

State of Illinois
Department of Public Aid
Department-Wide Financial Audit
and Compliance Examination
For the Year Ended June 30, 2005
Performed as Special Assistant Auditors
for the Auditor General, State of Illinois



State of Illinois
Department of Public Aid
Department-Wide Financial Audit and Compliance Examination
For the Year Ended June 30, 2005

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State of Illinois
Department of Public Aid
Department-Wide Financial Audit and Compliance Examination
For the Year Ended June 30, 2005

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State of Illinois
Department of Public Aid
Agency Officials
June 30, 2005

Director	February 26, 2003 to current	Barry S. Maram
Assistant Director	August 20, 2005 to current	Cristal Thomas
Deputy Director	April 12, 2004 to current	Peter F. Vina
Deputy Director	May 17, 2004 to current	Charles A. Jackson
Deputy Director	September 2, 2003 to current	Kevin Connor
State Purchasing Officer	July 12, 2004 to current	Thomas Meirink
General Counsel	June 7, 2004 to current	Nancy Shalowitz
Chief, Office of Legislative Affairs	October 17, 2005 to current	Bresha Brewer
Chief, Office of Legislative Affairs	October 1, 2004 to current	Pamela Chandle
Chief Fiscal Officer	September 16, 2005 to current	Jack Dodds
Chief, Office of Communications	June 2, 2003 to July 30, 2004 (Position moved to CMS)	Mike Claffey
Administrator, Division of Child Support Enforcement Acting	December 11, 2004 to current	Pamela Compton
Administrator, Division of Finance	December 28, 2004 to current	Michael Moss
Administrator, Division of Information Services	October 1, 2005 to current	Ivan Handler
Administrator, Division of Medical Programs	May 5, 2003 to current	Anne Marie Murphy
Inspector General	May 2, 2005 to current	John Allen
Special Assistant, Medical Policy Development	April 14, 2003 to current	Joseph Hylak- Reinholtz
Special Assistant, HIPPA & Computer Security	April 11, 2005 to current	Steven Poelsterl
Special Assistant, Hospital Policy	July 12, 2005 to current	Melissa Baker
Special Assistant, State Prescription Drug Program	September 1, 2004 to current	Scott McKibbin
Special Assistant, Medical Finance	September 1, 2005 to current	Alan Biggerstaff
Special Assistant, Child Support	October 18, 2004 to current	Virkumar Doshi
Special Assistant, KidCare	July 5, 2005 to current	Kathleen Strand
Special Assistant, Intergovernmental Affairs Liaison	June 16, 2005 to current	Sharon Latiker

**State of Illinois
Department of Public Aid
Agency Officials
June 30, 2005**

Administrator, Healthcare
Purchasing

October 19, 2005 to current

Jesse Thomas

Department of Public Aid primary offices are located at:

201 South Grand Avenue East
Springfield, IL 62763

2200 Churchill Road
Springfield, IL 62702

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 782-1200
TTY: (800) 526-5812

November 4, 2005

BKD, LLP

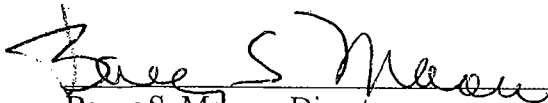
Certified Public Accountants
225 North Water Street, Suite 400
Post Office Box 1580
Decatur, IL 62525-1580

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Illinois Department of Healthcare and Family Services (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the year ended June 30, 2005. Based on this evaluation, we assert that during the year ended June 30, 2005, the Department has materially complied with the assertions below.

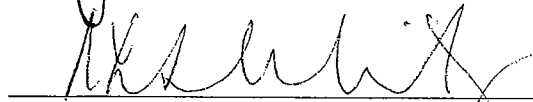
- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours very truly,

Illinois Department of Healthcare and Family Services,
known as the Illinois Department of Public Aid through June 30, 2005


Barry S. Maram, Director


Jack Dodds, Chief Fiscal Officer


Nancy Shalowitz, General Counsel

Compliance Report

State of Illinois
Department of Public Aid
Compliance Report Summary
June 30, 2005

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Audit Findings

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	8	3
Repeated audit findings	0	0
Prior recommendations implemented or not repeated	3	1

Details of the audit findings are presented in a separately tabbed report section.

Summary of Findings and Recommendations

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
Findings (State Compliance)		
05-1	12	Performance Appraisals Not Completed Timely
05-2	13	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act
05-3	14	State Disbursement Unit Outstanding Checks
05-4	15	Failure to Sign Interagency Agreement Prior to the Effective Date
05-5	16	Reports of Reorganization Not Filed as Required
05-6	17	Improper Controls Over Signature Authorization
05-7	18	Inadequate Controls to Ensure Excess Funds are Transferred to the General Revenue Fund
05-8	19	Failure to Implement Reimbursement Methodology for Demonstration Programs and Failure to Submit Annual Report
Prior Findings Not Repeated (Government Auditing Standards)		
05-9	20	Efficiency Initiative Payments
05-10	20	Inaccurate Financial Reporting Due to Coding Error

**Prior Finding Not Repeated
(State Compliance)**

**State of Illinois
Department of Public Aid
Compliance Report Summary
June 30, 2005**

Summary of Findings and Recommendations

Item No.	Page	Description
05-11	20	Lack of Testing of Computer Disaster Recovery Plan

Exit Conference

The findings and recommendations appearing in this report were discussed with Department officials but a formal exit conference was not considered necessary.

The Department's responses were provided by Brenda Vost, External Audit Liaison on February 9, 2006.



Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined State of Illinois, Department of Public Aid's (Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2005. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with specified requirements.

In our opinion, the Department complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and recommendations as findings 05-1, 05-2, 05-3, 05-4, 05-5, 05-6, 05-7 and 05-8. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Department's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and recommendations as findings 05-1, 05-2, 05-3, 05-4, 05-5, 05-6, 05-7 and 05-8. As required by the Audit Guide, immaterial findings related to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2005, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 4, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Department. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Department's basic financial statements for the year ended June 30, 2004. In our report dated November 12, 2004, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 4, 2005



**Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Public Aid (Department), as of and for the year ended June 30, 2005, which collectively comprise the Department's basic financial statements and have issued our report thereon dated November 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the Department in a separate letter dated November 4, 2005.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 4, 2005

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2005

Current Findings

05-1. Finding—Performance Appraisals Not Completed Timely

The Department did not complete all performance appraisals on a timely basis.

During our personal services testing, we noted:

- 9 out of 50 (18%) employee files tested, the prior year's performance appraisal was signed by the employee and the Department head 39 to 225 days late.
- 1 out of 50 (2%) employee files tested, the prior year's performance appraisal was not completed annually.

According to the Illinois Department of Public Aid Handbook (Section 100, Subsection 115.2, Employee Performance Appraisals), dated July 15, 2002, job performance is one criterion for pay increases, promotions, demotions, or dismissals. Employees are to be evaluated annually. Prudent business practices would require evaluations to be signed within a reasonable amount of time, such as thirty days. State rules require each agency to prepare employee evaluations not less often than annually (80 Ill. Adm. Code 302.270).

Department personnel indicated the late completion was a result of supervisor oversight.

By not ensuring performance appraisals are completed in a timely manner, the Department is in noncompliance with the Department's procedures and State rules, which might result in missing information that could be relevant to subsequent personnel decisions. Performance appraisals should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. (Finding Code No. 05-1)

Recommendation

We recommend the Department follow current procedures and reiterate to supervisors the importance of the timely completion of all sections of performance appraisals.

Department Response

The Department agrees that all employees are to be evaluated annually. There is no rule, policy or requirement, within the Department or CMS that states evaluations are to be signed within 30 days of the end of the report period. The Division of Personnel and Administrative Services will continue to send out notifications to the Division Administrators and Personnel Liaisons indicating when evaluations are due. Past due reminders will also be sent out by the Division of Personnel and Administrative Services. As the evaluations are completed and submitted to the Division of Personnel and Administrative Services, the records will be marked as received and filed in the employee's personnel file. Personnel will continue to track employee evaluations in an effort to reduce the number that are not completed and signed in a timely manner.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2005

Current Findings

05-2. Finding—Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act

The Department is not maintaining time sheets for its employees in compliance with the State Officials and Employees Ethics Act (Act).

The Act requires the Department to adopt personnel policies consistent with the Act. The Act (5 ILCS 430/5-5(c)) states, “The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.” The Act further requires that the time sheets be maintained by the fiscal office for a period of at least two years.

The Department had personnel policies in regard to timekeeping, but the Department only required “Executive Level Staff” to maintain a daily time sheet which documents the time spent each day on official State business. The Department had an average of 2,296 employees at June 30, 2005 and the Department only required 14 (0.61%) employees to prepare time sheets in accordance with the Act.

We selected 6 of the 14 employees required to submit time sheets to determine whether the time sheets were completed for 3 of the 12 months under audit (July, November, and April). We noted that 2 of 18 (11%) time sheets tested could not be located by the Department, as the employee had failed to complete them.

The Department stated they were ready to implement a department-wide timekeeping policy to comply with the Act. However, the union demanded to bargain over the impact; therefore, the policy has been put on hold.

Failure to maintain the required timekeeping records is noncompliance with State law. (Finding Code No. 05-02)

Recommendation

We recommend the Department amend its policies to require all employees maintain time sheets in compliance with the Act. We further recommend the Department ensure time sheets are completed in accordance with Department policies and retained by the fiscal office for the required statutory period.

Department Response

The Department accepts the finding and stands ready to implement a department-wide timekeeping policy to comply with the Act. However, the union has demanded to bargain over the impact; therefore, implementation of the policy has been put on hold. The Department is implementing a policy instructing that a monthly time sheet reminder be sent to all Executive Level Staff.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2005

Current Findings

05-3. Finding—State Disbursement Unit Outstanding Checks

The State Disbursements Unit (SDU) bank account reconciliation at June 30, 2005 included old outstanding checks.

The SDU has embossed on each check “void after ninety days.” During testing of the SDU bank reconciliation, 9 of 25 (36%) outstanding checks included in the bank reconciliation were outstanding for more than ninety days. It was also noted that of the 175,231 checks outstanding at June 30, 2005, 75,165 (42.9%) were more than ninety days outstanding.

