

# APPENDIX 8

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

The April 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 ten months ended April 30, 2011 shows a total difference of \$2,754,547 or 55.1% variance under budget. One line item or activity in the statement account for the majority of the difference.

Professional fees were \$2,826,726 or 71.0% 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 decreased \$8,664,270 during the first ten months of the Fiscal year. 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 ten months ended  
April 30, 2011

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$185,576	\$ -	\$ 185,576
Prepaid items	\$6,127	-	6,127
	191,703	-	191,703
<b>Noncurrent assets:</b>			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$94,828,513	94,828,513
	-	\$94,828,513	94,828,513
Total assets	\$ 385,925	94,828,513	\$ 95,214,438
<b>Liabilities</b>			
Liabilities:			
Accounts payable	48,704	-	48,704
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	127,166	-	127,166
Compensated absences	0	42,230	42,230
	0	42,230	42,230
Total liabilities	\$ 317,611	\$ 42,230	\$ 359,841
<b>Fund Balance/Net Assets</b>			
Fund balance:			
Reserved for prepaid items and deposits with others	200,349	(200,349)	-
Unreserved, undesignated	(132,035)	132,035	-
	68,314	(68,314)	-
Total fund balance	68,314	(68,314)	-
Total liabilities and fund balance	\$ 385,925		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		94,828,513	94,828,513
Unrestricted		8,851,300	8,851,300
		8,851,300	8,851,300
Total net assets		\$ 103,679,813	\$ 103,679,813

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

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,176,380	-	\$ 2,176,380
General revenues:			
Investment earnings	104	-	104
Total revenues	2,176,484	-	2,176,484
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	826,177	-	826,177
Legal and professional services	1,157,150	-	1,157,150
Travel	15,780	-	15,780
Rents and leases	184,716	-	184,716
Insurance	16,751	-	16,751
Other	44,881	-	44,881
Depreciation	0	5,850,280	5,850,280
Capital outlay - Fixed Assets	(8,664,270)	8,664,270	-
Total expenditures/expenses	(6,418,816)	14,514,550	8,095,733
Change in fund balance	8,595,300	(8,595,300)	-
Change in net assets	-	(14,514,550)	(5,919,249)
Fund balance/net assets - July 1, 2010	298,230	109,300,833	109,599,063
Fund balance/net assets - April 30, 2011	\$ 8,893,530	\$ 86,190,983	\$ 103,679,814

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

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
<b>Revenues:</b>			
State of California appropriation to Receivership	\$5,000,000	\$2,176,380	\$ (2,823,620)
Investment earnings	\$0	\$104	104
<b>Total revenues</b>	<b>5,000,000</b>	<b>2,176,484</b>	<b>(2,823,516)</b>
<b>Expenditures:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	882,050	826,177	55,873
Legal and professional services	3,983,910	1,157,150	2,826,760
Travel	30,000	15,780	14,220
Rents and leases	25,390	184,716	(159,326)
Office expenses	53,000	34,020	18,980
Telephone and network	6,650	6,524	126
Insurance	15,000	16,751	(1,751)
Other	4,000	\$4,336	(336)
Capital outlay	(8,664,270)	(8,664,270)	-
<b>Total expenditures</b>	<b>(3,664,270)</b>	<b>(6,418,816)</b>	<b>2,754,547</b>
Change in fund balance	<b>\$ 8,664,270</b>	<b>8,595,300</b>	<b>\$ (68,969)</b>
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		298,230	
Fund balance - April 30, 2011		<b>\$ 8,893,530</b>	

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

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$174,547	\$ -	\$ 174,547
Prepaid items	\$7,691	-	7,691
	182,238	-	182,238
<b>Noncurrent assets:</b>			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$95,413,541	95,413,541
	-	\$95,413,541	95,413,541
<b>Total assets</b>	\$ 376,460	95,413,541	\$ 95,790,001
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	105,525	-	105,525
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	87,817		87,817
Compensated absences	0	42,230	42,230
	-	42,230	42,230
<b>Total liabilities</b>	\$ 335,083	\$ 42,230	\$ 377,313
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	201,913	(201,913)	-
Unreserved, undesignated	(160,536)	160,536	-
	-	160,536	-
<b>Total fund balance</b>	41,377	(41,377)	-
<b>Total liabilities and fund balance</b>	\$ 376,460		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		95,413,541	95,413,541
Unrestricted		8,824,353	8,824,353
		8,824,353	8,824,353
<b>Total net assets</b>		\$ 104,237,894	\$ 104,237,894

