

# APPENDIX 10

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
**Discussion and Analysis of Unaudited Financial Statements**  
**For the Period July 1, 2011 through December 31, 2011**

The December 31, 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 six months ended December 31, 2011 shows a total difference of \$1,950,922 or 65.0% variance under budget. One line item or activity in the statement account for the majority of the difference.

Professional fees were \$2,003,988 or 84.1% 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.

Net capital assets have decreased \$92,488,402 during the first six months of the Fiscal year. The reason for the decrease was due to the transfer of all remaining capital expenditures to CDCR.

**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, 2011

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$58,661	\$ -	\$ 58,661
Prepaid items	\$0	-	-
	58,661	-	58,661
<b>Noncurrent assets:</b>			
Deposits with others	18,777	-	18,777
Capital assets, net	-	\$0	-
	-	\$0	-
Total assets	\$ 77,438	-	\$ 77,438
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	15,668	-	15,668
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	63,444	-	63,444
Compensated absences	0	42,230	42,230
	0	42,230	42,230
Total liabilities	\$ 220,853	\$ 42,230	\$ 263,083
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	18,777	(18,777)	-
Unreserved, undesignated	-	-	-
	-	-	-
Total fund balance	18,777	(18,777)	-
Total liabilities and fund balance	\$ 239,630		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		-	-
Unrestricted		8,522,755	8,522,755
		8,522,755	8,522,755
Total net assets		\$ 8,522,755	\$ 8,522,755

**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, 2011

	<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	\$3,000,985	\$675,000	\$ (2,325,985)
Investment earnings	\$0	\$71	71
	<u>3,000,985</u>	<u>675,071</u>	<u>(2,325,914)</u>
<b>Total revenues</b>	<b>3,000,985</b>	<b>675,071</b>	<b>(2,325,914)</b>
<b>Expenditures:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	503,124	544,560	(41,436)
Legal and professional services	2,382,060	378,072	2,003,988
Travel	18,000	8,711	9,289
Rents and leases	2,539	(15,851)	18,390
Office expenses	9,000	4,511	4,489
Telephone and network	3,390	3,341	49
Insurance	9,000	9,255	(255)
Other	73,872	\$117,463	(43,591)
Capital outlay	-	-	-
	<u>3,000,985</u>	<u>1,050,063</u>	<u>1,950,922</u>
<b>Total expenditures</b>	<b>3,000,985</b>	<b>1,050,063</b>	<b>1,950,922</b>
Change in fund balance	<u>\$ -</u>	(374,992)	\$ (374,992)
GAAP basis difference - compensated absences	\$0	-	-
Fund balance - July 1, 2011		<u>8,989,339</u>	
Fund balance - December 31, 2011		<u>\$ 8,614,347</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, 2011

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 675,000	-	\$ 675,000
General revenues:			
Investment earnings	71	-	71
Total revenues	675,071	-	675,071
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	544,560	-	544,560
Legal and professional services	378,072	-	378,072
Travel	8,711	-	8,711
Rents and leases	(15,851)	-	(15,851)
Insurance	9,255	-	9,255
Other	174,678	-	174,678
Depreciation	0	1,170,056	1,170,056
Capital outlay - Fixed Assets	-	92,488,402	92,488,402
Total expenditures/expenses	1,099,425	93,658,458	94,757,883
Change in fund balance	(424,354)	424,354	-
Change in net assets	-	(93,658,458)	(94,082,812)
Fund balance/net assets - July 1, 2011	8,989,339	84,925,118	102,605,567
Fund balance/net assets - December 31, 2011	\$ 8,564,985	\$ (8,308,986)	\$ 8,522,755

**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, 2011

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$110,051	\$ -	\$ 110,051
Prepaid items	\$0	-	-
	110,051	-	110,051
<b>Noncurrent assets:</b>			
Deposits with others	21,224	-	21,224
Capital assets, net	-	\$0	-
Total assets	\$ 131,275	-	\$ 131,275
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	68,696	-	68,696
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	37,545	-	37,545
Compensated absences	0	42,230	42,230
Total liabilities	\$ 247,982	\$ 42,230	\$ 290,212
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	21,224	(21,224)	-
Unreserved, undesignated	-	-	-
Total fund balance	21,224	(21,224)	-
Total liabilities and fund balance	\$ 269,206		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		-	-
Unrestricted		8,549,463	8,549,463
Total net assets		\$ 8,549,463	\$ 8,549,463