Sound business practices require review and follow up of old outstanding checks.

The Department stated that their policy is not explicit as to the number of days for SDU checks to escheat, be voided, and reissued, resulting in some checks being outstanding more than 90 days.

Financial institutions should not authorize payment after ninety days if the instrument is marked void after ninety days. Therefore, if the check remains outstanding after said period, the custodial parent(s) may not be able to access payments made by non-custodial parent(s). (Finding Code No. 05-3)

Recommendation

We recommend the Department establish and implement a policy for handling old outstanding checks.

Department Response

The Department agrees with the finding and has initiated the following:

- A new SDU policy classifies a check, that has been outstanding for 180 days, as a stale dated check. All checks over \$5.00 will automatically be voided and re-issued. An address verification letter will be sent to the client if the check is under \$5.00. Approval of the policy is expected before the end of the fiscal year 2006.
- Computer programming changes are being completed to implement the new procedure. Upon approval of the new policy, the new procedure will be implemented.
- The SDU’s next order of blank checks will say, "void after 180 days", to be consistent with the new policy.

In the event a custodial parent had/has problems cashing a SDU check, they could contact the SDU to request the check be reissued. This information is provided to custodial parents on the Department’s web site, and, the Customer Service phone number is printed on the check stubs.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2005

Current Findings

05-4. Finding—Failure to Sign Interagency Agreements Prior to the Effective Date

The Department failed to sign interagency agreements prior to the effective date.

During testing of interagency agreements, 11 of 30 (37%) agreements were not signed for approval prior to the effective date. The agreements were signed between 7 and 347 days after the agreements became effective.

Prudent business practices require the approval of agreements prior to the effective date.

The Department stated that oftentimes with interagency agreements a law will pass and become effective prior to the Department drafting, reviewing, and signing the coordinating agreement.

The Department enters into multiple agreements with other State Agencies and other units of government including school districts. The purpose of these agreements is to assist the Department in fulfilling its mandated mission. In order to assess whether the agreement is reasonable, appropriate, and sufficiently documents the responsibilities of the appropriate parties, the agreement needs to be approved prior to the effective date. (Finding Code No. 05-4)

Recommendation

We recommend that the Department ensure that all interagency agreements are approved by an authorized signer prior to the effective date of the agreement.

Department Response

The Department accepts the finding. The Department will adopt and implement controls as appropriate to ensure that, to the extent possible, interagency agreements that executed prospectively have proper signature approval prior to the effective date.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2005

Current Findings

05-5. Finding—Reports of Reorganization Not Filed as Required

The Department has not filed reports with the General Assembly regarding reorganization as required.

Executive Order 2004-3, *Executive Order to Reorganize Agencies by the Transfer of Certain Programs of the Department of Commerce and Economic Opportunity and the Department of Revenue to the Department of Public Aid and the Department on Aging* transferred the powers, duties, rights and responsibilities related to (i) LIHEAP/Weatherization to the Department of Public Aid and (ii) Circuit Breaker/Pharmaceutical Program to the Department of Public Aid and the Department of Aging. This Executive Order was effective July 1, 2004. The initial report to the General Assembly was due January 1, 2005.

The Executive Reorganization Implementation Act (15 ILCS 15/11) requires “Every agency created or assigned new functions pursuant to a reorganization shall report to the General Assembly not later than 6 months after the reorganization takes effect and annually thereafter for 3 years. This report shall include data on the economies effected by the reorganization and an analysis of the effect of the reorganization on State government. The report shall also include the agency’s recommendations for further legislation relating to reorganization.”

The Department has not submitted reports as required by the Executive Reorganization Implementation Act for the reorganization noted above. Department officials have represented that the reports have not been prepared and submitted due to oversight.

Failure to submit the required reports limits the General Assembly’s ability to monitor the effects of reorganization on State government or to consider future legislation relating to the reorganization that may be warranted. (Finding Code No. 05-5)

Recommendation

We recommend the Department file the reports with the General Assembly within six months of a reorganization taking effect pursuant to the requirements of the Executive Reorganization Implementation Act and annually thereafter for three years. Also, we recommend past due reports be filed promptly.

Department Response

The Department accepts the finding. Upon completion, the reports will be filed with the Illinois General Assembly.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2005

Current Findings

05-6. Finding—Improper Controls Over Signature Authorization

The Department has not rescinded signature authorization for individuals no longer employed by or under agreement with the Department.

During our review of Director signature authorities, it was noted that 8 of 39 (21%) of the signature authority cards on file at the Comptroller's office were for individuals who are no longer employed by or under agreement with the Department. The individuals had not been employed by or under agreement with the Department for between 49 and 730 days.

The State Finance Act (30 ILCS 105/9.02) states that it is the responsibility of the agency to rescind invalid signature authorization cards and re-submit new ones in the event of any staff changes.

Department officials stated that the signature authorizations had not been rescinded due to employee oversight.

Failure to rescind signature authorization for former employees or employees no longer under agreement with the Department could lead to the improper authorization of expenditures. (Finding Code No. 05-6)

Recommendation

We recommend the Department rescind signature authorization for individuals no longer employed by or under agreement with the Department, and develop policies to monitor signature authorizations on file at the Comptroller's office.

Department Response

The Department agrees with the finding. Signature cards for four of the individuals have been removed from the active file at the Comptroller's Office; those for the remaining four are in the process of being removed. The Department is refining its procedures to ensure the Comptroller's Office is notified promptly when an individual's signature authority has been rescinded so the card can be removed from their active file.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2005

Current Findings

05-7. Finding—Inadequate Controls to Ensure Excess Funds are Transferred to the General Revenue Fund

The Department has inadequate controls to ensure excess funds in the University of Illinois Hospital Services fund (Fund 136) are transferred to the General Revenue Fund (Fund 001).

The Department did not transfer excess monies from Fund 136 to Fund 001 until May. In May the Department transferred \$30.0 million to Fund 001; however, the average daily balance of Fund 136 from July 1 until the transfer was \$42.4 million. Prior to the transfer, the highest daily balance was \$47.6 million and the lowest daily balance was \$29.9 million. In addition, it was noted that two marginal transfers were made prior to May that totaled \$2.2 million. The average daily balance of the fund was approximately \$38.2 million for the fiscal year.

The State Finance Act (30 ILCS 105/6z-30) (Act) requires the State Comptroller and State Treasurer to automatically transfer on the last day of each month except June, from Fund 136, an amount determined and certified to the State Comptroller by the Director of the Department, equal to the amount by which the balance in the Fund exceeds the amount necessary to ensure timely payment to the University of Illinois Hospital.

The Department stated that they generally maintained a balance in Fund 136 necessary for making payments to the University of Illinois Hospital, as well as an estimate of likely payments for expedited providers, which are paid from other funds. Periodically, excess funds are transferred to Fund 001 at times of low cash flow, in order to ensure cash availability for payments to expedited providers, which are paid from other funds.

Failure to transfer excess funds from Fund 136 to Fund 001 is a violation of state statute and reduces the State's ability to effectively manage the State's cash resources. (Finding Code No. 05-7)

Recommendation

We recommend the Department implement additional controls for Fund 136 to ensure only necessary balances are maintained and excess funds are timely transferred to Fund 001 as mandated by State statute.

Department Response

The Department concurs with the finding. Action was taken, beginning in the month of January 2006, to reduce the fund's balance and comply with the statute. In addition, \$10 million was transferred from the fiscal year 2006 University of Illinois Hospital Services fund (Fund 136) into the General Revenue Fund (Fund 001) at the end of January. Spending and corresponding balances will be checked on a monthly basis to determine available future transfer amounts.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2005

Current Findings

05-8. Finding—Failure to Implement Reimbursement Methodology for Demonstration Programs and Failure to Submit Annual Report

The Department did not continue the implementation of reimbursement methodology for demonstration programs or submit an annual report to the Illinois Department of Public Health (IDPH).

The Alternative Health Care Delivery Act (Act) is intended to foster new innovations in health care delivery through the development of demonstration projects to license and study alternative health care delivery systems.

The Act (210 ILCS 3/30) requires the Department to develop and implement a reimbursement methodology for all facilities participating in the demonstration program. In addition, the Department shall keep a record of services provided under the demonstration program to recipients of medical assistance under the Illinois Public Aid Code and shall submit an annual report of that information to the IDPH.

The Department stated that the reimbursement methodology had been developed but not implemented due to no apparent provider interest in proceeding with the demonstration programs. The Department further stated no providers have sought reimbursement; therefore, there is no data to report to IDPH.

Failure to develop and implement a reimbursement method is a violation of a statutory mandate. In addition, failure to submit the required reports limits IDPH's ability to monitor the effects of the demonstration program or to consider future legislation relating to alternative health care delivery systems. (Finding Code No. 05-8)

Recommendation

We recommend the Department address the compliance requirements provided in the Act. If the Department concludes that the demonstration programs are no longer needed, the Department should seek legislation to have the mandate rescinded.

Department Response

The Department agrees and will seek a repeal of Section 30 (d-5) of the Alternative Health Care Delivery Act.

State of Illinois
Department of Public Aid
Findings and Recommendations
June 30, 2005

Prior Findings Not Repeated

05-9. Finding—Efficiency Initiative Payments

During the prior audit, the Department made payments for efficiency initiative billings from improper line item appropriations.

We recommended that the Department only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, the Department should seek an explanation from the Department of Central Management Services (CMS) as to how savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated impact the Department's budget.

During the current audit, the Department received two efficiency billings from CMS totaling over \$9.4 million. The Department paid almost \$9 million for the information technology consolidation billing in August 2005 from line items related to the initiative billed. The second billing of \$448,519, for procurement efficiency, was not paid by the Department. A Department official reported that the billing lacked sufficient detail – detail which it did not receive in order to process payment for the billing. CMS issued the Department a credit for the entire amount of the procurement billing in FY05. (Finding Code No. 04-1)

05-10. Finding—Inaccurate Financial Reporting Due to Coding Error

During the prior audit, the Department's methodology used for calculating significant accounting estimates for the medical claim liability for County Hospital Services Fund (Fund 329) did not include all data extracts pertinent to calculating an accurate accrual amount for the Fund. This methodology was not sufficient to ensure proper financial reporting.