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

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,951,380	-	\$ 1,951,380
General revenues:			
Investment earnings	85	-	85
Total revenues	1,951,465	-	1,951,465
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	736,105	-	736,105
Legal and professional services	1,066,024	-	1,066,024
Travel	8,589	-	8,589
Rents and leases	181,269	-	181,269
Insurance	15,187	-	15,187
Other	40,208	-	40,208
Depreciation	0	5,265,252	5,265,252
Capital outlay - Fixed Assets	(8,664,270)	8,664,270	-
Total expenditures/expenses	(6,616,888)	13,929,522	7,312,634
Change in fund balance	8,568,353	(8,568,353)	-
Change in net assets	-	(13,929,522)	(5,361,169)
Fund balance/net assets - July 1, 2010	298,230	109,300,833	109,599,063
Fund balance/net assets - March 31, 2011	\$ 8,866,583	\$ 86,802,958	\$ 104,237,894

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

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$4,500,000	\$1,951,380	\$ (2,548,620)
Investment earnings	\$0	\$85	85
Total revenues	4,500,000	1,951,465	(2,548,535)
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	793,845	736,105	57,740
Legal and professional services	3,585,519	1,066,024	2,519,495
Travel	27,000	8,589	18,411
Rents and leases	22,851	181,269	(158,418)
Office expenses	47,700	30,640	17,060
Telephone and network	5,985	5,979	6
Insurance	13,500	15,187	(1,687)
Other	3,600	\$3,588	12
Capital outlay	(8,664,270)	(8,664,270)	-
Total expenditures	(4,164,270)	(6,616,888)	2,452,618
Change in fund balance	\$ 8,664,270	8,568,353	\$ (95,917)
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		298,230	
Fund balance - March 31, 2011		\$ 8,866,583	

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the eight months ended  
February 28, 2011

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$12,473	\$ -	\$ 12,473
Prepaid items	\$8,976	-	8,976
	21,449	-	21,449
<b>Noncurrent assets:</b>			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$95,931,452	95,931,452
	-	\$95,931,452	95,931,452
<b>Total assets</b>	\$ 215,671	95,931,452	\$ 96,147,123
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	13,329	-	13,329
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	87,476	-	87,476
Compensated absences	0	42,230	42,230
	0	42,230	42,230
<b>Total liabilities</b>	\$ 242,546	\$ 42,230	\$ 284,776
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	203,198	(203,198)	-
Unreserved, undesignated	(230,073)	230,073	-
	(26,875)	26,875	-
<b>Total fund balance</b>	(26,875)	26,875	-
<b>Total liabilities and fund balance</b>	\$ 215,671		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		95,931,452	95,931,452
Unrestricted		8,756,110	8,756,110
		8,756,110	8,756,110
<b>Total net assets</b>		\$ 104,687,562	\$ 104,687,562

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the eight months ended  
February 28, 2011

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,576,380	-	\$ 1,576,380
General revenues:			
Investment earnings	85	-	85
Total revenues	1,576,465	-	1,576,465
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	653,508	-	653,508
Legal and professional services	922,113	-	922,113
Travel	6,954	-	6,954
Rents and leases	178,472	-	178,472
Insurance	13,623	-	13,623
Other	33,072	-	33,072
Depreciation	0	4,680,224	4,680,224
Capital outlay - Fixed Assets	(8,731,387)	8,731,387	-
Total expenditures/expenses	(6,923,645)	13,411,611	6,487,966
Change in fund balance	8,500,110	(8,500,110)	-
Change in net assets	-	(13,411,611)	(4,911,501)
Fund balance/net assets - July 1, 2010	298,230	109,300,833	109,599,063
Fund balance/net assets - February 28, 2011	\$ 8,798,340	\$ 87,389,112	\$ 104,687,562

