

# APPENDIX 10

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
**Discussion and Analysis of Unaudited Financial Statements**  
**For the Period July 1, 2011 through April 30, 2012**

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The April 30, 2012 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, 2012 shows a total difference of \$3,325,639 or 66.0% variance under budget. One line item or activity in the statement account for the majority of the difference.

Professional fees were \$3,404,662 or 85.8% 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 \$93,056,829 during the first ten 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 seven months ended  
January 31, 2012

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$111,505	\$ -	\$ 111,505
Prepaid items	\$0	-	-
	111,505	-	111,505
<b>Noncurrent assets:</b>			
Deposits with others	16,990	-	16,990
Capital assets, net	-	\$0	-
	-	\$0	-
<b>Total assets</b>	\$ 128,495	-	\$ 128,495
<b>Liabilities</b>			
Liabilities:			
Accounts payable	47,899	-	47,899
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	38,666		38,666
Compensated absences	0	55,415	55,415
	-	55,415	55,415
<b>Total liabilities</b>	\$ 228,306	\$ 55,415	\$ 283,721
<b>Fund Balance/Net Assets</b>			
Fund balance:			
Reserved for prepaid items and deposits with others	16,990	(16,990)	-
Unreserved, undesignated	(116,801)	116,801	-
	-	99,811	-
<b>Total fund balance</b>	(99,811)	99,811	-
<b>Total liabilities and fund balance</b>	\$ 128,495		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		-	-
Unrestricted		8,555,496	8,555,496
		8,555,496	8,555,496
<b>Total net assets</b>		\$ 8,555,496	\$ 8,555,496

**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, 2012

	<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	\$3,500,726	\$850,000	\$ (2,650,726)
Investment earnings	<u>\$0</u>	<u>\$80</u>	<u>80</u>
Total revenues	<u>3,500,726</u>	<u>850,080</u>	<u>(2,650,646)</u>
<b>Expenditures:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	586,978	633,927	(46,949)
Legal and professional services	2,779,070	400,507	2,378,563
Travel	21,000	15,953	5,047
Rents and leases	2,539	(15,851)	18,390
Office expenses	10,500	5,321	5,179
Telephone and network	3,955	3,887	68
Insurance	10,500	10,819	(319)
Other	86,184	\$168,047	(81,863)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,500,726</u>	<u>1,222,610</u>	<u>2,278,116</u>
Change in fund balance	<u>\$ -</u>	<u>(372,530)</u>	<u>\$ (372,530)</u>
GAAP basis difference - compensated absences	\$0	-	-
Fund balance - July 1, 2011		<u>8,983,441</u>	
Fund balance - January 31, 2012		<u>\$ 8,610,911</u>	

**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, 2012

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 850,000	-	\$ 850,000
General revenues:			
Investment earnings	80	-	80
Total revenues	850,080	-	850,080
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	633,927	-	633,927
Legal and professional services	400,507	-	400,507
Travel	15,953	-	15,953
Rents and leases	(15,851)	-	(15,851)
Insurance	10,819	-	10,819
Other	177,255	-	177,255
Depreciation	0	1,170,056	1,170,056
Capital outlay - Fixed Assets	-	93,056,829	93,056,829
Total expenditures/expenses	1,222,610	94,226,885	95,449,495
Change in fund balance	(372,530)	372,530	-
Change in net assets	-	(94,226,885)	(94,599,415)
Fund balance/net assets - July 1, 2011	8,983,441	85,486,260	103,154,911
Fund balance/net assets - January 31, 2012	\$ 8,610,911	\$ (8,368,095)	\$ 8,555,496

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
 Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
 For the eight months ended  
 February 29, 2012

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$87,615	\$ -	\$ 87,615
Prepaid items	\$0	-	-
	87,615	-	87,615
<b>Noncurrent assets:</b>			
Deposits with others	3,034	-	3,034
Capital assets, net	-	\$0	-
Total assets	\$ 90,649	-	\$ 90,649
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	51,146	-	51,146
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	41,622	-	41,622
Compensated absences	0	55,415	55,415
Total liabilities	\$ 234,509	\$ 55,415	\$ 289,924
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	3,034	(3,034)	-
Unreserved, undesignated	(146,894)	146,894	-
Total fund balance	(143,860)	143,860	-
Total liabilities and fund balance	\$ 90,649		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		-	-
Unrestricted		8,511,448	8,511,448
Total net assets		\$ 8,511,448	\$ 8,511,448