During the current audit, we noted no similar occurrence with regard to the medical claim liability estimate. The methodology employed in the current year appears to be sufficient to ensure proper financial reporting. (Finding Code No. 04-2)

05-11. Finding—Lack of Testing of Computer Disaster Recovery Plan

In the prior year, the Department had not conducted disaster recovery testing of its environment within the last fiscal year.

In the current year, we noted the Department had conducted disaster recovery testing. (Finding Code No. 04-3)

State of Illinois
Department of Public Aid
Status of Management Audits
June 30, 2005

KidCare

In July 2002, the Office of the Auditor General released its report of the Program and Management Audit of the Illinois Department of Public Aid's KidCare Program. The audit was conducted pursuant to Senate Resolution 152, which directed the Auditor General's Office to conduct an audit of the Department's KidCare program. As a result of the audit, the OAG made seven recommendations to the Department. Below is a summary of the current status.

Paper Eligibility Cards
(Recommendation 1)

The Auditor General's Office recommended the Department of Public Aid should continue its planned conversion to permanent eligibility cards in order to realize significant cost savings to the State as well as improved program effectiveness. The recommendation is only partially implemented.

During our follow-up testing work, we noted the Department has not converted to permanent eligibility cards. However, the Department has planned to eliminate the monthly mailings of eligibility cards and, instead, intends to mail them annually. If the Department eliminates the monthly mailing of eligibility cards, the provider will verify eligibility through one of three verifications options offered to the provider by the Department. The Department still plans on introducing permanent cards at a later date and continues to research what information should be displayed on the cards and from what materials the cards should be made.

Financial Statement Report

State of Illinois
Department of Public Aid
Financial Statement Report Summary

The audit of the accompanying financial statements of the State of Illinois, Department of Public Aid as of and for the year ended June 30, 2005 was performed by **BKD, LLP**.

Based on their audit, the auditors expressed an unqualified opinion on the Department's basic financial statements.



Independent Auditors' Report on Financial Statements and Supplementary Information

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Public Aid (Department), as of and for the year ended June 30, 2005, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2005 on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Department has not presented management's discussion and analysis and budgetary comparison information for the General Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 4, 2005

Basic Financial Statements

State of Illinois
Department of Public Aid

Statement of Net Assets and Governmental Funds Balance Sheet

June 30, 2005 (Expressed in Thousands)

	General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS					
Unexpended appropriations	\$ 24,781	\$ 16,154	\$ 40,935	\$ -	\$ 40,935
Cash equity with State Treasurer	228,304	36,271	264,575	-	264,575
Cash and cash equivalents	355	-	355	-	355
Due from other government - federal	1,431,245	23,470	1,454,715	-	1,454,715
Due from other government - local	144,267	-	144,267	-	144,267
Taxes receivable, net	7,116	-	7,116	-	7,116
Other receivables, net	131,595	10,644	142,239	-	142,239
Due from other State funds	3,572	60	3,632	-	3,632
Due from State of Illinois component units	28,385	-	28,385	-	28,385
Prepaid expenses	-	-	-	1,285	1,285
Capital assets being depreciated, net	-	-	-	5,774	5,774
Total assets	\$ 1,999,620	\$ 86,599	\$ 2,086,219	7,059	2,093,278
LIABILITIES					
Accounts payable and accrued liabilities	\$ 2,317,532	\$ 25,952	\$ 2,343,484	-	2,343,484
Due to other government - federal	606	6,810	7,416	-	7,416
Due to other government - local	349,198	6,496	355,694	-	355,694
Due to other State fiduciary funds	455	378	833	-	833
Due to other State funds	13,231	5,434	18,665	-	18,665
Due to State of Illinois component units	57,738	-	57,738	-	57,738
Unavailable revenue	758,386	51	758,437	(758,437)	-
Deferred revenue	105	51	156	-	156
Long-term obligations:					
Due within one year	-	-	-	772	772
Due subsequent to one year	-	-	-	9,878	9,878
Total liabilities	3,497,251	45,172	3,542,423	(747,787)	2,794,636
FUND BALANCES/NET ASSETS (DEFICITS)					
Invested in capital assets	-	-	-	5,774	5,774
Reserved for encumbrances	2,927	177	3,104	(3,104)	-
Unreserved:					
General fund	(1,500,558)	-	(1,500,558)	1,500,558	-
Special revenue funds	-	41,250	41,250	(41,250)	-
Restricted net assets	-	-	-	100	100
Unrestricted net assets	-	-	-	(707,232)	(707,232)
Total fund balances/net assets(deficits)	(1,497,631)	41,427	(1,456,204)	\$ 754,846	\$ (701,358)
Total liabilities and fund balances	\$ 1,999,620	\$ 86,599	\$ 2,086,219		

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Public Aid
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2005
(Expressed in Thousands)

Total fund balances-governmental funds	\$ (1,456,204)
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,774
Prepaid expenses for governmental activities are current uses of financial resources for funds.	1,285
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	758,437
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of:	
Compensated absences	(10,650)
Net assets of governmental activities	<u><u>\$ (701,358)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Department of Public Aid

Statement of Activities and Governmental Revenues,
Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2005 (Expressed in Thousands)

	General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Health and social services	\$ 10,064,052	\$ 730,919	\$ 10,794,971	\$ 3,702	\$ 10,798,673
Capital outlays	136	480	616	(616)	-
Total expenditures/expenses	<u>10,064,188</u>	<u>731,399</u>	<u>10,795,587</u>	<u>3,086</u>	<u>10,798,673</u>
Program revenues:					
Charges for services:					
Licenses and fees	3,516	834	4,350	22	4,372
Other	38	20,625	20,663	-	20,663
Total charges for services	<u>3,554</u>	<u>21,459</u>	<u>25,013</u>	<u>22</u>	<u>25,035</u>
Operating grant revenue:					
Federal	5,711,261	400,124	6,111,385	327,837	6,439,222
Other	1,036,137	-	1,036,137	(45,967)	990,170
Total operating grant revenue	<u>6,747,398</u>	<u>400,124</u>	<u>7,147,522</u>	<u>281,870</u>	<u>7,429,392</u>
Net program revenues (expenses)	<u>(3,313,236)</u>	<u>(309,816)</u>	<u>(3,623,052)</u>	<u>278,806</u>	<u>(3,344,246)</u>
General revenues:					
Interest and investment income	2,133	-	2,133	-	2,133
Other taxes	858,820	-	858,820	(3,558)	855,262
Other	513,559	31	513,590	8,328	521,918
Total general revenues	<u>1,374,512</u>	<u>31</u>	<u>1,374,543</u>	<u>4,770</u>	<u>1,379,313</u>
Other sources (uses):					
Appropriations from State resources	6,046,388	475,701	6,522,089	-	6,522,089
Lapsed appropriations	(1,047,597)	(3,969)	(1,051,566)	-	(1,051,566)
Receipts collected and transmitted to State Treasury	(4,023,473)	(177,610)	(4,201,083)	-	(4,201,083)
Capital transfers from other State agencies	-	-	-	35	35
Capital asset losses	-	-	-	(321)	(321)
Transfer of administration of state funds	-	260	260	-	260
Amount of SAMS transfers-in	(1,501,961)	-	(1,501,961)	-	(1,501,961)
Amount of SAMS transfers-out	1,023,216	-	1,023,216	-	1,023,216
Transfers-in	879,498	31,008	910,506	(44,808)	865,698
Transfers-out	(75,464)	(16,667)	(92,131)	44,808	(47,323)
Total other sources (uses)	<u>1,300,607</u>	<u>308,723</u>	<u>1,609,330</u>	<u>(286)</u>	<u>1,609,044</u>
Change in fund balances/net assets	(638,117)	(1,062)	(639,179)	\$ 283,290	(355,889)
Fund balances/net assets(deficits), July 1, 2004	(859,514)	42,489	(817,025)		(345,469)
Fund balances/net assets(deficits), June 30, 2005	<u>(1,497,631)</u>	<u>41,427</u>	<u>(1,456,204)</u>		<u>(701,358)</u>

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Public Aid
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2005
(Expressed in Thousands)

Net change in fund balances - governmental funds	\$	(639,179)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation in the current period exceeded capital outlays.		(3,083)
Some capital assets were transferred in from other State agencies and, therefore, were received at no cost.		35
Prepaid expenses in the Statement of Activities are not reported as expenses in governmental funds.		(710)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		286,662
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities only, losses from the sale of capital assets are reported. This is the amount the losses from the sale of capital assets exceeded proceeds.		(321)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These include:		
Decrease in compensated absences obligation		707
Change in net assets of governmental activities	\$	<u>(355,889)</u>

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Department of Public Aid

Statement of Fiduciary Net Assets

June 30, 2005 (Expressed in Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash equity with State Treasurer	\$ 8,383
Cash and cash equivalents	1,454
Other receivables, net	142,614
Total assets	<u>\$ 152,451</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 10,265
Other liabilities	142,186
Total liabilities	<u>\$ 152,451</u>

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Public Aid
Notes to Financial Statements
June 30, 2005

(1) Organization

The Department of Public Aid (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the State's General Revenue Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of the Child Support Enforcement Trust Fund - SDU.

The Department is organized to provide for the improvement of the lives of Illinois' families through health care coverage, child support enforcement and energy assistance.

(2) Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

State of Illinois
Department of Public Aid
Notes to Financial Statements
June 30, 2005

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Public Aid, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial activities of the Department, which consist only of governmental activities, are reported under the health and social services function in the State of Illinois' Comprehensive Annual Financial Report. For reporting purposes, the Department has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government wide data in a separate column. A brief description of the Department's government-wide and fund financial statements is as follows:

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of net assets presents the assets and liabilities of the Department's governmental activities with the difference being reported as net assets. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components – the amount due within one year and the amount due in more than one year.

