E. Grace Period And Termination For Nonpayment

If a premium is not paid on or before its Premium Due Date, it may be paid during the following Grace Period. The length of the Grace Period is shown in the **Coverage Features**. The Group Policy will remain in force during the Grace Period.

If the premium is not paid during the Grace Period, the Group Policy will terminate automatically at the end of the Grace Period.

The Policyowner is liable for premium for insurance under the Group Policy during the Grace Period. We may charge interest at the legal rate for any premium which is not paid during the Grace Period, beginning with the first day after the Grace Period.

F. Termination For Other Reasons

The Policyowner may terminate the Group Policy by giving us written notice. The effective date of termination will be the later of:

1. The date stated in the notice; and
2. The date we receive the notice.

We may terminate the Group Policy as follows:

1. On any Premium Due Date if the number of persons insured is less than the Minimum Participation Number or less than the Minimum Participation Percentage shown in the **Coverage Features**
2. On any Premium Due Date if we determine that the Policyowner has failed to promptly furnish any necessary information requested by us, or has failed to perform any other obligations relating to the Group Policy

The minimum advance notice of such termination by us is the same as the Notice of Rate Change stated in the **Coverage Features**.

G. Premium Adjustments

Premium adjustments involving a return of unearned premiums to the Policyowner will be limited to the 12 months just before the date we receive a request for premium adjustment.

H. Certificates

We will issue certificates to the Policyowner showing the coverage under the Group Policy. The Policyowner will distribute a certificate to each insured Member.

I. Records And Reports

The Policyowner or Employer will furnish on our forms all information reasonably necessary to administer the Group Policy. We have the right at all reasonable times to inspect the payroll and other records of the Policyowner or Employer which relate to insurance under the Group Policy.

Clerical error by the Policyowner will not:

1. Cause a person to become insured;
2. Invalidate insurance otherwise validly in force; or
3. Continue insurance otherwise validly terminated.

J. Misstatement Of Age

If a person's age has been misstated, we will make an equitable adjustment of premiums, benefits, or both. The adjustment will be based on:

1. The amount of insurance based on the correct age; and
2. The difference between the premiums paid and the premiums which would have been paid if the age had been correctly stated.

K. Entire Contract, Changes

The Group Policy and the application of the Policyowner constitute the entire contract between the parties. A copy of the Policyowner's application is attached to the Group Policy when issued.

The Group Policy may be changed in whole or in part. No change in the Group Policy will be valid unless it is approved in writing by one of our executive officers and given to the Policyowner for attachment to the Group Policy. No agent has authority to change the Group Policy or to waive any of its provisions.

L. Effect On Workers' Compensation, State Disability Insurance

The coverage provided under the Group Policy is not a substitute for coverage under a workers' compensation or state disability income benefit law and does not relieve the Employer of any obligation to provide such coverage.

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Employee Benefits Reports OnlineSM

Secure and timely claims management information


Policyholders have ready access to disability and life claim status, payment and experience data from Standard Insurance Company with Reports OnlineSM claims management reports. Available as one of our Web-based AdminEASESM services, the reports allow employers to quickly check the status of submitted claims, confirm when benefits checks have been issued and monitor claims experience.

Access is simple, yet secure. The Standard uses advanced password protection and encryption technology to provide policyholders with a safe avenue to the available claim data and reports. Once connected, it's as easy as "point and click" to view claim information or to print reports upon demand.

Features and Advantages of Reports Online

- Provides a secure, private and convenient method for benefits managers to monitor sensitive claims information
- Enables policyholders to limit access to authorized individuals only
- Includes reports designed to satisfy the specific information needs of self-funded and insured groups
- Allows for viewing, downloading and printing of data as needed
- Updates claim status data on a daily basis, including reason for incomplete, pending, denied and closed claims
- Posts payment records, with benefit calculation details, on a daily basis
- Provides quarterly case management reports to track and evaluate disability trends and expenses by diagnosis type, occupation and duration
- Provides quarterly diagnosis summary reports for life claims

With Reports Online, it's easier than ever to track and manage claims information.



For more information about how to put AdminEASE or Reports Online services to work for you, call your insurance advisor or Employee Benefits Sales and Service Office for your area today at 800.633.8575

Standard Insurance Company
1100 SW Sixth Avenue
Portland, OR 97204
www.standard.com

A subsidiary of StanCorp Financial Group, Inc.



Admin**EASE**

Admin**EASE** plan
administration tools
deliver instant,
round-the-clock access
to the resources, tools
and forms specific
to your insurance
products and services
with Standard
Insurance Company.



Item # 2

STANDARD INSURANCE COMPANY

Fast, easy and secure

AdminEASESM plan administration tools
boost productivity and save time

SIMPLE AND STRAIGHTFORWARD

AdminEASE plan administration tools deliver specific plan details coupled with the latest industry information. Our suite of online services is one more way that Standard Insurance Company fulfills our promise of exceptional customer service. We focus on meeting employers' needs through technology that makes it easy to do business with us.

AdminEASE Plan Administration Tools

Administering employee benefits plans with The Standard is now simpler and more straightforward than ever before. AdminEASE plan administration tools offer convenient ways for employers to streamline the plan administration process.

Eliminate tasks such as sorting through papers and filing policy documents. Never wonder whether important forms have been lost in the mail. The Standard offers all the tools necessary for administering insurance plans online.

Electronic Billing Administration

Electronic Billing Administration provides 24/7 online premium statement access, simplifies the reporting process and delivers tailored billing options

- View recent billing statements
- Update employee profiles
- Change coverage amounts for eligible employees

Reports Online Claims Management Tool

Our Reports OnlineSM claims management tool makes it easy to access and monitor claims experience and payment history

- Obtain secure, daily claims payment information
- Download and combine easy-to-read reports
- Track, monitor and evaluate claim trends and expenses

H T F O R W A R D

E-Contract Documents Service

Offering simplified distribution of insurance documents, our E-Contract DocumentsSM service helps benefit administrators eliminate tasks such as sorting through papers and manually filing policy documents. Contract documents are just a point-and-click away with this secure, password-protected service.

