

APPENDIX 7

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Discussion and Analysis of Unaudited Financial Statements
For the Period July 1, 2009 through December 31, 2009

The December 31, 2009 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, 2009 shows a total difference of \$2,137,956 or 20.1% variance under budget. One line item or activity in the statement account for the majority of the difference.

Professional fees were \$2,153,982 or 67.6% 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 \$6.9 million during the first six months of the Fiscal year. Of the total expenditures for capital assets, \$5.7 million was related to the Health Services Clinics and Administration building for Avenal State Prison. The remaining expenditures were for various capital improvements at San Quentin.

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, 2009

	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$1,600,000	\$1,600,000	\$ -
Investment earnings	\$0	\$3,431	3,431
	<u>1,600,000</u>	<u>1,603,431</u>	<u>3,431</u>
Total revenues			
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	361,025	447,594	(86,569)
Legal and professional services	3,186,816	1,032,834	2,153,982
Travel	18,000	6,928	11,072
Rents and leases	19,434	23,594	(4,160)
Office expenses	31,800	17,603	14,197
Telephone and network	9,000	8,553	447
Insurance	9,000	46,336	(37,336)
Other	125,604	\$39,280	86,324
Capital outlay	6,873,314	6,873,314	-
	<u>10,633,993</u>	<u>8,496,037</u>	<u>2,137,956</u>
Total expenditures			
Change in fund balance	<u>\$ (9,033,993)</u>	(6,892,606)	\$ 2,141,387
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2009		<u>9,662,033</u>	
Fund balance - December 31, 2009		<u>\$ 2,769,427</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, 2009

	General Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Current assets:			
Cash	\$3,552,749	\$ -	\$ 3,552,749
Prepaid items	\$15,505	-	15,505
	3,568,254	-	3,568,254
Noncurrent assets:			
Deposits with others	196,673	-	196,673
Capital assets, net	-	\$110,286,607	110,286,607
	-	\$110,286,607	110,286,607
Total assets	\$ 3,764,927	110,286,607	\$ 114,051,534
Liabilities			
Liabilities:			
Accounts payable	42,233	-	42,233
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	811,528	-	811,528
Compensated absences	0	57,677	57,677
	-	57,677	57,677
Total liabilities	\$ 995,502	\$ 57,677	\$ 1,053,179
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	212,178	(212,178)	-
Unreserved, undesignated	2,557,247	(2,557,247)	-
	-	(2,557,247)	-
Total fund balance	2,769,425	(2,769,425)	-
Total liabilities and fund balance	\$ 3,764,927		
Net assets:			
Invested in capital assets, net of related debt		110,286,607	110,286,607
Unrestricted		2,711,750	2,711,750
		-	-
Total net assets		\$ 112,998,357	\$ 112,998,357

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, 2009

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,600,000	-	\$ 1,600,000
General revenues:			
Investment earnings	3,431	-	3,431
Total revenues	1,603,431	-	1,603,431
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	447,594	-	447,594
Legal and professional services	1,032,834	-	1,032,834
Travel	6,928	-	6,928
Rents and leases	23,594	-	23,594
Insurance	46,336	-	46,336
Other	65,437	-	65,437
Depreciation	0	2,287,855	2,287,855
Capital outlay - Fixed Assets	6,873,314	(6,873,314)	-
Total expenditures/expenses	8,496,037	(4,585,459)	3,910,578
Change in fund balance	(6,892,606)	6,892,606	-
Change in net assets	-	4,585,459	(2,307,147)
Fund balance/net assets - July 1, 2009	9,662,033	109,146,983	115,305,504
Fund balance/net assets - December 31, 2009	\$ 2,769,427	\$ 120,625,049	\$ 112,998,357

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, 2009

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$1,450,000	\$1,450,000	\$ -
Investment earnings	\$0	\$3,431	3,431
Total revenues	1,450,000	1,453,431	3,431
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	321,288	395,269	(73,981)
Legal and professional services	2,655,680	770,834	1,884,846
Travel	15,000	6,928	8,072
Rents and leases	16,195	20,667	(4,472)
Office expenses	26,500	17,401	9,099
Telephone and network	7,500	6,753	747
Insurance	7,500	46,336	(38,836)
Other	104,670	\$39,009	65,661
Capital outlay	6,244,423	6,244,423	-
Total expenditures	9,398,756	7,547,620	1,851,136
Change in fund balance	\$ (7,948,756)	(6,094,189)	\$ 1,854,567
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2009		9,662,033	
Fund balance - November 30, 2009		\$ 3,567,844	

