APPENDIX 25

CALIFORNIA HEALTHCARE RECEIVERSHIP CORPORATION
Discussion and Analysis of Unaudited Financial Statements
For the Period July 1, 2008 through August 31, 2008

The August 31, 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 or on a as needed basis, 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 two months ended August 31, 2008 shows a total difference of $69,592 or 1% variance over budget. Two line items or activities in the statement account for the majority of the difference.

Professional fees were $300,532 or 10% under budget. The Pharmacy management contract continues to ramp up slower then was projected in our 2009 budget. Other expenses were $475,431 above budget. The receivership has hired the marketing and recruitment firm Bernard Hodes to assist in the campaign to recruit and hire professional medical staff to work for the CDCR.
Capital assets increased by $7.2 million for the two months ending August 31, 2008. Of the total expenditures for capital assets, $5.0 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

July 31, 2008

	General Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Current assets:			
Cash	$64,127,358	$ -	$ 64,127,358
Prepaid items	$78,227	-	78,227
	64,205,585	-	64,205,585
Noncurrent assets:			
Deposits with others	$431,083	-	431,083
Capital assets, net	-	$37,651,447	37,651,447
Total assets	$ 64,636,668	37,651,447	102,288,115
Liabilities			
Liabilities:			
Accounts payable	$8,521,434	-	8,521,434
Accrued salaries and benefits	$175,123	-	175,123
Other accrued expenses	$415,882		415,882
Compensated absences	-	236,414	236,414
Total liabilities	9,112,439	236,414	9,348,853
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	509,309	(509,309)	-
Unreserved, undesignated	55,014,919	(55,014,919)	-
Total fund balance	55,524,229	(55,524,229)	-
Total liabilities and fund balance	$ 64,636,668		
Net assets:			
Invested in capital assets, net of related debt		37,651,447	37,651,447
Unrestricted		55,287,815	55,287,815
Total net assets		$ 92,939,263	$ 92,939,263

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION

Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance

For the month ended July 31, 2008

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	$54,147,258	-	54,147,258
General revenues:			
Investment earnings	$163,772	-	163,772
Total revenues	$54,311,030	-	54,311,030
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	$411,867	-	411,867
Legal and professional services	$1,212,381	-	1,212,381
Travel	$34,201	-	34,201
Rents and leases	$19,912	-	19,912
Insurance	$5,164	-	5,164
Other	$247,108	-	247,108
Depreciation	$0	$232,936	232,936
Capital outlay - Fixed Assets	897,754	(897,754)	-
Total expenditures/expenses	2,828,386	(664,818)	2,163,568
Change in fund balance	51,482,643	(51,482,643)	-
Change in net assets	-	664,818	52,147,462
Fund balance/net assets - July 1, 2008	4,041,586	36,750,215	40,791,801
Fund balance/net assets - July 31, 2008	$ 55,524,229	$ (14,067,610)	$ 92,939,263

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION

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

For the month ended July 31, 2008

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	$54,147,258	$54,147,258	$ -
Investment earnings	$20,833	$163,772	142,939
Total revenues	54,168,091	54,311,030	142,939
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	$472,710	411,867	60,843
Legal and professional services	1,502,868	1,212,381	290,487
Travel	43,048	34,201	8,847
Rents and leases	6,000	19,912	(13,912)
Office expenses	4,301	8,937	(4,636)
Telephone and network	601	6,915	(6,314)
Insurance	7,126	5,164	1,962
Other	16,302	$231,256	(214,954)
Capital outlay	897,754	897,754	-
Total expenditures	2,950,710	2,828,386	122,324
Change in fund balance	$ 51,217,381	51,482,643	$ 265,263
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2008		4,041,586	
Fund balance - July 31, 2008		$ 55,524,229	

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION

Statement of Net Assets and General Fund Balance Sheet

August 31, 2008

	General Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Current assets:			
Cash	$56,613,991	$ -	$ 56,613,991
Prepaid items	$116,591	-	116,591
	56,730,582	-	56,730,582
Noncurrent assets:			
Deposits with others	$430,887	-	430,887
Capital assets, net	-	$43,706,090	43,706,090
Total assets	$ 57,161,469	43,706,090	100,867,559
Liabilities			
Liabilities:			
Accounts payable	$2,564,986	-	2,564,986
Accrued salaries and benefits	$175,123	-	175,123
Other accrued expenses	$7,259,147		7,259,147
Compensated absences	-	236,414	236,414
Total liabilities	9,999,256	236,414	10,235,670
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	547,478	(547,478)	-
Unreserved, undesignated	46,614,735	(46,614,735)	-
Total fund balance	47,162,213	(47,162,213)	-
Total liabilities and fund balance	$ 57,161,469		
Net assets:			
Invested in capital assets, net of related debt		43,706,090	43,706,090
Unrestricted		46,925,800	46,925,800
Total net assets		$ 90,631,890	$ 90,631,890

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION

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

For the two months ended August 31, 2008

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	$54,147,258	$54,147,258	$ -
Investment earnings	$41,666	$334,207	292,541
Total revenues	54,188,924	54,481,465	292,541
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	$945,420	839,637	105,783
Legal and professional services	3,005,736	2,705,204	300,532
Travel	86,096	54,780	31,316
Rents and leases	12,000	23,848	(11,848)
Office expenses	8,602	22,143	(13,541)
Telephone and network	1,202	10,974	(9,772)
Insurance	14,252	10,883	3,369
Other	32,604	$508,035	(475,431)
Capital outlay	7,185,333	7,185,333	-
Total expenditures	11,291,245	11,360,837	(69,592)
Change in fund balance	$ 42,897,679	43,120,628	$ 222,949
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2008		4,041,586	
Fund balance - August 31, 2008		$ 47,162,214	

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, 2008

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	$54,147,258	-	54,147,258
General revenues:			
Investment earnings	$334,207	-	334,207
Total revenues	$54,481,465	-	54,481,465
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	$839,637	-	839,637
Legal and professional services	$2,705,204	-	2,705,204
Travel	$54,780	-	54,780
Rents and leases	$23,848	-	23,848
Insurance	$10,883	-	10,883
Other	$541,151	-	541,151
Depreciation	$0	$465,872	465,872
Capital outlay - Fixed Assets	7,185,333	(7,185,333)	-
Total expenditures/expenses	11,360,837	(6,719,461)	4,641,376
Change in fund balance	43,120,628	(43,120,628)	-
Change in net assets	-	6,719,461	49,840,089
Fund balance/net assets - July 1, 2008	4,041,586	36,750,215	40,791,801
Fund balance/net assets - August 31, 2008	$ 47,162,214	$ 349,049	$ 90,631,890