- Access group policies, certificates, amendments and notices
- Deliver certificates to employees electronically via e-mail or the employer's intranet

E-Services Administration

AdminEASE plan administration tools allow employers to control who can access their plan information, accommodating administrators in multiple locations when needed

- Grant and modify user access privileges
- Control different user access levels

Employer Claim Submission

It's now easier than ever to submit claims to The Standard. Our Employer Claim Submission feature offers a reliable and secure way to initiate the claims process online

- Complete streamlined employer form electronically and get immediate confirmation of receipt
- Distribute claim forms directly to employees via e-mail or the employer's intranet

Group Insurance Plan Administration Guide

Whether updating pertinent employee information, adding a new employee, changing an employee's beneficiary or submitting a claim, instructions are easy to find in our online administration guide

- Access detailed plan administration instructions online
- Download and print the entire guide

Industry References

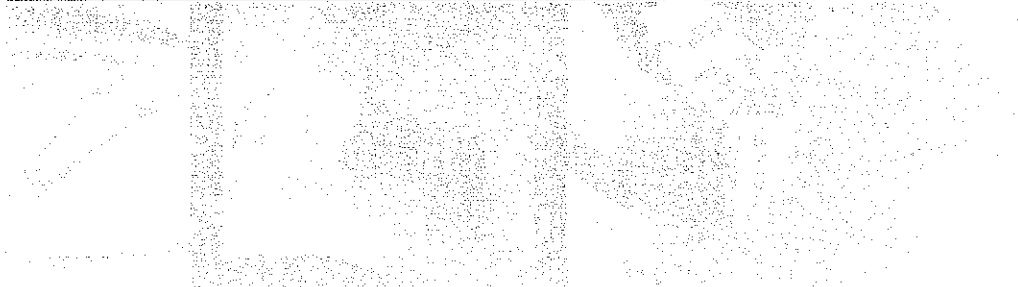
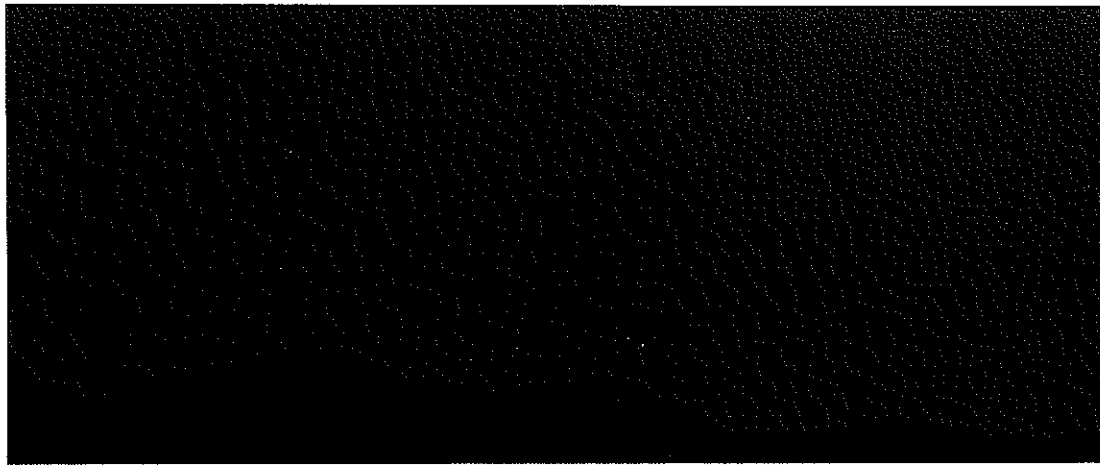
From disability to life insurance to taxation questions, the Industry References library delivers information about the issues that matter most to employers and benefit administrators.

- Keep up on the latest in employee benefits news and resources
- Save time by researching information in one convenient location

My Forms

Providing Web access to The Standard's group insurance administration forms, our online My Forms service is a convenient resource available whenever employers need it.

- Complete, download or order forms electronically
- Eliminate storage of multiple or outdated forms



AdminEASE



AdminEASE plan administration
tools are fast, easy and secure.

For an online demonstration, visit:
<http://adminease.standard.com>.

For more information about how
AdminEASE plan administration
tools can save time and simplify
plan administration, contact your
insurance advisor or local
Employee Benefits Sales and
Service Office at 800.633.8575.



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Portland OR 97204

www.standard.com

A subsidiary of StanCorp Financial Group, Inc

Item # 2



TheStandardSM
Positively different

Group Life Insurance

Help Protect Loved Ones from Financial Hardship



Item # 2

Your Proposed Group Life Insurance Plan

Standard Insurance Company appreciates the opportunity to provide you with a proposal for Group Life insurance. This booklet and the Employee Benefits Proposal together outline the basic features of your proposed insurance plan. These documents are not a contract.

Establishing Group Life insurance coverage with The Standard requires your completed, signed application for group insurance and our acceptance of it. When we approve your application, we will issue you a *group policy* containing our customary language. It will not duplicate the language of any existing policies you may have.

Your *group policy* with The Standard will contain provisions, exclusions, limitations and defined terms not described in this booklet or the Employee Benefits Proposal. When used in this booklet, defined terms and provisions from the *group policy* will appear italicized. If any discrepancies exist between the *group policy*, the Employee Benefits Proposal and this booklet, your *group policy* will control.

Your *group policy* will become effective on the date determined by The Standard, which will be clearly stated on your policy. We will also supply you with certificates of insurance, describing the coverage in detail, for you to deliver to your insured employees.

The proposed premium rate and plan design for your Group Life coverage, Voluntary Life, Additional Life, Accidental Death and Dismemberment (AD&D), Supplemental Life and Dependents Life coverage if selected, are based on the underwriting data received. We will determine final premium rates and plan provisions on the basis of state law, *policyholder* contributions, confirmation of occupations, the actual composition of the group of employees who become insured and our current underwriting rules and practices. This proposal will expire on the date shown in the Employee Benefits Proposal.

Thank you for considering The Standard for your group term life insurance needs. Should you have any questions or need additional information, please contact your insurance advisor or the Employee Benefits Sales and Service Office for your area.



TheStandardSM
Positively different

Group Life Insurance

The Foundation of an Employee Benefits Program

As the foundation of an employee benefits program, Group Life insurance from Standard Insurance Company offers you the opportunity to help protect your employees and their families from financial hardship in the event of death. It includes competitive features, a variety of plan designs and family-friendly provisions. Benefit schedules may be based on uniform amounts, multiples of salary or employee classifications.

To help provide additional financial security, you may combine Group Life insurance with Accidental Death and Dismemberment (AD&D), Supplemental Life and Dependents Life insurance. The Standard also offers *contributory* plans, Voluntary Life and Additional Life, as cost-effective alternatives to meet the needs of both *employers* and employees.

Group Life Insurance Features

Accelerated Benefit

No one plans to have a terminal illness. However, in the event that an employee experiences the unexpected, the *Accelerated Benefit* from The Standard can help ease financial concerns in the face of adversity.

The Standard typically includes the *Accelerated Benefit* with all Group Life insurance policies that contain a *Waiver of Premium* provision. With this benefit, eligible employees suffering from terminal illnesses may receive an early payout of a portion of their *life insurance benefit*.

Employees may receive up to 75 percent of their *life insurance benefit*, but not more than \$500,000, in a one-time lump sum payment. The minimum *Accelerated Benefit* amount is \$5,000 or 10 percent of an insured employee's *life insurance benefit*, whichever is greater.

To qualify for the *Accelerated Benefit*, an eligible employee must qualify for *Waiver of Premium* and provide satisfactory proof of a *qualifying medical condition* that is reasonably expected to result in death



within 12 months. If *Waiver of Premium* terminates at a given age, application for the *Accelerated Benefit* must be made at least 24 months before reaching that age.