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, 2009

	General Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Current assets:			
Cash	\$4,298,184	\$ -	\$ 4,298,184
Prepaid items	\$29,676	-	29,676
	4,327,860	-	4,327,860
Noncurrent assets:			
Deposits with others	196,673	-	196,673
Capital assets, net	-	\$110,110,595	110,110,595
Total assets	\$ 4,524,532	110,110,595	\$ 114,635,128
Liabilities			
Liabilities:			
Accounts payable	268,698	-	268,698
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	546,250	-	546,250
Compensated absences	0	57,677	57,677
Total liabilities	\$ 956,689	\$ 57,677	\$ 1,014,366
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	226,349	(226,349)	-
Unreserved, undesignated	3,341,495	(3,341,495)	-
Total fund balance	3,567,844	(3,567,844)	-
Total liabilities and fund balance	\$ 4,524,532		
Net assets:			
Invested in capital assets, net of related debt		110,110,595	110,110,595
Unrestricted		3,510,167	3,510,167
Total net assets		\$ 113,620,762	\$ 113,620,762

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, 2009

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,450,000	-	\$ 1,450,000
General revenues:			
Investment earnings	3,431	-	3,431
Total revenues	1,453,431	-	1,453,431
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	395,269	-	395,269
Legal and professional services	770,834	-	770,834
Travel	6,928	-	6,928
Rents and leases	20,667	-	20,667
Insurance	46,336	-	46,336
Other	63,163	-	63,163
Depreciation	0	1,834,976	1,834,976
Capital outlay - Fixed Assets	6,244,423	(6,244,423)	-
Total expenditures/expenses	7,547,620	(4,409,447)	3,138,173
Change in fund balance	(6,094,189)	6,094,189	-
Change in net assets	-	4,409,447	(1,684,742)
Fund balance/net assets - July 1, 2009	9,662,033	109,146,983	115,305,504
Fund balance/net assets - November 30, 2009	\$ 3,567,844	\$ 119,650,619	\$ 113,620,762

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, 2009

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$1,100,000	\$1,100,000	\$ -
Investment earnings	\$0	\$3,363	3,363
Total revenues	1,100,000	1,103,363	3,363
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	281,551	335,833	(54,282)
Legal and professional services	2,124,544	468,484	1,656,060
Travel	12,000	5,777	6,223
Rents and leases	12,956	17,154	(4,198)
Office expenses	21,200	12,980	8,220
Telephone and network	6,000	5,201	799
Insurance	6,000	43,742	(37,742)
Other	83,736	\$29,766	53,970
Capital outlay	5,182,170	5,182,170	-
Total expenditures	7,730,157	6,101,108	1,629,050
Change in fund balance	\$ (6,630,157)	(4,997,745)	\$ 1,632,413
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2009		9,662,033	
Fund balance - October 31, 2009		\$ 4,664,288	

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, 2009

	General Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Current assets:			
Cash	\$5,169,069	\$ -	\$ 5,169,069
Prepaid items	\$32,832	-	32,832
	5,201,900	-	5,201,900
Noncurrent assets:			
Deposits with others	196,673	-	196,673
Capital assets, net	-	\$109,504,710	109,504,710
	-	\$109,504,710	109,504,710
Total assets	\$ 5,398,573	109,504,710	\$ 114,903,284
Liabilities			
Liabilities:			
Accounts payable	97,971	-	97,971
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	494,574	-	494,574
Compensated absences	0	57,677	57,677
	-	57,677	57,677
Total liabilities	\$ 734,285	\$ 57,677	\$ 791,962
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	229,504	(229,504)	-
Unreserved, undesignated	4,434,784	(4,434,784)	-
	4,664,288	(4,664,288)	-
Total fund balance	4,664,288	(4,664,288)	-
Total liabilities and fund balance	\$ 5,398,573		
Net assets:			
Invested in capital assets, net of related debt		109,504,710	109,504,710
Unrestricted		4,606,611	4,606,611
		109,504,710	109,504,710
Total net assets		\$ 114,111,322	\$ 114,111,322

