

APPENDIX 10

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Discussion and Analysis of Unaudited Financial Statements
For the Period July 1, 2010 through June 30, 2011

The June 30, 2011 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 twelve months ended June 30, 2011 shows a total difference of \$3,449,500 or 57.5 % variance under budget. One line item or activities in the statement account for the majority of the difference.

Professional fees were \$3,503,878 or 73.3% 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.

Capital assets have decreased \$8,664,270 for the twelve months ending June 30, 2011. The reason for the decrease was due to the transfer of certain completed capital projects to CDCR.

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
 Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
 For the twelve months ended
 June 30, 2011

	General Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$251,006	\$ -	\$ 251,006
Prepaid items	\$3,000	-	3,000
	254,006	-	254,006
Noncurrent assets:			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$93,658,458	93,658,458
	-	\$93,658,458	93,658,458
Total assets	\$ 448,228	93,658,458	\$ 94,106,686
Liabilities			
Liabilities:			
Accounts payable	49,568	-	49,568
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	92,794	-	92,794
Compensated absences	0	42,230	42,230
	-	42,230	42,230
Total liabilities	\$ 284,103	\$ 42,230	\$ 326,333
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	197,222	(197,222)	-
Unreserved, undesignated	-	-	-
	-	-	-
Total fund balance	197,222	(197,222)	-
Total liabilities and fund balance	\$ 481,325		
Net assets:			
Invested in capital assets, net of related debt		93,658,458	93,658,458
Unrestricted		8,947,109	8,947,109
		93,658,458	93,658,458
Total net assets		\$ 102,605,567	\$ 102,605,567

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the twelve months ended
June 30, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,577,205	-	\$ 2,577,205
General revenues:			
Investment earnings	135	-	135
Total revenues	<u>2,577,340</u>	<u>-</u>	<u>2,577,340</u>
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	1,006,055	-	1,006,055
Legal and professional services	1,276,814	-	1,276,814
Travel	17,645	-	17,645
Rents and leases	175,635	-	175,635
Insurance	19,878	-	19,878
Other	54,473	-	54,473
Depreciation	0	7,020,336	7,020,336
Capital outlay - Fixed Assets	<u>(8,664,269)</u>	<u>8,664,269</u>	<u>-</u>
Total expenditures/expenses	<u>(6,113,769)</u>	<u>15,684,605</u>	<u>9,570,836</u>
Change in fund balance	8,691,109	(8,691,109)	-
Change in net assets	-	(15,684,605)	(6,993,496)
Fund balance/net assets - July 1, 2010	<u>298,230</u>	<u>109,300,833</u>	<u>109,599,063</u>
Fund balance/net assets - June 30, 2011	<u>\$ 8,989,339</u>	<u>\$ 84,925,118</u>	<u>\$ 102,605,567</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the Twelve months ended
June 30, 2011

	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$6,000,000	\$2,577,205	\$ (3,422,795)
Investment earnings	\$0	\$135	135
	<u>6,000,000</u>	<u>2,577,340</u>	<u>(3,422,660)</u>
Total revenues			
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	1,058,460	1,006,055	52,405
Legal and professional services	4,780,692	1,276,814	3,503,878
Travel	36,000	17,645	18,355
Rents and leases	30,468	175,635	(145,167)
Office expenses	63,600	42,073	21,527
Telephone and network	7,980	7,676	304
Insurance	18,000	19,878	(1,878)
Other	4,800	\$4,723	77
Capital outlay	<u>(8,664,269)</u>	<u>(8,664,269)</u>	<u>-</u>
	<u>(2,664,269)</u>	<u>(6,113,769)</u>	<u>3,449,500</u>
Total expenditures			
Change in fund balance	<u>\$ 8,664,269</u>	8,691,109	\$ 26,840
GAAP basis difference - compensated absences	\$0	-	-
Fund balance - July 1, 2010		<u>298,230</u>	
Fund balance - June 30, 2011		<u>\$ 8,989,339</u>	

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eleven months ended
May 31, 2011

	General Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$199,003	\$ -	\$ 199,003
Prepaid items	\$4,564	-	4,564
	203,567	-	203,567
Noncurrent assets:			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$94,243,486	94,243,486
	-	\$94,243,486	94,243,486
Total assets	\$ 397,789	94,243,486	\$ 94,641,274
Liabilities			
Liabilities:			
Accounts payable	12,752	-	12,752
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	93,996	-	93,996
Compensated absences	0	42,230	42,230
	0	42,230	42,230
Total liabilities	\$ 248,489	\$ 42,230	\$ 290,719
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	198,786	(198,786)	-
Unreserved, undesignated	(49,486)	49,486	-
	(49,486)	49,486	-
Total fund balance	149,300	(149,300)	-
Total liabilities and fund balance	\$ 397,789		
Net assets:			
Invested in capital assets, net of related debt		94,243,486	94,243,486
Unrestricted		8,932,284	8,932,284
		8,932,284	8,932,284
Total net assets		\$ 103,175,770	\$ 103,175,770

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
 Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
 For the eleven months ended
 May 31, 2011

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,401,380	-	\$ 2,401,380
General revenues:			
Investment earnings	114	-	114
Total revenues	2,401,495	-	2,401,495
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	918,885	-	918,885
Legal and professional services	1,197,858	-	1,197,858
Travel	16,732	-	16,732
Rents and leases	187,513	-	187,513
Insurance	18,315	-	18,315
Other	50,177	-	50,177
Depreciation	0	6,435,308	6,435,308
Capital outlay - Fixed Assets	(8,664,269)	(8,664,269)	-
Total expenditures/expenses	(6,274,790)	(2,228,961)	8,824,788
Change in fund balance	8,676,284	(8,676,284)	-
Change in net assets	-	2,228,961	(6,423,293)
Fund balance/net assets - July 1, 2010	298,230	109,300,833	109,599,063
Fund balance/net assets - May 31, 2011	\$ 8,974,514	\$ 102,853,510	\$ 103,175,770

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eleven months ended
May 31, 2011

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$5,500,000	\$2,401,380	\$ (3,098,620)
Investment earnings	\$0	\$114	114
	<u>5,500,000</u>	<u>2,401,495</u>	<u>(3,098,505)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	970,255	918,885	51,370
Legal and professional services	4,382,301	1,197,858	3,184,443
Travel	33,000	16,732	16,268
Rents and leases	27,929	187,513	(159,584)
Office expenses	58,300	38,774	19,526
Telephone and network	7,315	7,070	245
Insurance	16,500	18,315	(1,815)
Other	4,400	\$4,333	67
Capital outlay	(8,664,269)	(8,664,269)	-
	<u>(3,164,269)</u>	<u>(6,274,790)</u>	<u>3,110,520</u>
Change in fund balance	<u>\$ 8,664,269</u>	<u>8,676,284</u>	<u>\$ 12,015</u>
GAAP basis difference - compensated absences		-	-
Fund balance - July 1, 2010		<u>298,230</u>	
Fund balance - May 31, 2011		<u>\$ 8,974,514</u>	