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the eight months ended  
February 28, 2011

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$4,000,000	\$1,576,380	\$ (2,423,620)
Investment earnings	\$0	\$85	85
Total revenues	4,000,000	1,576,465	(2,423,535)
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	705,640	653,508	52,132
Legal and professional services	3,187,128	922,113	2,265,015
Travel	24,000	6,954	17,046
Rents and leases	20,312	178,472	(158,160)
Office expenses	42,400	24,847	17,553
Telephone and network	5,320	4,950	370
Insurance	12,000	13,623	(1,623)
Other	3,200	\$3,275	(75)
Capital outlay	(8,731,387)	(8,731,387)	-
Total expenditures	(4,731,387)	(6,923,645)	2,192,258
Change in fund balance	\$ 8,731,387	8,500,110	\$ (231,277)
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		298,230	
Fund balance - February 28, 2011		\$ 8,798,340	

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

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$289,176	\$ -	\$ 289,176
Prepaid items	\$10,540	-	10,540
	299,716	-	299,716
<b>Noncurrent assets:</b>			
Deposits with others	194,222	-	194,222
Capital assets, net	-	\$96,516,481	96,516,481
	-	\$96,516,481	96,516,481
Total assets	\$ 493,938	96,516,481	\$ 97,010,418
<b>Liabilities</b>			
Liabilities:			
Accounts payable	99,867	-	99,867
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	87,879	-	87,879
Compensated absences	0	42,230	42,230
	-	42,230	42,230
Total liabilities	\$ 329,487	\$ 42,230	\$ 371,717
<b>Fund Balance/Net Assets</b>			
Fund balance:			
Reserved for prepaid items and deposits with others	204,762	(204,762)	-
Unreserved, undesignated	(40,311)	40,311	-
	-	40,311	-
Total fund balance	164,451	(164,451)	-
Total liabilities and fund balance	\$ 493,938		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		96,516,481	96,516,481
Unrestricted		8,947,437	8,947,437
		8,947,437	8,947,437
Total net assets		\$ 105,463,917	\$ 105,463,917

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

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,576,380	-	\$ 1,576,380
General revenues:			
Investment earnings	76	-	76
Total revenues	1,576,456	-	1,576,456
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	565,085	-	565,085
Legal and professional services	830,963	-	830,963
Travel	3,549	-	3,549
Rents and leases	175,674	-	175,674
Insurance	12,059	-	12,059
Other	29,076	-	29,076
Depreciation	0	4,095,196	4,095,196
Capital outlay - Fixed Assets	(8,731,386)	8,731,386	-
Total expenditures/expenses	(7,114,981)	12,826,582	5,711,602
Change in fund balance	8,691,437	(8,691,437)	-
Change in net assets	-	(12,826,582)	(4,135,146)
Fund balance/net assets - July 1, 2010	298,230	109,300,833	109,599,063
Fund balance/net assets - January 31, 2011	\$ 8,989,667	\$ 87,782,814	\$ 105,463,917

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

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$3,500,000	\$1,576,380	\$ (1,923,620)
Investment earnings	\$0	\$76	76
Total revenues	3,500,000	1,576,456	(1,923,544)
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	617,435	565,085	52,350
Legal and professional services	2,788,737	830,963	1,957,774
Travel	21,000	3,549	17,451
Rents and leases	17,773	175,674	(157,901)
Office expenses	37,100	21,698	15,402
Telephone and network	4,655	4,421	234
Insurance	10,500	12,059	(1,559)
Other	2,800	\$2,957	(157)
Capital outlay	(8,731,386)	(8,731,386)	-
Total expenditures	(5,231,386)	(7,114,981)	1,883,594
Change in fund balance	\$ 8,731,386	8,691,437	\$ (39,950)
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2010		298,230	
Fund balance - January 31, 2011		\$ 8,989,667	