

APPENDIX 11

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Discussion and Analysis of Unaudited Financial Statements
For the Period July 1, 2009 through June 30, 2010

The June 30, 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 twelve months ended June 30, 2010 shows a total difference of \$4,271,014 or 25.6 % variance under budget. One line item or activities in the statement account for the majority of the difference.

Professional fees were \$4,328,400 or 67.9% 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 increased \$9.3 million for the twelve months ending June 30, 2010. Of the total expenditures for capital assets, \$8.3 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 twelve months ended
June 30, 2010

	General Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$407,937	\$ -	\$ 407,937
Prepaid items	\$5,297	-	5,297
	413,234	-	413,234
Noncurrent assets:			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$109,023,341	109,023,341
	-	\$109,023,341	109,023,341
Total assets	\$ 607,456	109,023,341	\$ 109,630,797
Liabilities			
Liabilities:			
Accounts payable	(432)	-	(432)
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	167,916	-	167,916
Compensated absences	0	42,230	42,230
	-	42,230	42,230
Total liabilities	\$ 309,225	\$ 42,230	\$ 351,455
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	199,519	(199,519)	-
Unreserved, undesignated	98,713	(98,713)	-
	298,232	(298,232)	-
Total fund balance	298,232	(298,232)	-
Total liabilities and fund balance	\$ 607,456		
Net assets:			
Invested in capital assets, net of related debt		109,023,341	109,023,341
Unrestricted		256,002	256,002
		109,279,343	109,279,343
Total net assets		\$ 109,279,343	\$ 109,279,343

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, 2010

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 3,298,712	-	\$ 3,298,712
General revenues:			
Investment earnings	3,592	-	3,592
Total revenues	3,302,304	-	3,302,304
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	848,138	(15,447)	832,691
Legal and professional services	2,045,232	-	2,045,232
Travel	16,137	-	16,137
Rents and leases	37,902	-	37,902
Insurance	60,942	-	60,942
Other	134,837	-	134,837
Depreciation	0	6,200,724	6,200,724
Capital outlay - Fixed Assets	9,298,271	(9,298,271)	-
Total expenditures/expenses	12,441,460	(3,112,994)	9,328,465
Change in fund balance	(9,139,156)	9,139,156	-
Change in net assets	-	3,112,994	(6,026,161)
Fund balance/net assets - July 1, 2009	9,437,388	105,868,114	115,305,504
Fund balance/net assets - June 30, 2010	\$ 298,232	\$ 118,120,264	\$ 109,279,343

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, 2010

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$7,398,755	\$3,298,712	\$ (4,100,043)
Investment earnings	\$0	\$3,592	3,592
Total revenues	7,398,755	3,302,304	(4,096,451)
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	599,447	832,691	(233,244)
Legal and professional services	6,373,632	2,045,232	4,328,400
Travel	36,000	16,137	19,863
Rents and leases	38,868	37,902	966
Office expenses	63,600	45,570	18,030
Telephone and network	18,000	11,375	6,625
Insurance	18,000	60,942	(42,942)
Other	251,208	\$77,893	173,315
Capital outlay	9,298,271	9,298,271	-
Total expenditures	16,697,026	12,426,013	4,271,014
Change in fund balance	\$ (9,298,271)	(9,123,709)	\$ 174,563
GAAP basis difference - compensated absences		(15,447)	
Fund balance - July 1, 2009		9,437,388	
Fund balance - June 30, 2010		\$ 298,232	

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, 2010

	General Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$510,818	\$ -	\$ 510,818
Prepaid items	\$2,531	-	2,531
	513,350	-	513,350
Noncurrent assets:			
Deposits with others	194,131	-	194,131
Capital assets, net	-	\$110,909,635	110,909,635
	-	\$110,909,635	110,909,635
Total assets	\$ 707,480	110,909,635	\$ 111,617,115
Liabilities			
Liabilities:			
Accounts payable	170,184	-	170,184
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	531,345	-	531,345
Compensated absences	0	40,598	40,598
	0	40,598	40,598
Total liabilities	\$ 843,270	\$ 40,598	\$ 883,868
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	196,662	(196,662)	-
Unreserved, undesignated	(332,451)	332,451	-
	(332,451)	332,451	-
Total fund balance	(135,789)	135,789	-
Total liabilities and fund balance	\$ 707,480		
Net assets:			
Invested in capital assets, net of related debt		110,909,635	110,909,635
Unrestricted		(176,387)	(176,387)
		(176,387)	(176,387)
Total net assets		\$ 110,733,248	\$ 110,733,248