After the payment of the *Accelerated Benefit*, the remaining *life insurance benefits* are subject to interest charges. A minimum of 10 percent of the life insurance coverage will be paid to the *beneficiary* even if interest charges on the accelerated amount would have exhausted the remaining benefits over time. If insured employees assign their rights under the Group Life insurance policy, the 10 percent minimum benefit will not apply.

Eligible employees may use the money to help maintain their quality of life during an emotionally and financially difficult situation. An *Accelerated Benefit* may be taxable, however, and its receipt may affect eligibility for public assistance programs.

Waiver of Premium

With the *Waiver of Premium* benefit, eligible employees may be able to continue their Group Life, Additional Life, Supplemental Life and any Dependents Life insurance without payment of premium if they become *totally disabled*. The amount of insurance continued under the *Waiver of Premium* provision corresponds to the Group Life, Additional Life, Supplemental Life and Dependents Life insurance schedules, including reductions

Typically, to qualify for *Waiver of Premium*, an insured employee must become *totally disabled* before age 60 and must remain *totally disabled* for at least 180 consecutive days. Insurance coverage continues without premium payment as long as the eligible employee remains *totally disabled* and meets applicable age requirements. Satisfactory proof of *total disability* must be periodically submitted to The Standard. AD&D coverage, if any, may not be continued under this provision.

Portability of Insurance

Portability of Insurance provides a convenient group life insurance option for eligible employees when their employment terminates. Depending upon state requirements, your plan may include one of the following provisions.¹

Provision to Buy Group Life Portability Insurance (True Portability Option)²

Where available, this *Portability of Insurance* provision is automatically included at no additional cost in all new Group Life insurance plans offered by The Standard, including those with AD&D or Dependents Life insurance. This provision offers eligible employees the option to purchase up to the amount of Group Life insurance coverage in force under the *group policy*, subject to minimum and maximum amounts, without submitting *evidence of insurability*. If approved, portable group life insurance amounts will remain in force as long as premiums are paid, regardless of whether the Group Life insurance plan with The Standard terminates. The portable group life coverage will not terminate due to age, but it is subject to age reductions. Any AD&D coverage purchased with portable group life insurance will terminate at age 65.

To be eligible for this coverage, on the date employment terminates, employees must:³

- Be under age 65
- Have been continuously insured under the *group policy* or the *prior plan* for at least 12 consecutive months

¹ Please consult your Standard Insurance Company Employee Benefits Sales and Service representative regarding the available Portability of Insurance provision. Portability of Insurance is not available in all states.

² Not available in Maine, Michigan, Minnesota, South Dakota, Vermont and Washington.

- Be able to perform with reasonable continuity the material duties of at least one gainful occupation for which they are reasonably fitted by education, training and experience

Provision to Continue Coverage (24-month Portability Option)⁴

Where available, the *Portability of Insurance* provision allows eligible employees to apply to continue qualifying amounts of Group Life insurance, subject to minimum and maximum amounts, without submitting *evidence of insurability*. The coverage that may be continued must have been in effect for at least 12 consecutive months on the date employment terminates. If approved, coverage may be continued for a maximum of 24 months, provided premiums are paid.

To be eligible for this coverage, on the date employment terminates, employees must:

- Have been continuously insured under the *group policy* or the *prior plan* for at least 12 consecutive months
- Not be terminating employment due to retirement
- Be able to perform with reasonable continuity the material duties of at least one gainful occupation for which they are reasonably fitted by education, training and experience

AD&D insurance and coverage continued under *Waiver of Premium* may not be continued under this provision.

Coverage under this provision terminates if the former employee becomes insured under another group life insurance plan, your Group Life insurance plan with The Standard terminates or the former employee fails to pay premiums, whichever occurs first.

³ These eligibility requirements do not apply in Massachusetts.

⁴ Available only in Maine, Michigan, Minnesota, South Dakota, Vermont and Washington.



Conversion to Individual Life Insurance

The *Right to Convert* provision is another life insurance option for eligible employees if their Group Life insurance ends or is reduced for any reason other than failure to pay premiums. Under this provision, eligible employees have the right to convert their Group Life insurance, including any Additional Life, Supplemental Life and Dependents Life insurance, to certain types of individual life insurance policies without having to provide *evidence of insurability*. The employee must apply for conversion and pay the required premium within 31 days after group coverage ends or reduces. AD&D coverage may not be converted under this provision.

If Group Life insurance discontinues or reduces because of termination or an amendment of the *group policy*, eligible employees may convert the Group Life insurance that has been in effect for at least five years.⁵ The maximum amount which may be converted is the lesser of:

- The amount of Group Life insurance which ended, minus other group life insurance for which the employee is eligible, and
- The maximum conversion amount allowed by law as shown in the *group policy*.

Repatriation Benefit

The Standard typically includes the *Repatriation Benefit* with every Group Life insurance policy. This provides an additional benefit to help pay for expenses associated with transportation of the body of an eligible deceased employee. If the place of death is

more than 200 miles away from the employee's primary place of residence, The Standard will help pay to return the body to a mortuary near the home of the deceased. The Standard will reimburse actual expenses up to \$5,000 or 10 percent of the *life insurance benefit*, whichever is less.

MEDEX Travel Assist

MEDEX® Travel Assist gives employees an additional sense of security when they are traveling more than 100 miles from home or internationally. Automatically offered with all Group Life insurance policies, MEDEX Travel Assist helps employees respond to medical care situations and other emergencies while traveling.⁶

The full range of 24-hour medical, legal and travel assistance services available to insured employees include:⁷

- Pre-trip assistance including passport, visa, weather and currency exchange information, health hazards advice and inoculation requirements
- Medical assistance services including locating medical care providers and interpreter services
- Travel assistance services including emergency ticket, credit card and passport replacement, funds transfer assistance and missing baggage assistance
- Legal services including locating a local attorney, consular officer or bail bond services
- Emergency transportation services including emergency evacuation to the nearest adequate medical facility and medically-necessary repatriation
- Personal security services including evacuation and logistical arrangements in the event of political unrest, social instability, weather conditions, health or environmental hazards

Standard Secure Access

Life insurance proceeds for approved claims of \$25,000 or more are deposited into an interest-bearing checking account. The Standard Secure Access account is opened upon approval of a claim and immediately begins earning a competitive money market interest rate, compounded daily. The beneficiary receives a checkbook, from which drafts

⁵ May vary by state.

⁶ Provided through an agreement with MEDEX® Assistance Corporation.

⁷ Consult the employer certificate for complete terms, conditions and limitations.



may be written for any purpose in amounts of \$250 or more. There are no service or maintenance fees or charges. Detailed monthly statements are provided to the beneficiary. Professional assistance and information is available through a toll-free customer service number.

Group Life Insurance Exclusion

This plan may include an exclusion for death resulting from suicide or other intentionally self-inflicted injury while sane or insane.⁸ If applicable, the amount payable will exclude amounts that have not been continuously in effect for at least two years on the date of death.

Group Life Insurance Reductions

Typically, insurance benefits are reduced to a percentage of the original amount based upon attainment of specified ages.