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the eight months ended  
February 29, 2012

	<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	\$4,000,467	\$1,000,000	\$ (3,000,467)
Investment earnings	<u>\$0</u>	<u>\$87</u>	<u>87</u>
Total revenues	<u>4,000,467</u>	<u>1,000,087</u>	<u>(3,000,380)</u>
<b>Expenditures:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	670,832	730,319	(59,487)
Legal and professional services	3,176,080	489,509	2,686,571
Travel	24,000	16,589	7,411
Rents and leases	2,539	(15,851)	18,390
Office expenses	12,000	6,261	5,739
Telephone and network	4,520	4,441	79
Insurance	12,000	12,383	(383)
Other	98,496	\$173,015	(74,519)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,000,467</u>	<u>1,416,665</u>	<u>2,583,802</u>
Change in fund balance	<u>\$ -</u>	(416,578)	\$ (416,578)
GAAP basis difference - compensated absences	\$0	-	-
Fund balance - July 1, 2011		<u>8,983,441</u>	
Fund balance - February 29, 2012		<u>\$ 8,566,863</u>	

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**  
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance  
For the eight months ended  
February 29, 2012

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,000,000	-	\$ 1,000,000
General revenues:			
Investment earnings	87	-	87
Total revenues	1,000,087	-	1,000,087
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	730,319	-	730,319
Legal and professional services	489,509	-	489,509
Travel	16,589	-	16,589
Rents and leases	(15,851)	-	(15,851)
Insurance	12,383	-	12,383
Other	183,716	-	183,716
Depreciation	0	1,170,056	1,170,056
Capital outlay - Fixed Assets	-	93,056,829	93,056,829
Total expenditures/expenses	1,416,665	94,226,885	95,643,550
Change in fund balance	(416,578)	416,578	-
Change in net assets	-	(94,226,885)	(94,643,463)
Fund balance/net assets - July 1, 2011	8,983,441	85,486,260	103,154,911
Fund balance/net assets - February 29, 2012	\$ 8,566,863	\$ (8,324,047)	\$ 8,511,448

**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, 2012

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$106,650	\$ -	\$ 106,650
Prepaid items	\$0	-	-
	106,650	-	106,650
<b>Noncurrent assets:</b>			
Deposits with others	577	-	577
Capital assets, net	-	\$0	-
	-	\$0	-
<b>Total assets</b>	\$ 107,227	-	\$ 107,227
<b>Liabilities</b>			
Liabilities:			
Accounts payable	45,393	-	45,393
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	39,787		39,787
Compensated absences	0	55,415	55,415
	-	55,415	55,415
<b>Total liabilities</b>	\$ 226,921	\$ 55,415	\$ 282,336
<b>Fund Balance/Net Assets</b>			
Fund balance:			
Reserved for prepaid items and deposits with others	577	(577)	-
Unreserved, undesignated	(120,271)	120,271	-
	-	119,694	-
<b>Total fund balance</b>	(119,694)	119,694	-
<b>Total liabilities and fund balance</b>	\$ 107,227		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		-	-
Unrestricted		8,526,832	8,526,832
		8,526,832	8,526,832
<b>Total net assets</b>		\$ 8,526,832	\$ 8,526,832

**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, 2012

	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$4,500,208	\$1,150,000	\$ (3,350,208)
Investment earnings	\$0	\$95	95
	<u>4,500,208</u>	<u>1,150,095</u>	<u>(3,350,113)</u>
Total revenues			
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	754,686	822,359	(67,673)
Legal and professional services	3,573,090	527,242	3,045,848
Travel	27,000	15,992	11,008
Rents and leases	2,539	(15,851)	18,390
Office expenses	13,500	6,471	7,029
Telephone and network	5,085	4,501	584
Insurance	13,500	13,947	(447)
Other	110,808	\$176,628	(65,820)
Capital outlay	-	-	-
	<u>4,500,208</u>	<u>1,551,289</u>	<u>2,948,919</u>
Total expenditures			
Change in fund balance	<u>\$ -</u>	(401,194)	\$ (401,194)
GAAP basis difference - compensated absences	\$0	-	-
Fund balance - July 1, 2011		<u>8,983,441</u>	
Fund balance - March 31, 2012		<u>\$ 8,582,247</u>	