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, 2009

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,100,000	-	\$ 1,100,000
General revenues:			
Investment earnings	3,363	-	3,363
Total revenues	1,103,363	-	1,103,363
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	335,833	-	335,833
Legal and professional services	468,484	-	468,484
Travel	5,777	-	5,777
Rents and leases	17,154	-	17,154
Insurance	43,742	-	43,742
Other	47,947	-	47,947
Depreciation	0	1,378,608	1,378,608
Capital outlay - Fixed Assets	5,182,170	(5,182,170)	-
Total expenditures/expenses	6,101,108	(3,803,562)	2,297,545
Change in fund balance	(4,997,745)	4,997,745	-
Change in net assets	-	3,803,562	(1,194,182)
Fund balance/net assets - July 1, 2009	9,662,033	109,146,983	115,305,504
Fund balance/net assets - October 31, 2009	\$ 4,664,288	\$ 117,948,290	\$ 114,111,322

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, 2009

	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$750,000	\$750,000	\$ -
Investment earnings	<u>\$0</u>	<u>\$3,071</u>	<u>3,071</u>
Total revenues	<u>750,000</u>	<u>753,071</u>	<u>3,071</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	241,814	272,504	(30,690)
Legal and professional services	1,593,408	404,722	1,188,686
Travel	9,000	4,723	4,277
Rents and leases	9,717	11,937	(2,220)
Office expenses	15,900	9,499	6,401
Telephone and network	4,500	4,459	41
Insurance	4,500	41,589	(37,089)
Other	62,802	\$19,977	42,825
Capital outlay	<u>2,982,146</u>	<u>2,982,146</u>	<u>-</u>
Total expenditures	<u>4,923,787</u>	<u>3,751,555</u>	<u>1,172,232</u>
Change in fund balance	<u>\$ (4,173,787)</u>	(2,998,485)	\$ 1,175,303
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2009		<u>9,662,033</u>	
Fund balance - September 30, 2009		<u>\$ 6,663,548</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, 2009

	General Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Current assets:			
Cash	\$7,238,469	\$ -	\$ 7,238,469
Prepaid items	\$35,991	-	35,991
	7,274,460	-	7,274,460
Noncurrent assets:			
Deposits with others	181,615	-	181,615
Capital assets, net	-	\$107,761,054	107,761,054
	-	\$107,761,054	107,761,054
Total assets	\$ 7,456,075	107,761,054	\$ 115,217,129
Liabilities			
Liabilities:			
Accounts payable	225,639	-	225,639
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	424,924	-	424,924
Compensated absences	0	57,677	57,677
	-	57,677	57,677
Total liabilities	\$ 792,304	\$ 57,677	\$ 849,981
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	217,606	(217,606)	-
Unreserved, undesignated	6,446,165	(6,446,165)	-
	6,663,770	(6,663,770)	-
Total fund balance	6,663,770	(6,663,770)	-
Total liabilities and fund balance	\$ 7,456,075		
Net assets:			
Invested in capital assets, net of related debt		107,761,054	107,761,054
Unrestricted		6,605,871	6,605,871
		114,366,926	114,366,926
Total net assets		\$ 114,366,926	\$ 114,366,926

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, 2009

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 750,000	-	\$ 750,000
General revenues:			
Investment earnings	3,071	-	3,071
Total revenues	753,071	-	753,071
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	272,504	-	272,504
Legal and professional services	404,722	-	404,722
Travel	4,723	-	4,723
Rents and leases	11,937	-	11,937
Insurance	41,589	-	41,589
Other	33,934	-	33,934
Depreciation	0	922,240	922,240
Capital outlay - Fixed Assets	2,982,146	(2,982,146)	-
Total expenditures/expenses	3,751,555	(2,059,906)	1,691,649
Change in fund balance	(2,998,485)	2,998,485	-
Change in net assets	-	2,059,906	(938,578)
Fund balance/net assets - July 1, 2009	9,662,033	109,146,983	115,305,504
Fund balance/net assets - September 30, 2009	\$ 6,663,548	\$ 114,205,374	\$ 114,366,926