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, 2010

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,923,712	-	\$ 2,923,712
General revenues:			
Investment earnings	3,548	-	3,548
Total revenues	2,927,260	-	2,927,260
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	778,490	(17,079)	761,411
Legal and professional services	1,943,133	-	1,943,133
Travel	14,831	-	14,831
Rents and leases	38,379	-	38,379
Insurance	59,310	-	59,310
Other	130,202	-	130,202
Depreciation	0	4,552,250	4,552,250
Capital outlay - Fixed Assets	9,536,092	(9,536,092)	-
Total expenditures/expenses	12,500,437	(5,000,921)	7,499,516
Change in fund balance	(9,573,177)	9,573,177	-
Change in net assets	-	5,000,921	(4,572,256)
Fund balance/net assets - July 1, 2009	9,437,388	105,868,114	115,305,504
Fund balance/net assets - May 31, 2010	\$ (135,789)	\$ 120,442,213	\$ 110,733,248

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, 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	\$6,792,409	\$2,923,712	\$ (3,868,697)
Investment earnings	\$0	\$3,548	3,548
	<u>6,792,409</u>	<u>2,927,260</u>	<u>(3,865,149)</u>
Total revenues			
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	559,710	761,411	(201,701)
Legal and professional services	5,842,496	1,943,133	3,899,363
Travel	33,000	14,831	18,169
Rents and leases	35,629	38,379	(2,750)
Office expenses	58,300	42,010	16,290
Telephone and network	16,500	11,412	5,088
Insurance	16,500	59,310	(42,810)
Other	230,274	\$76,779	153,495
Capital outlay	9,536,092	9,536,092	-
	<u>16,328,501</u>	<u>12,483,358</u>	<u>3,845,143</u>
Total expenditures			
Change in fund balance	<u>\$ (9,536,092)</u>	(9,556,098)	\$ (20,006)
GAAP basis difference - compensated absences		(17,079)	
Fund balance - July 1, 2009		<u>9,437,388</u>	
Fund balance - May 31, 2010		<u>\$ (135,789)</u>	

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

The August 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 two months ended August 31, 2010 shows a total difference of \$576,475 or 57.6% variance under budget. One line item or activity in the statement account for the majority of the difference.

Professional fees were \$543,930 or 68.3% 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. We do anticipate legal costs to ramp up to budgeted levels for the fiscal year.

Capital assets have not increased during the first two 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 two months ended
August 31, 2010

	General Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$338,205	\$ -	\$ 338,205
Prepaid items	\$1,057	-	1,057
	339,262	-	339,262
Noncurrent assets:			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$107,853,285	107,853,285
Total assets	\$ 533,484	107,853,285	\$ 108,386,769
Liabilities			
Liabilities:			
Accounts payable	128,545	-	128,545
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	88,458		88,458
Compensated absences	0	42,230	42,230
Total liabilities	\$ 358,744	\$ 42,230	\$ 400,974
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	195,279	(195,279)	-
Unreserved, undesignated	(20,539)	20,539	-
Total fund balance	174,740	(174,740)	-
Total liabilities and fund balance	\$ 533,484		
Net assets:			
Invested in capital assets, net of related debt		107,853,285	107,853,285
Unrestricted		132,510	132,510
Total net assets		\$ 107,985,795	\$ 107,985,795