⁸ For Missouri and New Jersey residents, "insane" is not applicable.

Voluntary Life and Additional Life Insurance

Providing a competitive employee benefits package to attract and retain quality employees can be a challenging proposition for any employer. Double-digit increases in health care costs make this even more difficult, reducing a group's ability to exclusively provide and pay for a comprehensive benefits program.

Voluntary Life and Additional Life insurance from The Standard make it easier for *employers* to offer the insurance coverage that employees want at competitive group rates. With premiums typically paid by employees through payroll deduction, a Voluntary Life or Additional Life insurance plan provides employees with the opportunity to purchase insurance coverage to fit their personal needs while minimizing the impact on the employer's bottom line.

With Voluntary Life coverage, the *employer* sponsors the plan and may choose to have it partially or fully paid by employees. It allows employees to select and apply for an amount of group term life insurance to provide financial protection in the event of death.

With Additional Life coverage, the *employer* provides a basic amount of Group Life insurance to employees. The *employer* also sponsors the Additional Life plan that allows employees to apply and pay for an increased amount of group term life insurance beyond the basic Group Life coverage.

Voluntary Life and Additional Life Product Highlights

The Voluntary Life and Additional Life plans typically contain the same provisions and features as The Standard's Group Life insurance. These include *Accelerated Benefit, Waiver of Premium, Portability of Insurance, Right to Convert, Repatriation Benefit, Standard Secure Access and MEDEX Travel Assist*. In addition, *employers* may include AD&D and Dependents Life coverage with Voluntary Life or Additional Life plans.

Exclusions, limitations and reductions apply to Voluntary Life and Additional Life coverage.

Accidental Death and Dismemberment Insurance

Accidents can happen in many ways and at any time. *Employers* can help to financially protect their employees in the event of an unplanned loss of life, limb or sight with AD&D insurance from The Standard. With AD&D coverage, eligible employees and their *beneficiaries* may receive an additional amount in the event of accidental death or dismemberment, helping to restore financial balance when the unexpected happens.

Amounts Payable

The amount of the *AD&D insurance benefit* payable for a covered *loss* is a percentage of the *AD&D insurance benefit* in effect on the date of the accident, as shown below:

Life	100%
One hand or one foot	50%
Sight in one eye	50%
Two or more of the <i>losses</i> listed above	100%

At no time will more than 100 percent of the available *AD&D insurance benefit* be paid for all losses resulting from one accident.

With respect to a hand or foot, *loss* means the actual and permanent severance of the hand or foot from the body at or above the wrist or ankle joint. With respect to sight, *loss* means the entire, uncorrectable and irrecoverable loss of sight. The *loss* must be certified by a *physician* in the appropriate specialty as determined by The Standard.

Seat Belt Benefit

The Standard typically includes a *Seat Belt Benefit* with its AD&D coverage. If an insured employee dies as a result of an *automobile* accident while properly wearing and using a *seat belt system*, The Standard will pay a *Seat Belt Benefit* equal to the amount of the *AD&D insurance benefit* payable for the loss of life, up to a maximum of \$10,000.

Air Bag Benefit

To provide further protection to eligible employees who die as a result of an automobile accident for which a *Seat Belt Benefit* is payable, The Standard includes an *Air Bag Benefit* with its AD&D coverage. The Standard will pay an *Air Bag Benefit* equal to the amount of the *AD&D insurance benefit* payable for the loss of life, up to a maximum of \$5,000, if the following requirements are met at the time of the accident:

- The automobile is equipped with an *air bag system* installed as original equipment by the automobile manufacturer and the *air bag system* has received regularly scheduled maintenance or replacement as recommended by the manufacturer.
- The *air bag system* deploys, as evidenced by a police accident report.
- The insured individual was seated in the driver's or passenger's seat intended to be protected by the *air bag system*.

Line of Duty Benefit

The *Line of Duty Benefit* allows *public safety officers* to receive an additional benefit of \$50,000 or 100 percent of the AD&D insurance benefit otherwise payable for the *loss*, whichever is less, if they suffer a *loss* as the result of a *line of duty* accident for which *AD&D insurance benefits* are payable.

A *line of duty accident* means an accident that occurs while an insured *public safety officer* is taking any action authorized or required by rule, regulation, law or condition of employment as a *public safety officer*. This includes action taken in the course of controlling or reducing crime, criminal law enforcement or fire suppression, including such action taken in response to an emergency while off duty. For eligible firefighters and police, line of duty includes social, ceremonial or athletic functions to which the insured employees are assigned and for which they are paid as *public safety officers* by their *employer*.

Public safety officers include police officers, firefighters, corrections officers, judicial officers and officially recognized or designated volunteer firefighters.

Family Benefits Package

The Standard typically offers the Family Benefits Package of additional, family-oriented *AD&D insurance benefits* for no additional premium with all Group Life insurance policies that include AD&D coverage. The Family Benefits Package extends financial assistance to an insured employee's family members in the event of the employee's accidental death for which an *AD&D insurance benefit* is payable.



Higher Education Benefit

The plans for a child's higher education should not end with the death of a parent. The *Higher Education Benefit* helps to keep those dreams alive. To be eligible for this benefit, the surviving *child* must register and attend an institution of higher education on a full-time basis within 12 months after the insured employee's death. The benefit is paid annually for a maximum of four consecutive years beginning on the date of death. The benefit amount is the qualifying tuition expenses incurred per *child* within four years after the date of death, but not to exceed \$5,000 per year, or the cumulative total of \$20,000 or 25 percent of the *AD&D insurance benefit*, whichever is less.

Career Adjustment Benefit

A surviving *spouse* may need to make a career adjustment as a result of the insured employee's death. When this requires additional training, the *Career Adjustment Benefit* helps to make the transition

easier. To be eligible for this benefit, within 36 months after the date of the employee's death, the surviving *spouse* must register and attend a professional or trade training program aimed at obtaining employment or increasing earnings. The benefit amount is the qualifying tuition expenses for training incurred by the surviving *spouse* within 36 months after the date of death, but not to exceed \$5,000 per year, or the cumulative total of \$10,000 or 25 percent of the *AD&D insurance benefit*, whichever is less.

Child Care Benefit

In order to work or obtain training, a surviving *spouse* may require the assistance of a caregiver to watch over young *children*. The *Child Care Benefit* is designed to help cover the cost of providing care for *children* under age 13. The amount of the benefit is the qualifying expenses incurred by the surviving *spouse* within 36 months after the date of the insured employee's death, but not to exceed \$5,000 per year, or the cumulative total of \$10,000 or 25 percent of the *AD&D insurance benefit*, whichever is less.

Expanded AD&D Package

Few people are prepared for the sudden financial loss brought about by an accidental death. Even fewer are ready for the potentially higher cost of living associated with an accident that might result in paralysis or deafness. The Expanded AD&D Package from The Standard provides *employers* with the option to help protect employees and their families with an extra layer of security against these unexpected events.