**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, 2011

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
<b>Revenues:</b>			
State of California appropriation to Receivership	\$2,501,244	\$525,000	\$ (1,976,244)
Investment earnings	\$0	\$49	49
	<u>2,501,244</u>	<u>525,049</u>	<u>(1,976,195)</u>
<b>Total revenues</b>			
	<u>2,501,244</u>	<u>525,049</u>	<u>(1,976,195)</u>
<b>Expenditures:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	419,270	454,335	(35,065)
Legal and professional services	1,985,050	310,869	1,674,181
Travel	15,000	8,532	6,468
Rents and leases	2,539	(15,851)	18,390
Office expenses	7,500	3,874	3,626
Telephone and network	2,825	2,796	29
Insurance	7,500	7,691	(191)
Other	61,560	\$116,685	(55,125)
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>2,501,244</u>	<u>888,932</u>	<u>1,612,312</u>
<b>Change in fund balance</b>	<u>\$ -</u>	<u>(363,883)</u>	<u>\$ (363,883)</u>
GAAP basis difference - compensated absences	\$0	-	-
<b>Fund balance - July 1, 2011</b>		<u>8,989,339</u>	
<b>Fund balance - November 30, 2011</b>		<u>\$ 8,625,456</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, 2011

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 525,000	-	\$ 525,000
General revenues:			
Investment earnings	49	-	49
Total revenues	525,049	-	525,049
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	454,335	-	454,335
Legal and professional services	310,869	-	310,869
Travel	8,532	-	8,532
Rents and leases	(15,851)	-	(15,851)
Insurance	7,691	-	7,691
Other	157,118	-	157,118
Depreciation	0	1,170,056	1,170,056
Capital outlay - Fixed Assets	-	92,488,402	92,488,402
Total expenditures/expenses	922,695	93,658,458	94,581,153
Change in fund balance	(397,646)	397,646	-
Change in net assets	-	(93,658,458)	(94,056,104)
Fund balance/net assets - July 1, 2011	8,989,339	84,925,118	102,605,567
Fund balance/net assets - November 30, 2011	\$ 8,591,693	\$ (8,335,694)	\$ 8,549,463

**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, 2011

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$120,775	\$ -	\$ 120,775
Prepaid items	\$0	-	-
	120,775	-	120,775
<b>Noncurrent assets:</b>			
Deposits with others	23,039	-	23,039
Capital assets, net	-	\$0	-
	-	-	-
Total assets	\$ 143,814	-	\$ 143,814
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	75,429	-	75,429
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	36,456	-	36,456
Compensated absences	0	42,230	42,230
	-	42,230	42,230
Total liabilities	\$ 253,626	\$ 42,230	\$ 295,856
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	23,039	(23,039)	-
Unreserved, undesignated	-	-	-
	-	-	-
Total fund balance	23,039	(23,039)	-
Total liabilities and fund balance	\$ 276,665		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		-	-
Unrestricted		8,556,360	8,556,360
		8,556,360	8,556,360
Total net assets		\$ 8,556,360	\$ 8,556,360

**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, 2011

	<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	\$2,001,503	\$375,000	\$ (1,626,503)
Investment earnings	\$0	\$34	34
	<u>2,001,503</u>	<u>375,034</u>	<u>(1,626,469)</u>
<b>Total revenues</b>			
<b>Expenditures:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	335,416	363,469	(28,053)
Legal and professional services	1,588,040	253,870	1,334,170
Travel	12,000	7,149	4,851
Rents and leases	2,539	(15,851)	18,390
Office expenses	6,000	3,294	2,706
Telephone and network	2,260	2,180	80
Insurance	6,000	6,127	(127)
Other	49,248	\$116,011	(66,763)
Capital outlay	-	-	-
	<u>2,001,503</u>	<u>736,249</u>	<u>1,265,254</u>
<b>Total expenditures</b>			
Change in fund balance	<u>\$ -</u>	(361,214)	\$ (361,214)
GAAP basis difference - compensated absences	\$0	-	-
Fund balance - July 1, 2011		<u>8,989,339</u>	
Fund balance - October 31, 2011		<u>\$ 8,628,125</u>	

