2. CAPITAL LEASES AND LEASE PURCHASES

LEAF CAPITAL LEASES

SCHEDULE C

Nature of Lease	Date of Lease	Last Payment Date	Remaining Interest to End of Lease	Remaining Principal to End of Lease	Fund which Pays the Lease
a. Office Space			$	$	
b. Equipment	1-4-96 6/26/96	2/20/99 7/20/99	404.75 35.95	6800.43 426.12	
c. Land					
TOTAL			$ 440.70	$ 7226.55	

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 19 96 :

Year ending June 30:	
1997	$ 2851
1998	2851
1999	1965
2000	
2001	
Thereafter	
Total minimum lease payments	7667
Less: Amounts representing executory costs	( )
Net minimum lease payments	7667
Less: Amount representing interest	(441)
Present value of net minimum lease payments	$ 7226

Notes to the Financial Statement

K. IMPREST FUNDS

1. FACS Agencies

The agency maintains a permanent Travel and Petty Cash Imprest Fund in the amount of $ 8,500 as authorized by the Commissioner of Administration and advanced by the State Treasurer's Office in accordance with Title 39. The funds are permanently established and periodically replenished from agency operating funds when expenditure vouchers are presented.

L. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS PER GASB 12

LRS 42:821 through 42:880 establishes the self-insured and self-funded state employees group health care and life insurance program and authorizes the Office of Risk Management to provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the agency's employees become eligible for those benefits if they reach normal retirement age while working for the agency. Monthly premiums are paid jointly by the employees and the employer (from the agency appropriation) for both retirees' benefits and active employees' benefits regardless of whether benefits are provided by Group Benefits or one of the HMO's authorized by Group Benefits. The agency recognizes the cost of providing benefits as an expenditure when paid during the year. For the year ended June 30, 1996, the costs of retirees' benefits totaled $ 32,822.22 , while the number of retirees is 16 . The cost of retirees' benefits is net of participants' contributions.

M. CASH AND INVESTMENTS

The Office of Risk Management had cash and cash equivalents totaling $74,693,176 at 6/30/96.

N. PAYROLL AND RELATED BENEFITS ACCRUAL

Agencies will be required to reflect the 1995-96 accrued personal services cost for this fiscal year on the accompanying financial statement. The following schedule will aid you in doing so. As most agency units pay their employees biweekly this would require a fiscal year 1994-95 accrual calculation based on ten (10) days and the fiscal year 1995-96 calculation will also be based on ten (10) days. Agencies must also determine the federal match on this accrual calculation.

		FY 1994-95	FY 1995-96
1.	7/07/95 Payroll (Gross & Related)	$173,441	
2.	7/05/96 Payroll (Gross & Related)		$170,170
		x 100%	x 100%
3.	Payroll Accrual	$173,441	$170,170
4.	Estimated Federal receivable attributed to the accrual shown above	$	$

Personal Services Schedule

5.	Total Personal Services from Schedule 1 (lines 13, 14, & 15) (these lines include salaries, other compensation, and related benefits	$4,326,448
6.	Less 1994-95 accrual from line 3, Column 1 (above)	173,441
7.	Add 1995-96 accrual from line 3, Column 2 (above)	170,170
8.	To Statement B (line 13) - Personal Services	$4,323,177

Notes to the Financial Statement

O. RESERVE FOR CONTINUING OPERATION(S)

The Unit is by statute allowed to retain residual fund balance in order to finance future operations. For the fiscal year ended June 30, 19 96 the amount reserved was $ 73,926,011 .

Office/Fund	Louisiana Revised Statute	Reserve for Continuing Operation
#804-ORM	1950	$73,926,011
	TOTAL	$73,926,011

C1 RELATED PARTY TRANSACTIONS

ORM maintains an IAT agreement with the AG's DRL for services. In FY 95/96 this agreement was capped at $ 8,285,562 . Actual payments on this IAT were $ 7,784,876 .

D1 ENCUMBRANCES

As we are changing accounting systems effective July, 1996, accounting for encumbrances will differ in the year of implementation from previous years. You will receive in July, a run showing the encumbrances not paid or zero liquidated in FACS, you will need to check for possible duplications between the two runs. As these encumbrances cannot be brought into the new system, this will be a close out run.

1) From these runs and your payments in the prior year close period (July 1, 1996-August 14, 1996), the following table must be completed by individual encumbrance document. The table will show the disposition of each system encumbrance.

Notes to the Financial Statement

	Encumbrances established prior to 6/30/96 (from close out runs)		Amount Paid with Fiscal Year 1996 Funds	Amount Paid or to be Paid with Fiscal Year 1997 Funds	Established Encumbrance which will not be reestablished
1.	3020263	$4,492			$4,492
2.	3032778	$801			$801
3.	3033423	$820			$820
4.	3042268	$2,296			$2,296
5.	3058796	$432			$432
6.	3073128	$1,400			$1,400
7.	3078179	$350	$350		
8.	3103722	$315			$315
9.	3196177	$2,827	$55		$2,772

2) Provide a list of purchase orders which were rolled over through the BA-7 process. The list should show the purchase order number, vendor, and amount.