The Expanded AD&D Package includes an *Occupational Assault Benefit*, *Public Transportation Benefit* and additional definitions of *loss*.

Occupational Assault Benefit

The *Occupational Assault Benefit* (for non-public safety employees) provides an additional benefit if a *member* suffers a covered *loss* while *actively at work* and the *loss* is the result of an act of physical violence against the *member* that is punishable by law and evidenced by a police report. The amount of the benefit is \$25,000 or 50 percent of the *AD&D insurance benefit* that is paid, whichever is less.

Public Transportation Benefit

The *Public Transportation Benefit* is paid when an eligible employee dies as a result of an accident while riding as a fare-paying passenger on *public transportation*. The amount of the benefit is \$200,000 or 100 percent of the *AD&D insurance benefit*, whichever is less

Additional Definitions of Loss

The Expanded AD&D Package includes coverage for a wider variety of accidental *losses* and conditions. The amount payable for these covered *losses* is equal to a percentage of the AD&D coverage in effect on the date of the accident, as shown below:

Life	100%
<i>(if the insured employee disappears and the disappearance is caused solely and directly by an accident that could have reasonably resulted in death⁹)</i>	
Life	100%
<i>(by accidental exposure to adverse weather conditions)</i>	
Hand or foot	50%
<i>(even if the severed part is surgically reattached)</i>	
Audible speech	50%
Hearing in both ears	50%
Thumb and index finger of the same hand ¹⁰	25%
Quadriplegia	100%
Hemiplegia	50%
Paraplegia	50%

Loss of speech or hearing means the entire, uncorrectable and irrecoverable loss of audible speech or hearing in both ears. *Loss of thumb and index finger* means the actual and permanent severance from the body of the thumb and index finger on the same hand at or above the metacarpophalangeal joints. *Quadriplegia* means the permanent, complete and irreversible total paralysis of both upper and lower limbs. *Hemiplegia* means the permanent, complete and irreversible total paralysis of the upper and lower limb on the same side of the body. *Paraplegia* means the permanent, complete and irreversible total paralysis of both lower limbs.

⁹ The disappearance must occur independently of all other causes and continue for a period of 365 days after the date of the accident despite reasonable search efforts

¹⁰ This benefit is not payable if an AD&D insurance benefit is payable for the loss of the entire hand.

AD&D Limitations

All *losses* must occur solely and directly by an accident and independently of all other causes, within 365 days after the accident. *Loss of life* must be evidenced by a certified copy of the death certificate. *Losses* other than life must be certified by a *physician* in the appropriate specialty.

AD&D Exclusions

AD&D insurance benefits are not payable for death or dismemberment caused or contributed to by:

- *War* or act of *war*
- Suicide or any other intentionally self-inflicted injury, while sane or insane¹¹
- Committing or attempting to commit an assault or felony, or actively participating in a violent disorder or riot
- The voluntary use or consumption of any poison, chemical compound, alcohol or drug, unless used or consumed according to the directions of a *physician*
- Sickness or pregnancy existing at the time of the accident
- Heart attack or stroke
- Medical or surgical treatment for any of the above

Reductions in AD&D Insurance

Typically, insurance benefits are reduced to a percentage of the original amount based upon attainment of specified ages

¹¹ For Missouri and New Jersey residents, "insane" is not applicable.

Supplemental Life Insurance

The need for life insurance often extends beyond basic coverage. Unfortunately, most people do not have enough coverage to adequately protect their families. The Standard's optional Supplemental Life insurance presents employees with the opportunity to purchase additional group term life insurance for themselves and their *spouses*. This additional coverage helps to enhance the financial security of employees and their families by providing them with flexible coverage amounts at competitive group rates.

Eligibility

Employees are eligible for Supplemental Life insurance if insured for Group Life insurance. *Spouses* are eligible for Supplemental Life insurance if the employee is insured for Supplemental Life insurance. Employees can apply for Supplemental Life insurance by submitting a signed enrollment form and an *evidence of insurability* form for themselves and their *spouses*. Supplemental Life insurance is effective for employees and spouses on the date *evidence of insurability* is approved. Employees must also meet the *active work* requirement on that date. Any increase in the amount of Supplemental Life insurance is subject to the same *evidence of insurability* and *active work* requirements.

Supplemental Life Amounts Available

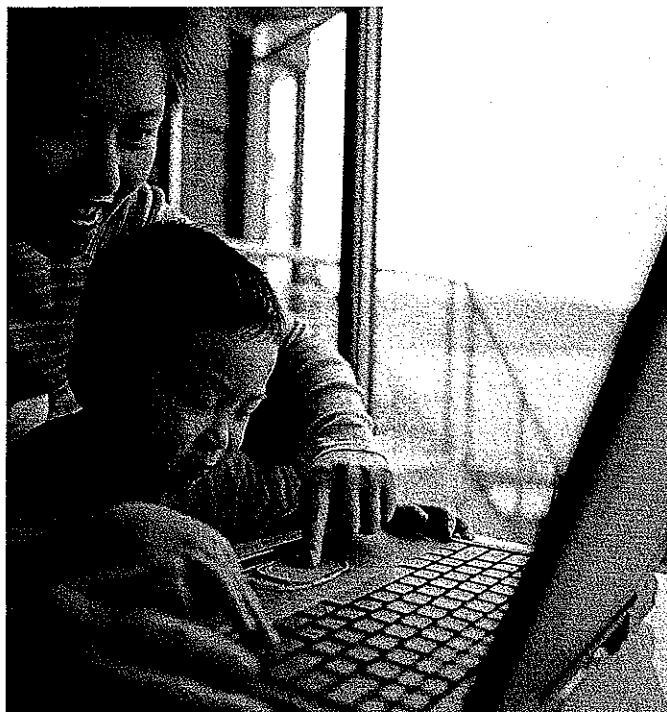
Supplemental Life insurance is available in amounts of \$30,000 to \$300,000 in increments of \$10,000, subject to limits imposed by many states on the amounts available for *spouses*. The application materials presented to employees will include the premium rates for each \$10,000 increment of Supplemental Life insurance.

Supplemental Life Exclusion

Supplemental Life insurance benefits will not be payable for a death which is caused or contributed to by suicide or any intentionally self-inflicted injuries, while sane or insane,¹² unless the coverage has been continuously in effect for more than two years. This exclusion also applies to any increase in Supplemental Life insurance unless the amount of the increase has been continuously in effect for two years.

Reductions in Supplemental Life Insurance

At age 70, the amount of Supplemental Life insurance begins to reduce on an age-graded basis.



Dependents Life Insurance

The Standard offers Dependents Life insurance in combination with Group Life insurance to provide additional financial security for employees and their families. If Dependents Life insurance is selected, an insured employee may purchase group term life insurance to cover a *spouse* or *child*.

Children, adopted children and stepchildren living in an eligible employee's home are considered *dependents* through age 20 or age 24 if registered as students and attending an accredited educational institution on a full-time basis.