**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, 2011

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 375,000	-	\$ 375,000
General revenues:			
Investment earnings	34	-	34
Total revenues	375,034	-	375,034
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	363,469	-	363,469
Legal and professional services	253,870	-	253,870
Travel	7,149	-	7,149
Rents and leases	(15,851)	-	(15,851)
Insurance	6,127	-	6,127
Other	151,020	-	151,020
Depreciation	0	1,170,056	1,170,056
Capital outlay - Fixed Assets	-	92,488,402	92,488,402
Total expenditures/expenses	765,783	93,658,458	94,424,241
Change in fund balance	(390,749)	390,749	-
Change in net assets	-	(93,658,458)	(94,049,207)
Fund balance/net assets - July 1, 2011	8,989,339	84,925,118	102,605,567
Fund balance/net assets - October 31, 2011	\$ 8,598,590	\$ (8,342,591)	\$ 8,556,360

**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, 2011

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$163,659	\$ -	\$ 163,659
Prepaid items	\$0	-	-
	163,659	-	163,659
<b>Noncurrent assets:</b>			
Deposits with others	18,495	-	18,495
Capital assets, net	-	\$0	-
	-	-	-
Total assets	\$ 182,154	-	\$ 182,154
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	80,955	-	80,955
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	37,883	-	37,883
Compensated absences	0	42,230	42,230
	0	42,230	42,230
Total liabilities	\$ 260,579	\$ 42,230	\$ 302,809
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	18,495	(18,495)	-
Unreserved, undesignated	-	-	-
	-	-	-
Total fund balance	18,495	(18,495)	-
Total liabilities and fund balance	\$ 279,074		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		-	-
Unrestricted		8,587,746	8,587,746
		8,587,746	8,587,746
Total net assets		\$ 8,587,746	\$ 8,587,746

**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, 2011

	<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	\$1,501,762	\$250,000	\$ (1,251,762)
Investment earnings	<u>\$0</u>	<u>\$26</u>	<u>26</u>
Total revenues	<u>1,501,762</u>	<u>250,026</u>	<u>(1,251,736)</u>
<b>Expenditures:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	251,562	274,397	(22,835)
Legal and professional services	1,191,030	205,593	985,437
Travel	9,000	7,149	1,851
Rents and leases	2,539	(15,851)	18,390
Office expenses	4,500	2,525	1,975
Telephone and network	1,695	1,626	69
Insurance	4,500	4,564	(64)
Other	36,936	\$115,655	(78,719)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,501,762</u>	<u>595,657</u>	<u>906,105</u>
Change in fund balance	<u>\$ -</u>	(345,631)	\$ (345,631)
GAAP basis difference - compensated absences	\$0	-	-
Fund balance - July 1, 2011		<u>8,989,339</u>	
Fund balance - September 30, 2011		<u>\$ 8,643,708</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, 2011

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 250,000	-	\$ 250,000
General revenues:			
Investment earnings	26	-	26
Total revenues	250,026	-	250,026
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	274,397	-	274,397
Legal and professional services	205,593	-	205,593
Travel	7,149	-	7,149
Rents and leases	(15,851)	-	(15,851)
Insurance	4,564	-	4,564
Other	133,537	-	133,537
Depreciation	0	1,170,056	1,170,056
Capital outlay - Fixed Assets	-	92,488,402	92,488,402
Total expenditures/expenses	609,389	93,658,458	94,267,847
Change in fund balance	(359,363)	359,363	-
Change in net assets	-	(93,658,458)	(94,017,821)
Fund balance/net assets - July 1, 2011	8,989,339	84,925,118	102,605,567
Fund balance/net assets - September 30, 2011	\$ 8,629,976	\$ (8,373,977)	\$ 8,587,746