(Revised 5/96)

ADDENDUM TO THE NOTES TO THE CAFR

1. A description of the risks of loss to which the state is exposed and the ways in which those risks of loss are handled.

   There are four basic types of risks to which the State is exposed. Loss can occur as a result of (1) damage to property, (2) loss of property, (3) loss of income or increased costs because of damage to or loss of property, and (4) liability to others as a result of injury to persons or property. These four main types of risks are not mutually exclusive, they are interrelated. Many accidents and claims involve losses in several risk areas.

   Risk Management is a process for identifying and controlling risks. Until the mid 70's, the traditional method of minimizing losses was to transfer risk to a commercial insurance company. Over the years, the State has been pushed toward self-insurance because of increases in insurance premiums and policy cancellations by commercial insurance companies. Now the Office of Risk Management handles the risks to which the State is exposed through a program that includes self-insurance to a specific level and excess commercial insurance above that level. The $ limits will vary according to coverage.

   The best way to insure against loss, however, is through loss prevention and safety programs. Such programs help minimize losses, save money, and most importantly, protect state employees and citizens. The Office of Risk Management aggressively pursues loss prevention through its own Loss Prevention Unit.

2. A description of any significant reductions in coverage from the prior year and whether settlements exceeded coverage for each of the three preceding fiscal years.

   There were no significant reductions in coverage during FY 95/96.

   During the last three fiscal years, there were no claims that exceeded coverage.

   There was a significant change in case law which has had an adverse impact on the state's liability in general liability claims. On September 3, 1993, the Supreme Court of Louisiana, per case No. 93-C-0472, reversed a lower court's decision in applying Louisiana Revised Statute 13:5106 (B)(1) which provides that "(l).any suit for personal injury, the total amount recoverable, exclusive of medical care and related benefits and loss of earnings, and loss of future earnings, as provided in this Section, shall not exceed five hundred thousand dollars ($500,000)." The Supreme Court held that the ceiling contravenes the constitutional proscription against sovereign immunity contained in LSA - Constitution, Article XII, § 10. As a result of this ruling, the $500,000 ceiling on general damages in a personal injury suit has been removed and the State of Louisiana faces larger exposure in suits of this nature. This action is still having an adverse effect on claims reserves.

On May 9, 1996, ACT No. 63, known as the "Louisiana Governmental Claims Act", was approved by the governor. This act placed limits on all suits for personal injury and wrongful death. The act states "the total amount recoverable, including all derivative claims, exclusive of property damages, medical care and related benefits and loss of earnings, and loss of future earnings, shall not exceed five hundred thousand dollars." This act should have a favorable effect on the claims reserves in the future.

3. The basis for estimating unpaid claim liabilities.

The philosophy relevant to ORM's reserving policy is based on the best determination of the State's exposure taking into consideration the severity of the injury and the comparative fault if applicable. In those cases where suit has been filed, the attorney is requested to evaluate the State's exposure as early as possible in order to establish a proper reserve.

Workers' Compensation reserves are based on exposure determined by the severity of injury, age of claimant, education or lack of it, and potential for return to employment.

4. The carrying amount of unpaid claims liabilities included in the comprehensive annual financial statements of the State of Louisiana at present value and range of rates used to discount them.

Prior to FY 91/92, ORM discounted claim liabilities on year end statements. Beginning in FY 91/92, the State Legislature passed an Appropriation Bill that cut ORM's funding by 99%. This was repeated in FY 92/93. For FY 93/94, ORM received funding of approximately 50% of what is needed on a cash basis. In FY 94/95 ORM received funding of approximately 70% of what is needed on a cash basis. In FY 95/96 ORM received funding of approximately 80% of what is needed on a cash basis, which included a general fund appropriation of $10,488,526 towards deficit reduction.

Because of the lack of funding, ORM discontinued discounting and has not discounted the present value of claim liabilities since FY 89/90.

The present value of reserves for claim liabilities for FY 95/96 as reported on the financial statements totals $1,172,030,971. A further breakdown of this total follows:

Self-insured	(A) Current	$17,533,016
	(B) Long Term	$1,093,236,611
Uninsured	(A) Current	$966,984
	(B) Long Term	$60,294,360

5. The aggregate amount of claims liabilities outstanding for which annuity contracts were purchased in claimants' names and for which related liabilities have been removed from the balance sheet.

From time to time the Office of Risk Management purchases annuities as partial settlements of certain claims. At June 30, 1996, the total amount of annuities purchased was $51,801,296. The payment of the annuities to the claimants is made over a period of time by 3rd party trustees. There are currently 81 annuities that have been purchased. Fifty of the eighty-one contain wording which releases ORM from further liability on the claims. The total of $51,801,296 represents annuities purchased for claims finalized in ORM's computerized Claims Management System from FY 86/87 through FY 95/96. The outstanding amount on these annuities as of June 30, 1996 was $137,397,255.