Dependents Life insurance may be continued after age 20 for a *child* who is *disabled*. Married children or *dependents* who are full-time members of the armed forces of any country are not eligible for coverage.

Insured employees are eligible to insure their *dependents* on the later of the date their Group Life insurance becomes effective or the date they first acquire a *dependent*.

¹² For Missouri and New Jersey residents, "insane" is not applicable

Dependents Life Exclusion

This plan may include an exclusion for death resulting from suicide or other intentionally self-inflicted injury, while sane or insane.¹³ The amount payable will exclude amounts that have not been continuously in effect for at least two years on the date of death.

Reductions in Dependents Life Insurance

Typically, Dependents Life insurance benefits are reduced to a percentage of the original amount based upon attainment of specified ages

¹³ For Missouri and New Jersey residents, "insane" is not applicable

Some Commonly Asked Questions

Who is eligible for coverage?

Coverage is available to all active employees who are regularly working at least 30 hours each week and meet the required *eligibility waiting period* as shown in the Employee Benefits Proposal. Temporary and seasonal employees and full-time members of the armed forces of any country are not eligible for coverage.

What is the active work requirement?

Active work means performing the material duties of the employee's occupation at the *employer's* usual place of business. Employees who do not meet the *active work* requirement due to *sickness, injury* or *pregnancy* on the day before the scheduled effective date of insurance (including Dependents Life insurance) will not become insured until the day after the employee completes one full day of *active work* as an eligible *member*.

When is coverage effective?

The effective date of coverage for an eligible employee or *dependent* depends upon the *eligibility waiting period* and whether the individual is required to provide *evidence of insurability*. Additionally, in every situation eligible employees must meet the *active work* requirement before the insurance becomes effective.

While Dependents Life insurance is in effect, each new *dependent* becomes insured immediately.

If an employee or *dependent* is not required to provide *evidence of insurability*, the effective date of coverage depends upon whether the coverage is *contributory* or *noncontributory*.



For *noncontributory* plans, coverage is effective on the date the employee or the employee's *dependent* becomes eligible.

For *contributory* plans, employees must apply in writing for coverage and agree to pay premiums. Coverage is effective on the later of:

- The date the employee becomes eligible if applying on or before that date
- The date the employee applies for coverage if within 31 days after becoming eligible

If an employee or *dependent* is required to provide *evidence of insurability*, the coverage generally becomes effective on the date The Standard approves the *evidence of insurability*.

When does insurance end?

Group Life insurance automatically ends on the earliest of the following:

- The date the last period ends for which a premium payment was received if the coverage is *contributory*
- The date the *group policy* terminates
- The date employment terminates
- The date the employee fails to meet the definition of a *member*; however, Group Life insurance may be continued during certain periods

If AD&D coverage is selected, it automatically ends on the earliest of the following:

- The date the employee's Group Life insurance ends
- The date *Waiver of Premium* begins
- The date the AD&D insurance terminates under the *group policy*
- The date the last period ends for which a premium payment was received if the coverage is *contributory*

If Supplemental Life coverage is selected, it automatically ends on the earliest of the following:

- The date the employee's Group Life insurance ends
- The date the *group policy* terminates, unless the employee qualifies for *Waiver of Premium*
- The date the last period ends for which a premium payment was received if the coverage is *contributory*
- For a *spouse*, the date of divorce or legal separation, death of the employee, or the date the *spouse* becomes a full-time member of the armed forces of any country

If Dependents Life coverage is selected, it automatically ends on the earliest of the following:

- Five months after the death of the insured employee (no premiums will be charged for the Dependents Life coverage during these five months)
- The date the employee's Group Life insurance ends
- The date the Dependents Life insurance terminates under the *group policy*

- The date the last period ends for which a premium payment was received if the coverage is *contributory*
- For a *spouse*, the date of divorce
- For a *dependent*, the date the individual ceases to be a *dependent*
- For a *child* that is *disabled*, 90 days after The Standard requests proof of *disability*, if proof is not given

What level of employee participation is required?

For *noncontributory* plans, 100 percent of the eligible employees must participate. For *contributory* plans, the greater of 25 lives or 25 percent of eligible employees must participate.

When does the group policy terminate?

You may terminate the *group policy* by providing The Standard with written notice. It will automatically terminate if a premium payment is not received by the end of the *grace period* shown in the *group policy*. The Standard may terminate the *group policy* on any premium due date if the number of persons insured is less than the *minimum participation* requirements as defined by the *group policy*. The Standard may also terminate the *group policy* if it determines that the *policyholder* has failed to promptly furnish any necessary requested information or to perform any other obligations relating to the *group policy*.

Thank You

Thank you for the opportunity to provide this Group Life insurance proposal from The Standard. We are pleased to work with you and your insurance advisor to develop an employee benefits program to meet the specific needs of your organization. If you have any questions about the proposal, please contact your insurance advisor or the Employee Benefits Sales and Service Office for your area.

Standard Insurance Company

Standard Insurance Company is a subsidiary of StanCorp Financial Group, Inc., a Fortune 1000 company. The Standard is a leading national provider of employee benefits products and services, and offers group disability, life and dental insurance and retirement plans.

Founded in Portland, Oregon, in 1906, we wrote our first group insurance policy in 1951. This plan remains in force today as a testament to our commitment to building long-term relationships. We have also earned a solid reputation for quality products, expert resources, innovation and strong financial performance. The Standard is dedicated to meeting the insurance needs of each policyholder and providing superior customer service at every opportunity.

For more information about The Standard, contact your insurance advisor or the Employee Benefits Sales and Service Office for your area at 800 633 8575 or visit our Web site at www.standard.com.



The StandardSM
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Standard Insurance Company
1100 SW Sixth Avenue
Portland OR 97204

www.standard.com

A subsidiary of StanCorp Financial Group, Inc.

Item # 2

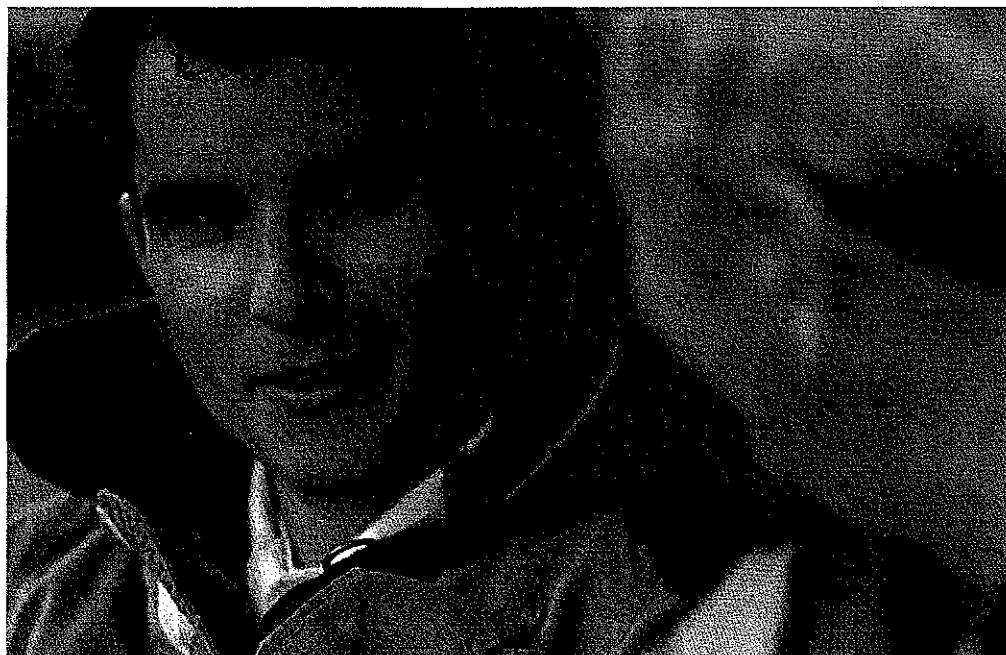


The StandardSM
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Employee Benefits Group Life Insurance