The statement of activities presents a comparison between direct expenses and program revenues for the health and social services function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Department's funds, including fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis on fund financial statements is on the major governmental fund, which is displayed in a separate column. Major funds are determined at the statewide level. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department administers the following major governmental fund (or portions thereof in the case of shared funds – see note 2(d)) of the State:

State of Illinois
Department of Public Aid
Notes to Financial Statements
June 30, 2005

General – This is the State’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Department and accounted for in the General Fund include, among others, promoting access to quality healthcare and child support. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Department’s portion of the General Fund is composed of five primary sub-accounts (General Revenue, University of Illinois Hospital Services, County Hospital Services, Long-Term Care Provider, and Hospital Provider) and fourteen secondary sub-accounts.

The Department reports the following nonmajor governmental fund types:

Special Revenue – These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purposes.

Additionally, the Department administers the following fiduciary fund type:

Agency – These funds account for transactions related to assets collected by the Department, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

(c) *Measurement Focus and Basis of Accounting*

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include nursing home assessments, hospital assessments and intergovernmental grants. On an accrual basis, revenues from the nursing home assessments are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, 1) principal and interest on formal debt issues, such as bonds and capital leases, are recorded only when payment is due and 2) compensated absences and claims and judgments are recorded when they are expected to be liquidated with

State of Illinois
Department of Public Aid
Notes to Financial Statements
June 30, 2005

expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include the nursing home assessment, federal matching revenues, drug rebates, intergovernmental transfer agreement revenues and child support. Other miscellaneous revenue sources are considered to be measurable and available only when cash is received.

(d) *Shared Fund Presentation*

The financial statement presentation for the General Revenue, Care Provider Fund for Persons with Developmental Disabilities, and Trauma Center Accounts of the General Fund and the Supplemental Low-Income Energy Assistance and Tobacco Settlement Recovery funds, nonmajor government funds, represent only the portion of the shared funds that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

Unexpended Appropriations

This "asset" account represents lapse period expenditures between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

State of Illinois
Department of Public Aid
Notes to Financial Statements
June 30, 2005

Amount of SAMS Transfers-In

This “other financing use” account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Department did not make a deposit into the State Treasury.

Amount of SAMS Transfers-Out

This “other financing source” account represents cash transfers made by the Office of the Comptroller in accordance with statutory provision from the corresponding fund during the fiscal year per SAMS records in which a legally adopted appropriation was not charged.

(e) Eliminations

Eliminations have been made in the government-wide statement of net assets to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net assets. Amounts reported in the governmental funds balance sheet as receivable from or payable to fiduciary funds have been included in the government-wide statement of net assets as receivable from and payable to external parties, rather than as internal balances.

(f) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents include cash on hand and cash in banks for locally held funds.

(g) Interfund Transactions and Transactions with State of Illinois Component Units

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

Services provided and used—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet and the government-wide statement of net assets.

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

State of Illinois
Department of Public Aid
Notes to Financial Statements
June 30, 2005

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

The Department also has activity with the University of Illinois, a State of Illinois component unit, for medical programs and intergovernmental transfer agreements administered by the University.

(h) Capital Assets

Capital assets, which includes property, plant, and equipment, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Equipment	\$5,000	3-10 years

(i) Compensated Absences

The liability for compensated absences reported in the government-wide statement of net assets consists of unpaid, accumulated vacation and sick leave balances for Department employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and Medicare tax).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

State of Illinois
Department of Public Aid
Notes to Financial Statements
June 30, 2005

(j) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative State plans that are subject to change.

(k) Net Assets

In the government-wide statement of net assets, equity is displayed in three components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State’s policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets.”

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) New Accounting Pronouncements

Effective for the year ended June 30, 2005 the State adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3 by modifying and eliminating certain risk disclosures related to deposits and investments. The statement also requires additional risk disclosures related to deposits and investments and descriptions of deposit and investment policies, if applicable, related to those risks. There was no significant impact on the Department’s financial statements as a result of adopting this statement.

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(3) **Deposits and Investments**

(a) *Deposits with State Treasury*

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer, or in transit, for governmental funds and fiduciary funds totaled \$264.575 million and \$8.383 million respectively, at June 30, 2005. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

(b) *Investments*

State law limits investments to: various U.S. agency obligations; interest bearing accounts, certificates of deposits, time deposits or any other investments constituting direct obligations of any bank; short term obligations of corporations with assets exceeding \$500 million if such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase, such purchases do not exceed 10% of the corporation's outstanding obligations and no more that one-third of the public agency's funds may be invested in short term obligations of corporations; or in money market mutual funds.

As of June 30, 2005, the Department had the following investments outside of the State Treasury:

	Bank Balance (Thousands)	Weighted Average Maturity (Days)
Governmental Funds		
Repurchase agreements	\$ 36	1
Illinois Public Treasurers' Investment Pool	\$ 319	9
Fiduciary Funds		
Repurchase agreements	\$ 15,396	1

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Interest Rate Risk: The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Illinois Public Treasurers' Investment Pool was rated AAAM by Standard & Poor's.

(c) Reconciliation to Statement of Net Assets and Statement of Fiduciary Net Assets

Cash and cash equivalents as reflected in the Statement of Net Assets and the Statement of Fiduciary Net Assets contain certain short-term investments (included as investments above) to reflect their liquidity. A reconciliation follows:

<i>Governmental Funds</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ -	\$ 355
Cash Equivalents	355	(355)
Amounts Per Statement of Net Assets	<u>\$ 355</u>	<u>\$ -</u>
<i>Fiduciary Funds</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ -	\$ 15,396
In-transit Items	_____	(13,942)
Amounts Per Note Less In- transit Items	_____	1,454
Cash Equivalents	1,454	(1,454)
Amounts per Statement of Fiduciary Net Assets	<u>\$ 1,454</u>	<u>\$ -</u>

In-transit Items represent outstanding checks and deposits not disbursed.

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(4) **Accounts Receivable**

(a) *Taxes Receivable*

Taxes receivable (amounts expressed in thousands) at June 30, 2005 are as follows:

	General Fund
Taxes receivable	\$ 9,816
Less: allowance for uncollectible taxes	(2,700)
Taxes receivable, net	\$ 7,116

(b) *Other Receivable*

Other receivables (amounts expressed in thousands) at June 30, 2005 are as follows:

	General Fund	Nonmajor Governmental Funds	Agency Funds
Other receivables	\$ 161,659	\$ 620,141	\$ 2,019,656
Less: allowance for uncollectible accounts	(30,064)	(609,497)	(1,877,042)
Other receivables, net	\$ 131,595	\$ 10,644	\$ 142,614

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Notes to Financial Statements
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(5) **Interfund Balances and Activity**

(a) *Balances Due to/from Other Funds*

The following balances (amounts expressed in thousands) at June 30, 2005 represent amounts due from other Department and State of Illinois funds.

<u>Fund</u>	<u>Due From Other State Funds</u>	<u>Description/Purpose</u>
General	\$ 3,572	Due from other State funds for subgrants received.
Nonmajor governmental funds	60	Due from other State funds for unexpended subgrants made.
	<u>\$ 3,632</u>	

The following balances (amounts expressed in thousands) at June 30, 2005 represent amounts due to other State of Illinois funds and other State of Illinois Fiduciary funds.

<u>Fund</u>	<u>Due To</u>		<u>Description/Purpose</u>
	<u>Other State Funds</u>	<u>Other State Fiduciary Funds</u>	
General	\$ 13,231	\$ 455	Due to internal service funds of the State for purchases of services and to pension (and other employee benefit) trust funds for postemployment benefits.
Nonmajor governmental funds	5,434	378	Due to internal service funds of the State for purchases of services and to pension (and other employee benefit) trust funds for postemployment benefits.
	<u>\$ 18,665</u>	<u>\$ 833</u>	

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(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2005 were as follows:

Fund	Transfers in from		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 13,800	\$ 865,698	Transfers from the Tobacco Settlement Fund for Medicaid programs and from State debt service funds for short-term borrowing payments.
Nonmajor governmental funds	31,008	-	Transfer from General Fund per State appropriation.
	<u>\$ 44,808</u>	<u>\$ 865,698</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2005, were as follows:

Fund	Transfers out to		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 31,008	\$ 44,456	Transfer to Department nonmajor governmental funds per State appropriation, and transfers to assist State budget shortfalls.
Nonmajor governmental funds	13,800	2,867	Transfer to General Fund for Medicaid programs and transfers to assist State budget shortfalls.
	<u>\$ 44,808</u>	<u>\$ 47,323</u>	

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Department of Public Aid
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June 30, 2005

(c) *Balances Due to/from State of Illinois Component Units*

The following balances (amounts expressed in thousands) at June 30, 2005 represent amounts due from State of Illinois Component Units

<u>Fund</u>	<u>Due from General Fund</u>	<u>Description/Purpose</u>
University of Illinois	\$ 28,385	Intergovernmental agreement charges
	<u>\$ 28,385</u>	

The following balances (amounts expressed in thousands) at June 30, 2005 represent amounts due to State of Illinois Component Units.

<u>Fund</u>	<u>Due to General Fund</u>	<u>Description/Purpose</u>
University of Illinois	\$ 57,738	Medicaid expenditure reimbursements
	<u>\$ 57,738</u>	

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June 30, 2005

(7) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2005 were as follows:

	Balance			Balance		Amounts
	July 1,	Additions	Deletions	June 30,	2005	Due
	2004			2005		Within
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	One Year
Governmental activities:						
Compensated absences	\$ 11,357	\$ 8,545	\$ 9,252	\$ 10,650	\$	<u>772</u>
Total	<u>\$ 11,357</u>	<u>\$ 8,545</u>	<u>\$ 9,252</u>	<u>\$ 10,650</u>	<u>\$</u>	<u>772</u>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees.