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

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 300,000	-	\$ 300,000
General revenues:			
Investment earnings	34	-	34
Total revenues	300,034	-	300,034
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	154,388	-	154,388
Legal and professional services	252,852	-	252,852
Travel	421	-	421
Rents and leases	6,955	-	6,955
Insurance	4,240	-	4,240
Other	4,669	-	4,669
Depreciation	0	1,170,056	1,170,056
Capital outlay - Fixed Assets	-	-	-
Total expenditures/expenses	423,525	1,170,056	1,593,581
Change in fund balance	(123,492)	123,492	-
Change in net assets	-	(1,170,056)	(1,293,548)
Fund balance/net assets - July 1, 2010	298,232	118,120,264	109,279,343
Fund balance/net assets - August 31, 2010	\$ 174,740	\$ 117,073,700	\$ 107,985,795

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

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$1,000,000	\$300,000	\$ (700,000)
Investment earnings	\$0	\$34	34
Total revenues	1,000,000	300,034	(699,966)
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	176,410	154,388	22,022
Legal and professional services	796,782	252,852	543,930
Travel	6,000	421	5,579
Rents and leases	5,078	6,955	(1,877)
Office expenses	10,600	2,006	8,594
Telephone and network	1,330	2,107	(777)
Insurance	3,000	4,240	(1,240)
Other	800	\$557	243
Capital outlay	-	-	-
Total expenditures	1,000,000	423,525	576,475
Change in fund balance	\$ -	(123,492)	\$ (123,492)
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		298,232	
Fund balance - August 31, 2010		\$ 174,740	

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the one month ended
July 31, 2010

	General Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$297,844	\$ -	\$ 297,844
Prepaid items	\$1,057	-	1,057
	298,901	-	298,901
Noncurrent assets:			
Deposits with others	196,342	-	196,342
Capital assets, net	-	\$108,438,313	108,438,313
	-	\$108,438,313	108,438,313
Total assets	\$ 495,243	108,438,313	\$ 108,933,556
Liabilities			
Liabilities:			
Accounts payable	170,635	-	170,635
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	74,820	-	74,820
Compensated absences	0	42,230	42,230
	0	42,230	42,230
Total liabilities	\$ 387,196	\$ 42,230	\$ 429,426
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	197,399	(197,399)	-
Unreserved, undesignated	(89,351)	89,351	-
	(89,351)	89,351	-
Total fund balance	108,048	(108,048)	-
Total liabilities and fund balance	\$ 495,243		
Net assets:			
Invested in capital assets, net of related debt		108,438,313	108,438,313
Unrestricted		65,818	65,818
		65,818	65,818
Total net assets		\$ 108,504,131	\$ 108,504,131

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the one month ended
July 31, 2010

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ -	-	\$ -
General revenues:			
Investment earnings	17	-	17
Total revenues	17	-	17
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	71,070	-	71,070
Legal and professional services	111,475	-	111,475
Travel	421	-	421
Rents and leases	3,477	-	3,477
Insurance	2,120	-	2,120
Other	1,637	-	1,637
Depreciation	0	585,028	585,028
Capital outlay - Fixed Assets	-	-	-
Total expenditures/expenses	190,201	585,028	775,229
Change in fund balance	(190,184)	190,184	-
Change in net assets	-	(585,028)	(775,212)
Fund balance/net assets - July 1, 2010	298,232	118,120,264	109,279,343
Fund balance/net assets - July 31, 2010	\$ 108,048	\$ 117,725,420	\$ 108,504,131

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the one month ended
July 31, 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	\$500,000	\$0	\$ (500,000)
Investment earnings	<u>\$0</u>	<u>\$17</u>	<u>17</u>
Total revenues	<u>500,000</u>	<u>17</u>	<u>(499,983)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	88,205	71,070	17,135
Legal and professional services	398,391	111,475	286,916
Travel	3,000	421	2,579
Rents and leases	2,539	3,477	(938)
Office expenses	5,300	782	4,518
Telephone and network	665	557	108
Insurance	1,500	2,120	(620)
Other	400	\$298	102
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>500,000</u>	<u>190,201</u>	<u>309,799</u>
Change in fund balance	<u>\$ -</u>	(190,184)	\$ (190,184)
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		<u>298,232</u>	
Fund balance - July 31, 2010		<u>\$ 108,048</u>	