Line of Duty Benefit

For more information about the Line of Duty Benefit and Group Life and AD&D insurance from The Standard, contact your insurance advisor or the Employee Benefits Sales and Service Office for your area today at 800 633 8575



Helping Protect Those Who Protect and Serve

On a daily basis, firefighters and police officers put their lives on the line to keep our homes and communities safe and secure. To help protect them and their families from the potential financial loss of a line of duty accident, Standard Insurance Company offers the Line of Duty Benefit to eligible public employer groups.

Qualifying public employers may include the Line of Duty Benefit in their Group Life and Accidental Death and Dismemberment (AD&D) insurance coverage from The Standard. It pays an additional benefit when an eligible public safety officer suffers a loss for which AD&D insurance benefits are payable and it is the result of a line of duty accident.

In addition to police officers and firefighters, the Line of Duty Benefit may cover corrections officers, judicial officers and officially recognized or designated volunteer firefighters, as appropriate to the group.

With the Line of Duty Benefit from The Standard, public employer groups can help to financially protect public safety officers who have dedicated their lives to protect and to serve everyday.

Standard Insurance Company
1100 SW Sixth Avenue
Portland OR 97204

www.standard.com

A subsidiary of StanCorp Financial Group, Inc.

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Portland OR 97204
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Finance Committee Meeting

AGENDA

June 5, 2007

Item:

Approval - AmTrust TPA Agreement

Department:

Finance

Additional Information:

This document combines the City's agreement with the utility agreement for administrative services for the City's workers compensation.

Financial Impact:**Budgeted Item:****Recommendation / Request:**

Viewing Attachments Requires Adobe Acrobat. [Click here](#) to download.

Attachments / click to download

☐ [TPA Contract](#)

CLAIMS ADMINISTRATION AGREEMENT

This claims service agreement is made and entered into this ____ day of _____, **2007**, by and between AmTrust South/ (f/k/a) Covenant Management, Inc. of Duluth, Georgia, hereinafter referred to as **AmTrust** and **City of Monroe** hereinafter referred to as **Client**.

In consideration of the mutual covenants and promises of the parties, **AmTrust** agrees to furnish and **Client** agrees to accept those certain claims handling services as defined in this instrument on the following terms and conditions.

ARTICLE 1 - TERM

The term of this Claims Administration Service Agreement shall commence on **May 1, 2007** and shall terminate on **May 1, 2008**. This service agreement may be terminated in its entirety by either party upon written notice not less than sixty (60) days from the date of such notice.

ARTICLE 2 - REPORTING OF CLAIMS AND SERVICES PROVIDED

- 2.1 **Client** agrees that during the term of this agreement, all claims requiring treatment at a medical facility will be reported to **AmTrust**.
- 2.2 **AmTrust** shall provide the following claims adjustment services:
 - A. Review all **Client's** claims and loss reports for losses occurring during the term of this Agreement.
 - B. Establish and reserve a file for each claim and code such claim in accordance with **AmTrust's** standard statistical data requirements.
 - C. Conduct an investigation of each claim and document the claim file.
 - D. Perform all administrative and clerical work in connection with qualified claims including the preparation of checks drawn on the loss fund established herein.
 - E. Respond immediately to any inquiry, complaint or request received from an Insurance Department or other regulatory agency, **Client**, Claimant, Agent, Broker, or other interested party.
 - F. Process each claim in accordance with rules, regulations, restrictions and laws of each state or province involved.
 - G. Monitor the treatment programs recommended for Claimant by physicians, specialists and other health care providers by reviewing all reports prepared by them and performing all investigative activities as may be appropriate.
 - H. Utilize cost containment methods available by referring bills to computerized bill review and utilization of Preferred Provider Organizations. Payment for these services are not included in **AmTrust's** service fees.
 - I. Adjust, resist and/or settle claims in accordance with authority levels granted by **Client**.
 - J. Pay all claims and allocated loss adjustment expenses in accordance with the authority granted and applicable statutes or regulations.
 - K. Make reports to excess carriers as required.
 - L. Pursue SITF and subrogation claims.
 - M. Provide **Client** monthly loss runs.

CLAIMS ADMINISTRATION AGREEMENT

ARTICLE 3 - PAYMENT OF CLAIMS & DISCRETIONARY SETTLEMENT AUTHORITY LIMIT

- 3.1 **AmTrust** shall have authority to make payments on any claim handled by them pursuant to any settlement authority granted by client.
- 3.2 **AmTrust** shall have the authority to pay on behalf of **Client** any claims related services.

ARTICLE 4 - PRIVACY OF DATA

AmTrust will make reasonable efforts to maintain the confidentiality of all data supplied to and used by **AmTrust** in the performance of this Claims Administrative Service Agreement. **AmTrust** will not disclose this data nor the contents of the data files without the consent of **Client**. Notwithstanding the foregoing, **Client** agrees that **AmTrust** shall have the right to use such data for the purpose of preparing and disseminating analytical reports inclusive of the collective client data, provided such use in no way specifically identifies **Client**, its operations or expenses.

ARTICLE 5 - INDEPENDENT CONTRACTOR STATUS

AmTrust, at all times, shall be an independent contractor, and employees of **AmTrust** shall in no event be considered employees of **Client**. Except as expressly provided for herein, no agency relationship between **AmTrust** and **Client** shall exist as a result of the execution of this Claims Administration Service Agreement or the performance by **AmTrust** thereunder; **AmTrust** reserves the right, at its sole discretion and at its own expense, to assign performance of activities under this Claims Administration Service Agreement to any of its personnel and to subcontract to third parties any part or all of **AmTrust's** duties without the necessity of **Client's** approval, provided, however, that any subcontracting by **AmTrust** shall not relieve **AmTrust** of its obligations to **Client** under this Claims Administration Service Agreement.

ARTICLE 6 - INDEMNIFICATION

AmTrust shall indemnify, defend and hold harmless **Client** and/or its employees if the **Client** or any of its employees are named as a defendant in any action: (i) where the plaintiff's cause of action involves a claim hereunder; and (ii) where there are proven allegations of errors, omissions, torts, intentional torts or other negligence on the part of **AmTrust**.