(8) Notes Payable

During the previous fiscal year the State incurred cash flow difficulties. As a result the State issued \$850 million in General Obligation Certificates under provisions of the Medicaid Liability Liquidity Borrowing Act. The General Obligation Certificates were issued on June 17, 2004 and matured on July 23, 2004 and October 22, 2004 with interest rates ranging from 2.00% to 6.00%. The \$850 million from this borrowing was deposited into the Medicaid Provider Relief Fund Account, a sub-account of the State's General Fund administered by the Department. Subsequent to June 30, 2004, the assets in the Medicaid Provider Relief Fund Account were transferred to the State's General Revenue Fund Account to be transferred to the State's General Obligation Bond Retirement and Interest Fund, a nonmajor governmental fund of the State. During fiscal year 2005, the General Obligation Bond Retirement and Interest Fund made \$852.869 million in principal and premium payments on the certificate on-behalf of the Medicaid Provider Relief Fund Account.

During the current fiscal year, the State implemented the Hospital Assessment Tax in order to make supplemental inpatient and outpatient payments to certain public and non-public hospitals within the State. In order to advance fund the payments prior to collection of the tax, the State issued \$765 million in General Obligation Certificates under Section 1 of the Short-Term Borrowing Act. The General Obligation Certificates were issued March 3, 2005 and matured June 3, 2005 with an interest rate of 3.00%. The \$765 million from this borrowing was deposited into the General Revenue Fund Account, a sub-account of the State's General Fund, and subsequently transferred to the Hospital Provider Fund Account, a sub-account of the State's General Fund. Upon receiving the Hospital Assessment Tax and federal financial participation for Medicaid expenditures, the Hospital Provider

State of Illinois
Department of Public Aid
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June 30, 2005

Fund Account transferred \$765 million to the State's General Revenue Fund Account which was subsequently transferred to the General Obligation Bond Retirement and Interest Fund prior to the June 3, 2005 maturity of the certificates. For the fiscal year, the General Obligation Bond Retirement and Interest Fund made \$766.675 million in principal and premium payments on the certificate balance on-behalf of the General Revenue Fund Account.

Changes in general obligation certificates payable (amounts expressed in thousands) for the year ended June 30, 2005 are as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities				
General obligation certificates payable	\$ 850,000	\$ 765,000	\$ 1,615,000	\$ -
Unamortized premiums	2,869	1,675	4,544	-
Total	<u>\$ 852,869</u>	<u>\$ 766,675</u>	<u>\$ 1,619,544</u>	<u>\$ --</u>

(9) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2005 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2005. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

State of Illinois
Department of Public Aid
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June 30, 2005

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2005, the employer contribution rate was 16.107%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

(10) Post-employment Benefits

The State provides health, dental, and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant age 60 and older. The total cost of health, dental, and life insurance benefits of all members, including post-employment health, dental, and life insurance benefits, is recognized as an expenditure for the State in the Illinois Comprehensive Annual Financial Report. The total costs incurred for health, dental, and life insurance benefits are not separated by Department for annuitants and their dependents nor active employees and their dependents.

(11) Fund Deficits

The General Fund had a deficit fund balance of \$1.498 billion at June 30, 2005. This deficit results from the liabilities recognized at June 30, 2005 of the Medicaid program which will be paid from future year appropriations. The deficit is expected to be eliminated through both future federal and other revenue sources of the State and the future recognition of unavailable deferred revenue recorded at June 30, 2005.

(12) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e self insured) for these risks except computer equipment insurance purchased by the Department.

State of Illinois
Department of Public Aid
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June 30, 2005

The Department's risk management activities for 2005 are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Department; and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2005. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

13) Commitments and Contingencies

(a) Operating leases

The Department leases equipment, buildings and office space under the terms of noncancelable operating lease agreements not extending past the end of the fiscal year, that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$6.165 million for the year ended June 30, 2005.

(b) Federal Funding

In June 2005, the federal Department of Health and Human Services (DHHS) Department Appeals Board (DAB) entered a written order dismissing the Centers for Medicare and Medicaid Services' (CMS) request for reimbursement and formal disallowance of \$89.567 million in federal financial participation (FFP). CMS had claimed that the State's provider tax and grant program during State FY'93 violated federal law. The DAB agreed with the State that its program(s) were not in violation of the law and regulations existing during FY'93. DHHS is seeking reconsideration of the decision, but the Washington, D.C. law firm representing the Department in this matter anticipates that the Board of Appeals will not reverse its decision.

In October 2004, the DHHS Office of Inspector General (OIG) issued its report, "Review of Illinois Medicaid Disproportionate Share Hospital Payments to the University of Illinois at Chicago Hospital". The report recommended that the State refund \$140.282 million in FFP to the federal government because of alleged overpayment to the hospital of \$280.6 million above the hospital-specific limitation on Disproportionate Share Hospital (DSH) payments to the University of Illinois at Chicago Hospital during State FY 1997-2000. The State strongly disagrees with the OIG's findings. It is the State's position that it has followed CMS published guidelines, and its methodology for calculating the hospital-specific limitation has consistently been approved by CMS. If the recommendation eventually results in a formal disallowance, the State will appeal the matter and is confident it will be successful in having the disallowance dismissed.

The Department receives other federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2005, other than identified above, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Department believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

State of Illinois
Department of Public Aid
Notes to Financial Statements
June 30, 2005

(c) Litigation

On January 31, 2005, a statewide class action was brought on behalf of all developmentally disabled persons who are eligible for and have received services pursuant to the Home and Community Based Services waiver program, but who want additional services that are available through the program. They allege the state has not provided those services with “reasonable promptness.” Those additional services are primarily resident placement in Community Integrated Living Arrangements. The Plaintiffs and the Defendants have filed cross motions for summary judgment and the Plaintiffs’ motion for class certification is also pending, awaiting rulings from the court.

On July 28, 2005, a statewide class action was brought on behalf of individuals with mental retardation and other developmental disabilities who are allegedly “required” to reside in large, privately-run congregate care institutions, Intermediate Care Facilities for the Developmentally Disabled, as a condition of receiving services. The prayer for relief includes determination of class members’ eligibility for community services and provision to eligible class members of sufficient services to “live in the most integrated setting appropriate to their needs.”

The Department is a party to numerous other legal proceedings, many of which normally occur in the course of operations. These proceedings are not, in the opinion of the Department’s legal counsel, likely to have a material adverse impact on the Department’s financial position. In the event a material action is settled against the Department, such amounts would be paid from future appropriations or by another State agency. Accordingly, no amounts have been provided in the accompanying financial statements related to outstanding litigation.

State of Illinois
Department of Public Aid
Combining Balance Sheet -
General Fund

June 30, 2005 (Expressed in Thousands)

	General Revenue Account 0001	U of I Hospital Services 0136	County Hospital Services 0329	Care Provider for Persons with DD 0344	Long-Term Care Provider 0345	Hospital Provider 0346
ASSETS						
Unexpended appropriations	\$ 22,389	\$ -	\$ -	\$ 3	\$ -	\$ -
Cash equity with State Treasurer	140	767	7,712	-	24,715	11
Cash and cash equivalents	355	-	-	-	-	-
Due from other government - federal	1,014,839	28,751	135,387	2,745	55,349	253
Due from other government - local	892	-	131,035	-	12,015	-
Taxes receivable, net	1,677	-	-	125	5,314	-
Other receivables, net	8,275	-	39	-	40	1
Due from other Department funds	87,436	-	-	-	-	3,963
Due from other State funds	-	-	-	-	-	-
Due from State of Illinois component units	-	28,385	-	-	-	-
Total assets	\$ 1,136,003	\$ 57,903	\$ 274,173	\$ 2,873	\$ 97,433	\$ 4,228
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,895,571	\$ -	\$ -	\$ 3	\$ 83,627	\$ -
Due to other government - federal	581	-	-	-	2	-
Due to other government - local	-	-	274,173	-	13,794	-
Due to other State fiduciary funds	399	-	-	-	4	-
Due to other Department funds	8,498	2,805	-	-	-	92
Due to other State funds	5,473	-	-	-	6	-
Due to State of Illinois component units	2,640	55,098	-	-	-	-
Unavailable revenue	504,544	15,645	154,071	457	4,479	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	2,417,706	73,548	428,244	460	101,912	92
FUND BALANCES (DEFICITS)						
Reserved for encumbrances	2,911	-	-	-	-	-
Unreserved	(1,284,614)	(15,645)	(154,071)	2,413	(4,479)	4,136
Total fund balances (deficits)	(1,281,703)	(15,645)	(154,071)	2,413	(4,479)	4,136
Total liabilities and fund balances (deficits)	\$ 1,136,003	\$ 57,903	\$ 274,173	\$ 2,873	\$ 97,433	\$ 4,228

State of Illinois
Department of Public Aid
Combining Balance Sheet -
General Fund

June 30, 2005 (Expressed in Thousands)

	Special Education Medicaid Matching 0355	Health and Human Services Medicaid Trust 0365	Medicaid Provider Relief 0367	Trauma Center 0397	Public Assistance Recoveries Trust 0421	Medical Research and Development 0486
ASSETS						
Unexpended appropriations	\$ -	\$ -	\$ -	\$ 2,389	\$ -	\$ -
Cash equity with State Treasurer	27,548	16,439	-	-	41,246	-
Cash and cash equivalents	-	-	-	-	-	-
Due from other government - federal	27,117	-	-	1,208	3,257	-
Due from other government - local	325	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	-	-	-	122,988	-
Due from other Department funds	-	92	-	-	-	-
Due from other State funds	-	-	-	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Total assets	\$ 54,990	\$ 16,531	\$ -	\$ 3,597	\$ 167,491	\$ -
LIABILITIES						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 2,389	\$ 1,616	\$ -
Due to other government - federal	-	-	-	-	21	-
Due to other government - local	54,990	-	-	-	5,682	-
Due to other State fiduciary funds	-	-	-	-	48	-
Due to other Department funds	-	-	-	-	152,709	-
Due to other State funds	-	-	-	-	7,415	-
Due to State of Illinois component units	-	-	-	-	-	-
Unavailable revenue	18,825	-	-	-	3,257	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	\$ 73,815	\$ -	\$ -	\$ 2,389	\$ 170,748	\$ -
FUND BALANCES (DEFICITS)						
Reserved for encumbrances	-	-	-	-	16	-
Unreserved	(18,825)	16,531	-	1,208	(3,273)	-
Total fund balances (deficits)	(18,825)	16,531	-	1,208	(3,257)	-
Total liabilities and fund balances (deficits)	\$ 54,990	\$ 16,531	\$ -	\$ 3,597	\$ 167,491	\$ -