**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, 2012

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,150,000	-	\$ 1,150,000
General revenues:			
Investment earnings	95	-	95
Total revenues	<u>1,150,095</u>	<u>-</u>	<u>1,150,095</u>
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	822,359	-	822,359
Legal and professional services	527,242	-	527,242
Travel	15,992	-	15,992
Rents and leases	(15,851)	-	(15,851)
Insurance	13,947	-	13,947
Other	187,600	-	187,600
Depreciation	0	1,170,056	1,170,056
Capital outlay - Fixed Assets	-	93,056,829	93,056,829
Total expenditures/expenses	<u>1,551,289</u>	<u>94,226,885</u>	<u>95,778,174</u>
Change in fund balance	(401,194)	401,194	-
Change in net assets	-	(94,226,885)	(94,628,079)
Fund balance/net assets - July 1, 2011	<u>8,983,441</u>	<u>85,486,260</u>	<u>103,154,911</u>
Fund balance/net assets - March 31, 2012	<u>\$ 8,582,247</u>	<u>\$ (8,339,431)</u>	<u>\$ 8,526,832</u>

**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, 2012

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$50,706	\$ -	\$ 50,706
Prepaid items	\$0	-	-
	<u>50,706</u>	<u>-</u>	<u>50,706</u>
<b>Noncurrent assets:</b>			
Deposits with others	(1,867)	-	(1,867)
Capital assets, net	-	\$0	-
	<u>-</u>	<u>\$0</u>	<u>-</u>
Total assets	<u>\$ 48,839</u>	<u>-</u>	<u>\$ 48,839</u>
<b>Liabilities</b>			
<b>Liabilities:</b>			
Accounts payable	(1,105)	-	(1,105)
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	773	-	773
Compensated absences	0	55,415	55,415
	<u>0</u>	<u>55,415</u>	<u>55,415</u>
Total liabilities	<u>\$ 141,409</u>	<u>\$ 55,415</u>	<u>\$ 196,824</u>
<b>Fund Balance/Net Assets</b>			
<b>Fund balance:</b>			
Reserved for prepaid items and deposits with others	(1,867)	1,867	-
Unreserved, undesignated	(90,703)	90,703	-
	<u>(92,570)</u>	<u>92,570</u>	<u>-</u>
Total fund balance	<u>(92,570)</u>	<u>92,570</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 48,839</u>		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		-	-
Unrestricted		8,553,957	8,553,957
		<u>8,553,957</u>	<u>8,553,957</u>
Total net assets		<u>\$ 8,553,957</u>	<u>\$ 8,553,957</u>

**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, 2012

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
<b>Revenues:</b>			
State of California appropriation to Receivership	\$4,999,949	\$1,325,000	\$ (3,674,949)
Investment earnings	\$0	\$102	102
	<u>4,999,949</u>	<u>1,325,102</u>	<u>(3,674,847)</u>
<b>Expenditures:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	838,540	917,564	(79,024)
Legal and professional services	3,970,100	565,438	3,404,662
Travel	30,000	17,444	12,556
Rents and leases	2,539	(15,851)	18,390
Office expenses	15,000	6,975	8,025
Telephone and network	5,650	5,065	585
Insurance	15,000	15,510	(510)
Other	123,120	\$187,026	(63,906)
Capital outlay	-	-	-
	<u>4,999,949</u>	<u>1,699,171</u>	<u>3,300,778</u>
Change in fund balance	<u>\$ -</u>	<u>(374,069)</u>	<u>\$ (374,069)</u>
GAAP basis difference - compensated absences	\$0	-	-
Fund balance - July 1, 2011		<u>8,983,441</u>	
Fund balance - April 30, 2012		<u>\$ 8,609,372</u>	

**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, 2012

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,325,000	-	\$ 1,325,000
General revenues:			
Investment earnings	102	-	102
Total revenues	1,325,102	-	1,325,102
<b>Expenditures/Expenses:</b>			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	917,564	-	917,564
Legal and professional services	565,438	-	565,438
Travel	17,444	-	17,444
Rents and leases	(15,851)	-	(15,851)
Insurance	15,510	-	15,510
Other	199,066	-	199,066
Depreciation	0	1,170,056	1,170,056
Capital outlay - Fixed Assets	-	93,056,829	93,056,829
Total expenditures/expenses	1,699,171	94,226,885	95,926,056
Change in fund balance	(374,069)	374,069	-
Change in net assets	-	(94,226,885)	(94,600,954)
Fund balance/net assets - July 1, 2011	8,983,441	85,486,260	103,154,911
Fund balance/net assets - April 30, 2012	\$ 8,609,372	\$ (8,366,556)	\$ 8,553,957