ARTICLE 7 - CONDITIONS AND LIMITATIONS

- 7.1 **Client** has the right to take over the handling of any claim and to direct the handling of any claim at any time during the life of the contract and the life of the claim. **Client** also retains the right to take over the handling of all claims at its discretion, but with no expense of reduction in claim service fees or allocated claim expense incurred by **AmTrust** with respect to such claims.

CLAIMS ADMINISTRATION AGREEMENT

- 7.2 Neither this Claims Administration Service Agreement nor any rights thereunder shall be assigned by either party without the prior written consent of the other party first having been obtained. This provision shall not prohibit **AmTrust** pursuant to Article 5 from assigning or subcontracting for any of the activities to be performed by **AmTrust**.
- 7.3 The terms of this Claims Administration Service Agreement between **AmTrust** and **Client** shall be governed by the laws of the State of Georgia. Any adjudication by any court of competent jurisdiction which invalidates any part of this Claims Administration Service Agreement shall not act to invalidate any other part thereof.
- 7.4 In the event of any conflict or ambiguity between the terms and provisions of this agreement and any exhibit attached hereto, the terms and provisions of the exhibit shall govern.
- 7.5 This Claims Administration Service Agreement constitutes the entire understanding and agreement between the parties hereto, and supersedes all prior and contemporaneous agreements or understandings, written or oral, of the parties hereto. This Claims Administration Service Agreement may be amended only in writing executed by both parties. No waiver of one or more provisions of this Claims Administration Service Agreement shall constitute waiver of any other provisions hereto. This Claims Administration Service Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legatees, representatives, successors and assigns. This Claims Administration Service Agreement may be executed in any number of counterparts, each of which shall be deemed an original.
- 7.6 All notices to be given pursuant to this Claims Administration Service Agreement shall be in writing, and shall be deemed to have been duly given when personally delivered or if mailed by United States First Class certified mail, postage prepaid, within five (5) days of deposit in the mail notices shall be delivered or mailed to the following addresses:

If to **Client**:

Attention: Renee Prather
City of Monroe
P.O. Box 1249
Monroe, GA 30655

If to **AmTrust**:

Attention: Barr Venson
AmTrust South /Covenant Management, Inc.
11330 Lakefield Drive, Suite 100
Duluth, GA 30097

CLAIMS ADMINISTRATION AGREEMENT

ARTICLE 8 - SERVICE FEES

In consideration of all the provisions of this contract; **Client** agrees to pay to **AmTrust**:

<u>Claims Services:</u>	<u>Fee</u>	
Annual Administration Fee	\$	<u>2,400.00</u>
Indemnity Claims	\$	450.00 Per Claim for the life of the contract
Medical Only Claims	\$	100.00 Per Claim for the life of the contract
Run-out Claims	\$	200.00 Per year annually if open during any portion of the year
	\$	75.00 Per medical only claim

Reduction to Georgia Workers' Compensation fee Schedule is \$1.25 per line with a 3 line minimum charge. PPO savings below Fee schedule is billed at 25% of savings below Fee Schedule.

Account Administration fee includes quarterly meetings and the general administration of the relationship.

Pricing applies to those claims occurring during the contract period (the "contract period" is defined as this and continuously successive contracts with AmTrust) and reported to **AmTrust** within 12 months after the expiration or termination of the contract. Upon expiration of this contract period, Client shall have the following options:

1. To require **AmTrust** to return all open files. **AmTrust** shall be entitled to payment for all services rendered at that time.
2. To have **AmTrust** handle and adjust to conclusion all open claims on a T&E basis at their then prevailing hourly rate and expense method of billing (Currently \$50/hour).
3. To have **AmTrust** handle and adjust for a period specified all open claims on a pre-agreed fee per open claimant.

Any claim occurring during the contract period and reported to **AmTrust** more than twelve months following the close of the contract period will be handled on a time and expense basis by **AmTrust** at its then prevailing time and expense method of billing.

Quoted per claim fees are on a per claim/per claimant basis, not on an occurrence basis.

Any Gross Receipt Tax, or Sales Tax imposed by governmental entities in those states where levied shall be in addition to the Service Fee.

In addition to the fees specified above, **Client** will be responsible for all additional allocated expenses with prior approval. These are defined as court costs; fee and expenses; fees for service of process, fees to attorneys, cost of undercover operative and detective services, costs of employing experts for preparation of maps, photographs, diagrams, chemical or physical analysis or other technical data; advice, opinion or testimony concerning claims under investigation or in litigation; costs for legal transcripts or testimony as well as court reporters; cost for copies and any other similar fee, cost or

CLAIMS ADMINISTRATION AGREEMENT

reasonable expense charged for investigation, negotiation, settlement, or defense of a claim or a loss or to the protection and perfection of the subrogation of rights of the **Client**, if any.

ARTICLE 9 - LITIGATION MANAGEMENT- (Included in Annual Fee)

Litigation management fees are included in the administration.

ARTICLE 10 - AUTHORITY LEVEL GRANTED BY CLIENT

The above pricing contemplates **AmTrust** being granted a discretionary settlement authority level of \$ 0.

ARTICLE 11 - STORAGE OF FILES

AmTrust will print a copy of the file notes, and the file will be stored at the time of closing for a period of twenty-four (24) months following the contracted year of service in which the claim was reported to **AmTrust** by **Client**. **Client** may elect to have **AmTrust** ship the files to **Client**, at **Client's** expense, for further storage or disposal as **Client** sees fit, and thereafter **AmTrust** shall have no further obligations of storage or delivery of files to any party.

ARTICLE 12 - CLAIMS EXPERIENCE / LOSS RUNS

AmTrust will store **Client's** reported claims data electronically to consist of claim file data, payment record data, and adjuster's notes for as long as open claims exist in the contracted year of service and **Client** renews with **AmTrust** for the current contract year. Should **Client** not renew with **AmTrust**, only open claims which **AmTrust** is required to handle shall remain in electronic storage. Any other storage, reload of data or special requests to be handled on an agreed price basis before **AmTrust** provides.

AmTrust will provide **Client** a report showing the status of each claim assigned, the total reserved amount, the total payments made, and the unspent reserves on each claim.

ARTICLE 13 - LOSS PAYMENT PLAN

The **Client** authorizes **AmTrust** to pay Workers' Compensation benefits and expenses by checks written on a bank account established and maintained by **Client** for the payment of benefits and expenses. In no event shall benefits be paid by **AmTrust** prior to funding of the account.

CLAIMS ADMINISTRATION AGREEMENT

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS CLAIMS
ADMINISTRATION SERVICE
AGREEMENT ON THE DAY AND
YEAR FIRST ABOVE WRITTEN.

Accepted and agreed to this _____ day of _____.

BY:

AMTRUST SOUTH

CITY OF MONROE

(Signature)

(Signature)

(Printed Name)

(Printed Name)

Date: _____

Date: _____