State of Illinois
Department of Public Aid
Combining Balance Sheet -
General Fund

June 30, 2005 (Expressed in Thousands)

	Post-Tertiary Clinical Services 0487	Juvenile Rehab Services Medicaid Matching 0575	Family Care 0720	Drug Rebate 0728	Independent Academic Medical Center 0735	Medicaid Buy- in Program Revolving 0740
ASSETS						
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	-	12	764	105,271	-	946
Cash and cash equivalents	-	-	-	-	-	-
Due from other government - federal	-	880	-	161,363	-	-
Due from other government - local	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Other receivables, net	-	-	3	237	-	12
Due from other Department funds	-	-	4,535	68,078	-	-
Due from other State funds	-	-	3,572	-	-	-
Due from State of Illinois component units	-	-	-	-	-	-
Total assets	\$ -	\$ 892	\$ 8,874	\$ 334,949	\$ -	\$ 958
LIABILITIES						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 8,845	\$ 325,000	\$ -	\$ -
Due to other government - federal	-	-	-	-	-	-
Due to other government - local	-	559	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-
Due to other Department funds	-	-	-	-	-	-
Due to other State funds	-	333	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-
Unavailable revenue	-	-	-	57,098	-	10
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	892	8,845	382,098	-	10
FUND BALANCES (DEFICITS)						
Reserved for encumbrances	-	-	-	-	-	-
Unreserved	-	-	29	(47,149)	-	948
Total fund balances (deficits)	-	-	29	(47,149)	-	948
Total liabilities and fund balances (deficits)	\$ -	\$ 892	\$ 8,874	\$ 334,949	\$ -	\$ 958

State of Illinois
Department of Public Aid
Combining Balance Sheet -
General Fund
 June 30, 2005 (Expressed in Thousands)

	Medical Special Purpose Trust 0808	Eliminations	Total
ASSETS			
Unexpended appropriations	-	-	\$ 24,781
Cash equity with State Treasurer	2,733	-	228,304
Cash and cash equivalents	-	-	355
Due from other government - federal	96	-	1,431,245
Due from other government - local	-	-	144,267
Taxes receivable, net	-	-	7,116
Other receivables, net	-	-	131,595
Due from other Department funds	-	(164,104)	-
Due from other State funds	-	-	3,572
Due from State of Illinois component units	-	-	28,385
Total assets	\$ 2,829	\$ (164,104)	\$ 1,999,620

LIABILITIES			
Accounts payable and accrued liabilities	481	-	\$ 2,317,532
Due to other government - federal	2	-	606
Due to other government - local	-	-	349,198
Due to other State fiduciary funds	4	-	455
Due to other Department funds	-	(164,104)	-
Due to other State funds	4	-	13,231
Due to State of Illinois component units	-	-	57,738
Unavailable revenue	-	-	758,386
Deferred revenue	105	-	105
Total liabilities	596	(164,104)	3,497,251

FUND BALANCES (DEFICITS)			
Reserved for encumbrances	-	-	2,927
Unreserved	2,233	-	(1,500,558)
Total fund balances (deficits)	2,233	-	(1,497,631)
Total liabilities and fund balances (deficits)	\$ 2,829	\$ (164,104)	\$ 1,999,620

State of Illinois

Department of Public Aid

Combining Schedule of Revenues,
Expenditures and Changes in Fund Balance -
General Fund

For the Year Ended June 30, 2005 (Expressed in Thousands)

	General Revenue Account 0001	U of I Hospital Services 0136	County Hospital Services 0329	Care Provider for Persons with DD 0344	Long-Term Care Provider 0345	Hospital Provider 0346
REVENUES						
Operating grants - federal	\$ 3,326,523	\$ 117,702	\$ 914,340	\$ 20,029	\$ 271,584	\$ 508,090
Other operating grants	-	78,681	957,401	-	-	-
Licenses and fees	3,121	-	-	-	-	-
Other charges for services	38	-	-	-	-	-
Interest and other investment income	301	-	353	-	449	55
Other taxes	-	-	-	20,437	201,342	637,041
Other	433,822	-	-	-	79,737	-
Total revenues	3,763,805	196,383	1,872,094	40,466	553,112	1,145,186
EXPENDITURES						
Health and social services	5,732,994	214,769	1,796,871	59	535,797	1,013,642
Capital outlays	136	-	-	-	-	-
Total expenditures	5,733,130	214,769	1,796,871	59	535,797	1,013,642
Excess (deficiency) of revenues over (under) expenditures	(1,969,325)	(18,386)	75,223	40,407	17,315	131,544
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	6,030,294	-	-	1,094	-	-
Lapsed appropriations	(1,040,630)	-	-	(1,035)	-	-
Receipts collected and transmitted to State Treasury	(3,980,837)	-	-	(38,267)	-	-
Amount of SAMS transfers-in	(1,501,961)	-	-	-	-	-
Amount of SAMS transfers-out	1,023,216	-	-	-	-	-
Transfers-in	1,036,736	44,700	-	-	-	978,516
Transfers-out	(1,064,635)	(40,773)	-	-	-	(1,105,924)
Net other sources (uses) of financial resources	502,183	3,927	-	(38,208)	-	(127,408)
Net change in fund balances	(1,467,142)	(14,459)	75,223	2,199	17,315	4,136
Fund balances (deficits), July 1, 2004	185,439	(1,186)	(229,294)	214	(21,794)	-
FUND BALANCES (DEFICITS), JUNE 30, 2005	\$ (1,281,703)	\$ (15,645)	\$ (154,071)	\$ 2,413	\$ (4,479)	\$ 4,136

State of Illinois
Department of Public Aid

**Combining Schedule of Revenues,
Expenditures and Changes in Fund Balance -
General Fund**

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Special Education Medicaid Matching 0355	Health and Human Services Medicaid Trust 0365	Medicaid Provider Relief 0367	Trauma Center 0397	Public Assistance Recoveries Trust 0421	Medical Research and Development 0486
REVENUES						
Operating grants - federal	\$ 122,434	\$ 91,483	\$ 263	\$ 4,595	\$ 9,895	\$ 6,401
Other operating grants	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	-
Other charges for services	-	-	-	-	53,237	-
Interest and other investment income	-	-	20	-	-	-
Other taxes	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	122,434	91,483	283	4,595	63,132	6,401
EXPENDITURES						
Health and social services	122,717	183,205	(178)	9,069	30,791	12,801
Capital outlays	-	-	-	-	-	-
Total expenditures	122,717	183,205	(178)	9,069	30,791	12,801
Excess (deficiency) of revenues over (under) expenditures	(283)	(91,722)	461	(4,474)	32,341	(6,400)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	15,000	-	-
Lapsed appropriations	-	-	-	(5,932)	-	-
Receipts collected and transmitted to State Treasury	-	-	-	(4,369)	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-
Amount of SAMS transfers-out	-	127,408	852,869	-	188	6,400
Transfers-in	-	(19,155)	(461)	-	(33,236)	-
Transfers-out	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	108,253	852,408	4,699	(33,048)	6,400
Net change in fund balances	(283)	16,531	852,869	225	(707)	-
Fund balances (deficits), July 1, 2004	(18,542)	-	(852,869)	983	(2,550)	-
FUND BALANCES (DEFICITS), JUNE 30, 2005	\$ (18,825)	\$ 16,531	\$ -	\$ 1,208	\$ (3,257)	\$ -

State of Illinois
Department of Public Aid

**Combining Schedule of Revenues,
 Expenditures and Changes in Fund Balance -
 General Fund**

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Post-Tertiary Clinical Services 0487	Juvenile Rehab Services 0575	Family Care 0720	Drug Rebate 0728	Independent Academic Medical Center 0735	Medicaid Buy in Program Revolving 0740
REVENUES						
Operating grants - federal	\$ 6,401	\$ 1,355	\$ -	\$ 302,575	\$ 1,000	\$ -
Other operating grants	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	395
Other charges for services	-	-	13	925	-	17
Interest and other investment income	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	6,401	1,355	13	303,500	1,000	412
EXPENDITURES						
Health and social services	12,801	1,226	22,603	420,024	2,000	-
Capital outlays	-	-	-	-	-	-
Total expenditures	12,801	1,226	22,603	420,024	2,000	-
Excess (deficiency) of revenues over (under) expenditures	(6,400)	129	(22,590)	(116,524)	(1,000)	412
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	22,565	-	1,000	-
Transfers-in	6,400	-	(165)	(6,757)	-	(33)
Transfers-out	-	-	-	-	-	-
Net other sources (uses) of financial resources	6,400	-	22,400	(6,757)	1,000	(33)
Net change in fund balances	-	129	(190)	(123,281)	-	379
Fund balances (deficits), July 1, 2004	-	(129)	219	76,132	-	569
FUND BALANCES (DEFICITS), JUNE 30, 2005	\$ -	\$ -	\$ 29	\$ (47,149)	\$ -	\$ 948

State of Illinois

Department of Public Aid

Combining Schedule of Revenues,
Expenditures and Changes in Fund Balance -
General Fund

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Medical Special Purpose Trust 0808	Eliminations	Total
REVENUES			
Operating grants - federal	\$ 6,591	\$ -	\$ 5,711,261
Other operating grants	55	-	1,036,137
Licenses and fees	-	-	3,516
Other charges for services	-	(53,237)	38
Interest and other investment income	-	-	2,133
Other taxes	-	-	858,820
Other	-	-	513,559
Total revenues	6,646	(53,237)	8,125,464
EXPENDITURES			
Health and social services	6,098	(53,237)	10,064,052
Capital outlays	-	-	136
Total expenditures	6,098	(53,237)	10,064,188
Excess (deficiency) of revenues over (under) expenditures	548	-	(1,938,724)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	-	-	6,046,388
Lapsed appropriations	-	-	(1,047,597)
Receipts collected and transmitted to State Treasury	-	-	(4,023,473)
Amount of SAMS transfers-in	-	-	(1,501,961)
Amount of SAMS transfers-out	-	-	1,023,216
Transfers-in	-	(2,197,284)	879,498
Transfers-out	(1,609)	2,197,284	(75,464)
Net other sources (uses) of financial resources	(1,609)	-	1,300,607
Net change in fund balances	(1,061)	-	(638,117)
Fund balances (deficits), July 1, 2004	3,294	-	(859,514)
FUND BALANCES (DEFICITS), JUNE 30, 2005	\$ 2,233	\$ -	\$ (1,497,631)

