

# APPENDIX 8

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
**Discussion and Analysis of Unaudited Financial Statements**  
**For the Period July 1, 2010 through December 31, 2010**

---

The December 31, 2010 financial statements of the California Prison Health Care Receivership Corp (CPR) are presented in compliance with the measurement focus, basis of accounting and financial presentation set forth by the Government Accounting Standards Board (GASB), and include a Statement of Net Assets and General Fund Balance (Balance Sheet) and a Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance (Revenues and Expenses). In lieu of comparing net asset and operating activities to prior period amounts, operating activities are compared to budget.

A review of expenses included on the unaudited statement of activities compared to what was budgeted for the six months ended December 31, 2010 shows a total difference of \$1,463,655 or 48.7% variance under budget. One line item or activity in the statement account for the majority of the difference.

Professional fees were \$1,549,038 or 64.8% under budget. The Legal costs anticipated in the budget have been much less to date than originally considered primarily because of timing with court dates and filings. We do anticipate legal costs to ramp up to budgeted levels for the fiscal year.

Capital assets have increased four thousand dollars during the first six months of the Fiscal year.

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
 Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
 For the six months ended  
 December 31, 2010

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$281,697	\$ -	\$ 281,697
Prepaid items	\$13,568	-	13,568
	<u>295,264</u>	-	<u>295,264</u>
<b>Noncurrent assets:</b>			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$105,517,232	105,517,232
	<u>-</u>	<u>\$105,517,232</u>	<u>105,517,232</u>
Total assets	<u>\$ 489,486</u>	<u>105,517,232</u>	<u>\$ 106,006,718</u>
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	40,563	-	40,563
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	197,910	-	197,910
Compensated absences	0	42,230	42,230
	<u>0</u>	<u>42,230</u>	<u>42,230</u>
Total liabilities	<u>\$ 380,214</u>	<u>\$ 42,230</u>	<u>\$ 422,444</u>
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	207,790	(207,790)	-
Unreserved, undesignated	(98,517)	98,517	-
	<u>109,272</u>	<u>(109,272)</u>	<u>-</u>
Total fund balance	<u>109,272</u>	<u>(109,272)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 489,486</u>		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		105,517,232	105,517,232
Unrestricted		67,041	67,041
		<u>105,584,273</u>	<u>105,584,273</u>
Total net assets		<u>\$ 105,584,273</u>	<u>\$ 105,584,273</u>

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the six months ended  
December 31, 2010

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,351,380	-	\$ 1,351,380
General revenues:			
Investment earnings	63	-	63
Total revenues	<u>1,351,443</u>	<u>-</u>	<u>1,351,443</u>
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	483,081	-	483,081
Legal and professional services	841,308	-	841,308
Travel	3,549	-	3,549
Rents and leases	172,877	-	172,877
Insurance	10,495	-	10,495
Other	25,034	-	25,034
Depreciation	0	3,510,168	3,510,168
Capital outlay - Fixed Assets	4,059	(4,059)	-
Total expenditures/expenses	<u>1,540,404</u>	<u>3,506,109</u>	<u>5,046,513</u>
Change in fund balance	(188,961)	188,961	-
Change in net assets	-	(3,506,109)	(3,695,070)
Fund balance/net assets - July 1, 2010	<u>298,232</u>	<u>118,120,264</u>	<u>109,279,343</u>
Fund balance/net assets - December 31, 2010	<u>\$ 109,271</u>	<u>\$ 114,803,116</u>	<u>\$ 105,584,273</u>

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the six months ended  
December 31, 2010

	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
<b>Revenues:</b>			
State of California appropriation to Receivership	\$3,000,000	\$1,351,380	\$ (1,648,620)
Investment earnings	\$0	\$63	63
<b>Total revenues</b>	<u>3,000,000</u>	<u>1,351,443</u>	<u>(1,648,557)</u>
<b>Expenditures:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	529,230	483,081	46,149
Legal and professional services	2,390,346	841,308	1,549,038
Travel	18,000	3,549	14,451
Rents and leases	15,234	172,877	(157,643)
Office expenses	31,800	18,568	13,232
Telephone and network	3,990	3,875	115
Insurance	9,000	10,495	(1,495)
Other	2,400	\$2,592	(192)
Capital outlay	4,059	4,059	-
<b>Total expenditures</b>	<u>3,004,059</u>	<u>1,540,404</u>	<u>1,463,655</u>
<b>Change in fund balance</b>	<u>\$ (4,059)</u>	(188,961)	\$ (184,902)
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		<u>298,232</u>	
Fund balance - December 31, 2010		<u>\$ 109,271</u>	

