APPENDIX 24

CALIFORNIA HEALTHCARE RECEIVERSHIP CORPORATION
Discussion and Analysis of Unaudited Financial Statements
For the Period July 1, 2007 through June 30, 2008

The June 30, 2008 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.

Revenues related to investment earnings are greater than what had been budgeted due to the actual draw down of cash from the appropriation to the Receivership. The draw down is completed quarterly and based on both projected operating and capital requirements of the Receivership. The amount of expected capital expenditures in any given period materially influences the amount of the draw.

A review of expenses included on the unaudited statement of activities compared to what was budgeted for the twelve months ended June 30, 2008 shows a total difference of $9.2 million or 15 % variance under budget. Two line items or activities in the statement account for the majority of the difference.

Salaries and benefits were 23% under budget. As a result of restructuring the organization in third and fourth quarter, all new positions approved in the current year budget were not filled and there were fourteen filled positions eliminated. Professional fees were 35 % under budget. The Pharmacy management contract has taken longer to ramp up then was original projected.

Capital assets increased by $28.7 million for the twelve months ending June 30, 2008. Of the total expenditures for capital assets, $14.1 million was related to program management services for the 10,000 bed project. The remaining expenditures were primarily for various capital improvements at San Quentin, Interim Modular's for Avenal and CDCR information system improvements.

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION

Statement of Net Assets and General Fund Balance Sheet

June 30, 2008

	General Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Current assets:			
Cash	$13,918,927	$ -	$ 13,918,927
Prepaid items	$89,291	-	89,291
	14,008,218	-	14,008,218
Noncurrent assets:			
Deposits with others	$482,612	-	482,612
Capital assets, net	-	$36,986,629	36,986,629
Total assets	$ 14,490,831	36,986,629	51,477,460
Liabilities			
Liabilities:			
Accounts payable	$7,623,930	-	7,623,930
Accrued salaries and benefits	$175,123	-	175,123
Other accrued expenses	$2,650,193		2,650,193
Compensated absences	-	236,414	236,414
Total liabilities	10,449,246	236,414	10,685,660
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	571,904	(571,904)	-
Unreserved, undesignated	3,469,681	(3,469,681)	-
Total fund balance	4,041,584	(4,041,584)	-
Total liabilities and fund balance	$ 14,490,831		
Net assets:			
Invested in capital assets, net of related debt		36,986,629	36,986,629
Unrestricted		3,805,172	3,805,172
Total net assets		$ 40,791,801	$ 40,791,801

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, 2008

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	$41,123,000	-	41,123,000
General revenues:			
Investment earnings	$912,701	-	912,701
Total revenues	$42,035,701	-	42,035,701
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	$7,220,774	29,617	7,250,391
Legal and professional services	$13,469,645	-	13,469,645
Travel	$501,099	-	501,099
Rents and leases	$230,258	-	230,258
Insurance	$86,516	-	86,516
Other	$918,663	-	918,663
Depreciation	$0	$465,245	465,245
Capital outlay - Fixed Assets	28,732,703	(28,732,703)	-
Total expenditures/expenses	51,159,658	(28,237,841)	22,921,817
Change in fund balance	(9,123,956)	9,123,956	-
Change in net assets	-	28,237,841	19,113,885
Fund balance/net assets - July 1, 2007	13,165,542	8,512,374	21,677,916
Fund balance/net assets - June 30, 2008	$ 4,041,586	$ 45,874,171	$ 40,791,801

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund - Budget to Actual

For the twelve months ended June 30, 2008

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	$41,123,000	$41,123,000	$ -
Investment earnings	$291,000	$912,701	621,701
Total revenues	41,414,000	42,035,701	621,701
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	$9,397,501	7,250,391	2,147,110
Legal and professional services	20,650,584	13,469,645	7,180,939
Travel	598,663	501,099	97,564
Rents and leases	500,000	230,258	269,742
Office expenses	65,000	111,388	(46,388)
Telephone and network	84,320	109,071	(24,751)
Insurance	114,006	86,516	27,490
Other	296,440	$698,203	(401,763)
Capital outlay	28,732,703	28,732,703	-
Total expenditures	60,439,217	51,189,275	9,249,942
Change in fund balance	$ (19,025,217)	(9,153,573)	$ 9,871,644
GAAP basis difference - compensated absences		29,617	
Fund balance - July 1, 2007		13,165,542	
Fund balance - June 30, 2008		$ 4,041,586	