State of Illinois
Department of Public Aid

**Combining Balance Sheet -
Non-major Governmental Funds**
June 30, 2005 (Expressed in Thousands)

	Special Revenue					
	Provider Inquiry Trust 0341	Supplemental Low-Income Energy Assistance 0550	Good Samaritan Energy Trust 0555	Energy Assistance Contribution 0610	Tobacco Settlement Recovery 0733	
\$	-	\$ 13,664	\$ -	\$ -	\$ -	\$ 2,490
	677	-	32	258	-	-
	-	-	-	-	-	-
	-	-	-	-	-	9,186
	34	-	-	-	-	-
	-	-	-	-	-	59
\$	711	\$ 13,664	\$ 32	\$ 258	\$ -	\$ 11,735

ASSETS

Unexpended appropriations	
Cash equity with State Treasurer	
Cash and cash equivalents	
Due from other government - federal	
Other receivables, net	
Due from other State funds	
Total assets	

LIABILITIES

Accounts payable and accrued liabilities	
Due to other government - federal	
Due to other government - local	
Due to other State fiduciary funds	
Due to other State funds	
Unavailable revenue	
Deferred revenue	
Total liabilities	

FUND BALANCES

Reserved for encumbrances	
Unreserved, unrestricted	
Total fund balances	
Total liabilities and fund balances	

State of Illinois
Department of Public Aid

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2005 (Expressed in Thousands)

	Special Revenue				Total
	Energy Administration 0737	Child Support Administration 0757	Home Energy Assistance Block Grant 0870	Low Income	
ASSETS					
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	16,154
Cash equity with State Treasurer	75	35,078	151		36,271
Cash and cash equivalents	-	-	-	-	-
Due from other government - federal	821	7,924	5,539		23,470
Other receivables, net	-	10,610	-	-	10,644
Due from other State funds	-	1	-	-	60
Total assets	\$ 896	\$ 53,613	\$ 5,690	\$ -	\$ 86,599
LIABILITIES					
Accounts payable and accrued liabilities	\$ 630	\$ 5,741	\$ 4,705	\$ -	25,952
Due to other government - federal	17	6,789	-	-	6,810
Due to other government - local	221	4,258	933		6,496
Due to other State fiduciary funds	-	368	-	-	378
Due to other State funds	28	5,181	1		5,434
Unavailable revenue	-	46	-	-	51
Deferred revenue	-	-	51	-	51
Total liabilities	\$ 896	\$ 22,383	\$ 5,690	\$ -	\$ 45,172
FUND BALANCES					
Reserved for encumbrances	-	-	-	-	177
Unreserved, unrestricted	-	31,230	-	-	41,250
Total fund balances	\$ -	\$ 31,230	\$ -	\$ -	\$ 41,427
Total liabilities and fund balances	\$ 896	\$ 53,613	\$ 5,690	\$ -	\$ 86,599

State of Illinois
Department of Public Aid

**Combining Statement of Revenues,
Expenditures and Changes in Fund Balances -
Non-major Governmental Funds**

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Special Revenue						
	Provider Inquiry Trust 0341	Supplemental		Good Samaritan Energy Trust 0555	Energy Assistance Contribution 0610	Tobacco Settlement Recovery 0733	
		Low-Income Energy Assistance 0550					
REVENUES							
Operating grants - federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,153	
License and fees	834	-	-	-	-	-	
Other charges for services	-	-	-	-	-	-	
Other revenues, net	-	-	31	-	-	-	
Total revenues	834	-	31	-	-	185,153	
EXPENDITURES							
Health and social services	729	83,264	-	-	-	372,933	
Capital outlays	-	15	-	-	-	-	
Total expenditures	729	83,279	-	-	-	372,933	
Excess (deficiency) of revenues over (under) expenditures	105	(83,279)	31	-	-	(187,780)	
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	-	88,748	-	-	-	386,953	
Lapsed Appropriations	-	(3,738)	-	-	-	(231)	
Receipts collected and transmitted to State Treasury	-	(1,554)	-	-	-	(176,056)	
Transfer of administration of state funds	-	-	2	258	-	-	
Transfers-in	-	-	-	-	-	-	
Transfers-out	(58)	-	(1)	-	-	(13,800)	
Net other sources (uses) of financial resources	(58)	83,456	1	258	-	196,866	
Net change in fund balances	47	177	32	258	258	9,086	
Fund balances, July 1, 2004	448	-	-	-	-	149	
FUND BALANCES, JUNE 30, 2005	\$ 495	\$ 177	\$ 32	\$ 258	\$ 258	\$ 9,235	

State of Illinois
Department of Public Aid

**Combining Statement of Revenues,
Expenditures and Changes in Fund Balances -
Non-major Governmental Funds**

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Special Revenue				Total
	Energy Administration 0737	Child Support Administration 0757	Home Energy Assistance Block Grant 0870	Low Income	
REVENUES					
Operating grants - federal	\$ 13,665	\$ 94,531	\$ 106,775	\$	400,124
License and fees	-	-	-	-	834
Other charges for services	37	20,588	-	-	20,625
Other revenues, net	-	-	-	-	31
Total revenues	13,702	115,119	106,775		421,614
EXPENDITURES					
Health and social services	13,696	153,568	106,729		730,919
Capital outlays	-	465	-		480
Total expenditures	13,696	154,033	106,729		731,399
Excess (deficiency) of revenues over (under) expenditures	6	(38,914)	46		(309,785)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	-	-		475,701
Lapsed Appropriations	-	-	-		(3,969)
Receipts collected and transmitted to State Treasury	-	-	-		(177,610)
Transfer of administration of state funds	-	-	-		260
Transfers-in	-	31,008	-		31,008
Transfers-out	(6)	(2,756)	(46)		(16,667)
Net other sources (uses) of financial resources	(6)	28,252	(46)		308,723
Net change in fund balances	-	(10,662)	-		(1,062)
Fund balances, July 1, 2004	-	41,892	-		42,489
FUND BALANCES, JUNE 30, 2005	-	31,230	\$	-	\$ 41,427

State of Illinois

Department of Public Aid

Combining Statement of Fiduciary Net Assets -

Agency Funds

June 30, 2005 (Expressed in Thousands)

	Child Support Enforcement Trust 0957	Child Support Enforcement Trust - SDU 2957	Total
ASSETS			
Cash equity with State Treasurer	\$ 8,383	\$ -	\$ 8,383
Cash and cash equivalents	309	1,145	1,454
Other receivables, net	142,515	99	142,614
Total assets	\$ 151,207	\$ 1,244	\$ 152,451
LIABILITIES			
Accounts payable and accrued liabilities	\$ 9,021	\$ 1,244	\$ 10,265
Other liabilities	142,186	-	142,186
Total liabilities	\$ 151,207	\$ 1,244	\$ 152,451

State of Illinois

Department of Public Aid

**Combining Statement of Changes in Assets and Liabilities -
Agency Funds**

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Balance at July 1, 2004	Additions	Deletions	Balance at June 30, 2005
Child Support Enforcement Trust (0957)				
ASSETS				
Cash equity with State Treasurer	\$ 7,509	\$ 137,167	\$ 136,293	\$ 8,383
Cash and cash equivalents	187	309	187	309
Other receivables, net	123,300	142,515	123,300	142,515
Total assets	\$ 130,996	\$ 279,991	\$ 259,780	\$ 151,207
LIABILITIES				
Accounts payable and accrued liabilities	\$ 7,696	\$ 9,021	\$ 7,696	\$ 9,021
Other liabilities	123,300	142,186	123,300	142,186
Total liabilities	\$ 130,996	\$ 151,207	\$ 130,996	\$ 151,207
Child Support Enforcement Trust - SDU (2957)				
ASSETS				
Cash and cash equivalents	\$ 1,468	\$ 899,976	\$ 900,299	\$ 1,145
Other receivables, net	107	973	981	99
Total assets	\$ 1,575	\$ 900,949	\$ 901,280	\$ 1,244
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,575	\$ 909,194	\$ 909,525	\$ 1,244
Total liabilities	\$ 1,575	\$ 909,194	\$ 909,525	\$ 1,244
Total				
ASSETS				
Cash equity with State Treasurer	\$ 7,509	\$ 137,167	\$ 136,293	\$ 8,383
Cash and cash equivalents	1,655	900,285	900,486	1,454
Other receivables, net	123,407	143,488	124,281	142,614
Total assets	\$ 132,571	\$ 1,180,940	\$ 1,161,060	\$ 152,451
LIABILITIES				
Accounts payable and accrued liabilities	\$ 9,271	\$ 918,215	\$ 917,221	\$ 10,265
Other liabilities	123,300	142,186	123,300	142,186
Total liabilities	\$ 132,571	\$ 1,060,401	\$ 1,040,521	\$ 152,451

**Supplementary Information for
State Compliance Purposes**

State of Illinois
Department of Public Aid
Supplementary Information for State Compliance Purposes
Summary
June 30, 2005

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures, and Lapsed Balances
 - Comparative Schedule of Appropriations, Expenditures, and Lapsed Balances
 - Schedule of Efficiency Initiative Payments
 - Locally Held Funds — Cash Basis Schedule
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Transfers
 - Reconciliation of Cash Receipts and Transfers to Deposits Remitted to the Comptroller
 - Explanation of Significant Variations in Expenditures
 - Explanation of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending
 - Analysis of Significant Balance Sheet Accounts
 - Analysis of Accounts Receivable
 - Indirect Cost Reimbursement (Unaudited)
 - Schedule of Adjudication Pattern, Payment Patterns and Claims Paid (Unaudited)