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the five months ended  
November 30, 2010

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$242,764	\$ -	\$ 242,764
Prepaid items	\$15,132	-	15,132
	257,896	-	257,896
<b>Noncurrent assets:</b>			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$106,102,260	106,102,260
	-	\$106,102,260	106,102,260
Total assets	\$ 452,118	106,102,260	\$ 106,554,378
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	86,757	-	86,757
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	87,208	-	87,208
Compensated absences	0	42,230	42,230
	0	42,230	42,230
Total liabilities	\$ 315,706	\$ 42,230	\$ 357,936
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	209,354	(209,354)	-
Unreserved, undesignated	(72,942)	72,942	-
	(72,942)	72,942	-
Total fund balance	136,412	(136,412)	-
Total liabilities and fund balance	\$ 452,118		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		106,102,260	106,102,260
Unrestricted		94,180	94,180
		94,180	94,180
Total net assets		\$ 106,196,439	\$ 106,196,439

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
 Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
 For the five months ended  
 November 30, 2010

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,126,380	-	\$ 1,126,380
General revenues:			
Investment earnings	49	-	49
Total revenues	1,126,429	-	1,126,429
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	400,492	-	400,492
Legal and professional services	679,307	-	679,307
Travel	2,112	-	2,112
Rents and leases	170,080	-	170,080
Insurance	8,932	-	8,932
Other	23,270	-	23,270
Depreciation	0	2,925,140	2,925,140
Capital outlay - Fixed Assets	4,059	(4,059)	-
Total expenditures/expenses	1,288,251	2,921,081	4,209,332
Change in fund balance	(161,822)	161,822	-
Change in net assets	-	(2,921,081)	(3,082,903)
Fund balance/net assets - July 1, 2010	298,232	118,120,264	109,279,343
Fund balance/net assets - November 30, 2010	\$ 136,410	\$ 115,361,005	\$ 106,196,440

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the five months ended  
November 30, 2010

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$2,500,000	\$1,126,380	\$ (1,373,620)
Investment earnings	\$0	\$49	49
Total revenues	2,500,000	1,126,429	(1,373,571)
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	441,025	400,492	40,533
Legal and professional services	1,991,955	679,307	1,312,648
Travel	15,000	2,112	12,888
Rents and leases	12,695	170,080	(157,385)
Office expenses	26,500	17,844	8,656
Telephone and network	3,325	3,775	(450)
Insurance	7,500	8,932	(1,432)
Other	2,000	\$1,652	348
Capital outlay	4,059	4,059	-
Total expenditures	2,504,059	1,288,251	1,215,808
Change in fund balance	\$ (4,059)	(161,822)	\$ (157,763)
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		298,232	
Fund balance - November 30, 2010		\$ 136,410	

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes In Fund Balance  
For the four months ended  
October 31, 2010

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$335,586	\$ -	\$ 335,586
Prepaid items	\$16,695	-	16,695
	352,281	-	352,281
<b>Noncurrent assets:</b>			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$106,687,288	106,687,288
	-	\$106,687,288	106,687,288
<b>Total assets</b>	\$ 546,503	106,687,288	\$ 107,233,791
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	190,416	-	190,416
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	87,215	-	87,215
Compensated absences	0	42,230	42,230
	-	42,230	42,230
<b>Total liabilities</b>	\$ 419,372	\$ 42,230	\$ 461,602
<b>Fund Balance/Net Assets</b>			
Fund balance:			
Reserved for prepaid items and deposits with others	210,917	(210,917)	-
Unreserved, undesignated	(83,786)	83,786	-
	-	83,786	-
<b>Total fund balance</b>	127,131	(127,131)	-
<b>Total liabilities and fund balance</b>	\$ 546,503		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		106,687,288	106,687,288
Unrestricted		84,902	84,902
		106,687,288	106,687,288
<b>Total net assets</b>		\$ 106,772,189	\$ 106,772,189

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the four months ended  
October 31, 2010

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 951,380	-	\$ 951,380
General revenues:			
Investment earnings	49	-	49
Total revenues	951,429	-	951,429
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	316,951	-	316,951
Legal and professional services	607,551	-	607,551
Travel	1,778	-	1,778
Rents and leases	165,946	-	165,946
Insurance	7,368	-	7,368
Other	18,875	-	18,875
Depreciation	0	2,340,112	2,340,112
Capital outlay - Fixed Assets	4,059	(4,059)	-
Total expenditures/expenses	1,122,529	2,336,053	3,458,582
Change in fund balance	(171,100)	171,100	-
Change in net assets	-	(2,336,053)	(2,507,153)
Fund balance/net assets - July 1, 2010	298,232	118,120,264	109,279,343
Fund balance/net assets - October 31, 2010	\$ 127,132	\$ 115,955,311	\$ 106,772,190

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the four months ended October 31, 2010

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$2,000,000	\$951,380	\$ (1,048,620)
Investment earnings	\$0	\$49	49
	<u>2,000,000</u>	<u>951,429</u>	<u>(1,048,571)</u>
Total revenues			
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	352,820	316,951	35,869
Legal and professional services	1,593,564	607,551	986,013
Travel	12,000	1,778	10,222
Rents and leases	10,156	165,946	(155,790)
Office expenses	21,200	14,423	6,777
Telephone and network	2,660	3,225	(565)
Insurance	6,000	7,368	(1,368)
Other	1,600	\$1,227	373
Capital outlay	4,059	4,059	-
	<u>2,004,059</u>	<u>1,122,529</u>	<u>881,530</u>
Total expenditures			
Change in fund balance	<u>\$ (4,059)</u>	<u>(171,100)</u>	<u>\$ (167,041)</u>
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		<u>298,232</u>	
Fund balance - October 31, 2010		<u>\$ 127,132</u>	

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the three months ended  
September 30, 2010

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$370,234	\$ -	\$ 370,234
Prepaid items	\$18,259	-	18,259
	388,493	-	388,493
<b>Noncurrent assets:</b>			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$107,268,257	107,268,257
Total assets	\$ 582,715	107,268,257	\$ 107,850,972
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	195,592	-	195,592
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	87,277	-	87,277
Compensated absences	0	42,230	42,230
Total liabilities	\$ 424,610	\$ 42,230	\$ 466,840
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	212,481	(212,481)	-
Unreserved, undesignated	(54,376)	54,376	-
Total fund balance	158,105	(158,105)	-
Total liabilities and fund balance	\$ 582,715		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		107,268,257	107,268,257
Unrestricted		115,876	115,876
Total net assets		\$ 107,384,133	\$ 107,384,133

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the three months ended  
September 30, 2010

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 751,380	-	\$ 751,380
General revenues:			
Investment earnings	47	-	47
Total revenues	751,427	-	751,427
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	237,984	-	237,984
Legal and professional services	469,208	-	469,208
Travel	1,778	-	1,778
Rents and leases	162,469	-	162,469
Insurance	5,804	-	5,804
Other	14,310	-	14,310
Depreciation	0	1,755,084	1,755,084
Capital outlay - Fixed Assets	0	(0)	-
Total expenditures/expenses	891,553	1,755,084	2,646,637
Change in fund balance	(140,126)	140,126	-
Change in net assets	-	(1,755,084)	(1,895,210)
Fund balance/net assets - July 1, 2010	298,232	118,120,264	109,279,343
Fund balance/net assets - September 30, 2010	\$ 158,106	\$ 116,505,306	\$ 107,384,133

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the three months ended September 30, 2010

	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$1,500,000	\$751,380	\$ (748,620)
Investment earnings	<u>\$0</u>	<u>\$47</u>	<u>47</u>
Total revenues	<u>1,500,000</u>	<u>751,427</u>	<u>(748,573)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	264,615	237,984	26,631
Legal and professional services	1,195,173	469,208	725,965
Travel	9,000	1,778	7,222
Rents and leases	7,617	162,469	(154,852)
Office expenses	15,900	10,791	5,109
Telephone and network	1,995	2,664	(669)
Insurance	4,500	5,804	(1,304)
Other	1,200	\$855	345
Capital outlay	<u>0</u>	<u>0</u>	<u>-</u>
Total expenditures	<u>1,500,000</u>	<u>891,553</u>	<u>608,447</u>
Change in fund balance	<u>\$ (0)</u>	(140,126)	\$ (140,126)
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		<u>298,232</u>	
Fund balance - September 30, 2010		<u>\$ 158,106</u>	