- Analysis of Operations
 - Department Functions and Planning Program
 - Average Number of Employees
 - Fiscal Year Statistics (Unaudited)
 - Emergency Purchases
 - Service Efforts and Accomplishments (Unaudited)
 - Ratio of Federal Expenditures to Total Agency Expenditures

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for the portions marked "unaudited," on which they express no opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fiscal Schedules and Analysis

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2005
(Expressed in Thousands)

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:		
Medicaid Cluster:		
Medical Assistance Program	93.778	\$ 5,945,700
State Survey and Certification of Health Care Providers and Suppliers	93.777	9,340
Total Medicaid Cluster		\$ 5,955,040
State Children's Insurance Program	93.767	256,627
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	643
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	197
Child Support Enforcement: Title IV-D	93.563	\$ 94,531
Family Self Sufficiency		(1)
Total CFDA Number 93.563		94,530
Grants to States for Access and Visitation Programs	93.597	303
Child Support Enforcement Demonstrations and Special Projects	93.601	2
Low-Income Home Energy Assistance	93.568	107,156
Total U.S. Department of Health and Human Services		\$ 6,414,498
U.S. Department of Energy:		
Weatherization Assistance for Low-Income Persons	81.042	13,649
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	16
Total U.S. Department of Energy		\$ 13,665
Total Grant Awards and Expenditures of Federal Awards		\$ 6,428,163

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005**

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) of the State of Illinois, Department of Public Aid (the Department) for the year ended June 30, 2005 is presented on the modified accrual basis of accounting for expenditures. Such basis differs from the cash basis of accounting because it includes costs incurred prior to the end of the year, but not paid, and excludes costs paid during each year but reported in the prior year.

(2) Subrecipients

Of the federal expenditures presented in the accompanying Schedule, the Department provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided Subrecipients</u>
Medical Assistance Program	93.778	\$ 64,414
Child Support Enforcement, Title IV-D	93.563	20,026
Grants to States for Access and Visitation Programs	93.597	292
Low-Income Home Energy Assistance	93.568	95,070
Weatherization Assistance for Low-Income Persons	81.042	13,179

(3) Descriptions of Federal Programs

The following summarizes the federal programs for the year ended June 30, 2005.

Medical Assistance Program CFDA #93.778

Federal Agency: Centers for Medicare and Medicaid Services
Department of Health and Human Services

State Match: 50% (varies among programs)

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

(3) Descriptions of Federal Programs (Continued)

The objective of the Medical Assistance Program is to provide financial assistance to states for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements, and other categorically eligible groups. Financial assistance is also provided to states to pay for Medicare premiums, co-payments and deductibles of qualified Medicare beneficiaries meeting certain income requirements. In addition, the federal government under this program pays 50 percent of the expenses relating to most state administrative costs for Medicaid. Some expenditures can be matched at an enhanced rate of 75% to 90%. Examples of such expenditures are certain costs related to the Medicaid Management Information System and the employment of skilled professional medical personnel.

State Survey and Certification of Health Care Providers and Suppliers – Health Services Quality Board (HSQB) CFDA #93.777

Federal Agency: Centers for Medicare and Medicaid Services
 Department of Health and Human Services

State Match: 25%

The objective of HSQB is to assure the certification, together with other documents, is adequate evidence of the identity of the certified institution and of its conformance to the laws and regulations governing program participation.

State Children's Insurance Program (SCHIP) CFDA #93.767

Federal Agency: Centers for Medicare and Medicaid Services
 Department of Health and Human Services

State Match: 35%

The objective of the SCHIP is to provide funds to states to initiate and expand child health assistance to uninsured, low-income children. Assistance is provided by two methods (1) obtain health insurance coverage that meets the requirements in Section 2103 relating to the amount, duration, and scope of benefits; and (2) expand eligibility for children under the State's Medicaid program.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

(3) Descriptions of Federal Programs (Continued)

Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities CFDA #93.768

Federal Agency: Centers for Medicare and Medicaid Services
 Department of Health and Human Services

State Match: 0%

The objective of the Medicaid Infrastructure Grants (Ticket-To-Work Infrastructure Grants) is to enhance employment options for people with disabilities.

Centers for Medicare and Medicaid Services (CMS) Research, Development and Evaluations CFDA #93.779

Federal Agency: Centers for Medicare and Medicaid Services
 Department of Health and Human Services

State Match: 0%

The objective of the Medicaid Infrastructure Grants (Ticket-To-Work Infrastructure Grants) is to enhance employment options for people with disabilities.

Child Support Enforcement, Title IV-D CFDA #93.563

Federal Agency: Administration for Children and Families
 Department of Health and Human Services

State match: 34%

The objective of the Title IV-D Program is to enforce the support obligation owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support. The State takes over the role of the absentee parent and provides payments to the family based on need and hardship level. The State then attempts to collect the support payments from the parent. Collections in excess of the support provided by the State are passed along to the family. If collections do not equal the support provided by the State, the difference is absorbed by the Department.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005**

(3) Descriptions of Federal Programs (Continued)

Child Support Enforcement, Family Self Sufficiency CFDA #93.563

Federal Agency: Administration for Children and Families
Department of Health and Human Services

State match: 5%

The Family Self Sufficiency Program is a collaborative effort with the Department of Corrections and community-based agencies to promote family self-sufficiency. This program provides services to formerly incarcerated fathers to assist them in becoming more financially and emotionally connected to their children.

Grants to States for Access and Visitation Programs CFDA #93.597

Federal Agency: Administration for Children and Families
Department of Health and Human Services

State match: 10%

The objective of the Access and Visitation Program is to establish and administer programs to support and facilitate non-custodial parents' access to and visitation of their children.

Child Support Enforcement Demonstrations and Special Projects CFDA #93.601

Federal Agency: Administration for Children and Families
Department of Health and Human Services

State Match: 34%

The objective of the Healthy Marriages/Healthy relationships program is to improve the well-being of children and the emotional and psychological stability of the family through encouraging the development of healthy marriage and/or healthy family relationships.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

(3) Descriptions of Federal Programs (Continued)

Low-Income Home Energy Assistance CFDA #93.568

Federal Agency: Administration for Children and Families
Department of Health and Human Services

State Match: 0%

This program provides grants to states and other jurisdictions to assist eligible low-income households in meeting the costs of home energy. States can provide regular heating assistance benefits or energy crisis assistance, which may include cooling costs or weatherization assistance. Supplemental leveraging incentive funds may be awarded to households beyond federal funding. Up to 10 percent of these funds can be used for state and local planning.

Weatherization Assistance for Low-Income Persons CFDA #81.042

Federal Agency: U.S. Department of Energy

State Match: 0%

This program assists with the improvement of the energy efficiency of dwellings of low-income persons, particularly the winterization materials, such as attic insulation, caulking, weather-stripping and storm windows, and furnace efficiency modification. Up to 10 percent of each grant may be spent by a State and its subgrantees for administrative expenses (a State may not use more than 5 percent of the total State grant for such purposes).

Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance CFDA #81.117

Federal Agency: U.S. Department of Energy

State Match: 0%

This grant was issued to the State of Illinois to write a "Best Practices Weatherization Field Manual" to help improve the production of weatherized homes. This guide is a first step in addressing regional utilization of training, certification, contractors, and other field staffing issues. It will be used to serve as a model for the other states within the Chicago region to use and modify for their states.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

(4) Other Agency Federal Programs Expenditures

In addition to expenditures made by the Department, other State Agencies, Local Governments and Local Education Agencies also pay for federally reimbursable costs associated with the above federal programs. The Department claims eligible amounts for federal reimbursement as part of its standard claiming process with the U.S. Department of Health and Human Services. The resulting reimbursement is then deposited into the appropriate State fund.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2005
(expressed in thousands)

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
Public Acts: P.A. 93-0842					
General Revenue Fund - 0001					
Administrative:					
Program/Admin Level	\$ 888,938	33,275	1,606	34,881	854,057
Inspector General	16,991	14,834	641	15,475	1,516
Attorney General	1,902	1,578	76	1,654	248
Medical	47,648	41,312	3,870	45,182	2,466
Deposit to CSAF	31,008	31,008	-	31,008	-
Total Administrative	\$ 986,487	122,007	6,193	128,200	858,287
Distributive:					
Medical:					
Physicians	430,038	428,478	35	428,513	1,525
Hospital In-Patient	1,951,790	1,880,867	7,417	1,888,284	63,506
Prescribed Drugs	884,917	853,479	1,590	855,069	29,848
Optometrists	9,853	9,811	1	9,812	41
Podiatrists	2,307	2,290	2,290	17	17
Chiropractors	1,225	1,191	1	1,192	33
Federally Defined IMDs	104,201	86,510	-	86,510	17,691
Supportive Living Facilities	19,392	19,389	-	19,389	3
Skilled and Intermediate Long-Term Care	661,090	597,316	-	597,316	63,774
Dentists	97,784	97,631	6	97,637	147
Community Health Centers	130,620	129,178	5	129,183	1,437
Appliances	52,778	52,448	(2)	52,446	332
Independent Laboratories	22,637	22,556	-	22,556	81
Transportation	72,159	71,357	9	71,366	793
Other Related Medical Services	64,889	61,607	3,021	64,628	261
Hospice Care	33,236	33,054	-	33,054	182
Home Health Care	41,635	41,271	(3)	41,268	367
Division Special Care for Children	58,995	56,567	2,427	58,994	1
Medicare	200,027	199,144	-	199,144	883
Renal Disease	867	856	-	856	11
Hemophilia Medical Care	5,785	5,763	(2)	5,761	24
Sexual Assault Victims Care	1,446	1,252	57	1,309	137
Children Health Initiative	7,782	7,106	149	7,255	527
HMO's	187,855	187,154	-	187,154	701
ALTGELD Clinic Grants	400	400	-	400	-
Total Distributive	\$ 5,043,708	4,846,675	14,711	4,861,386	182,322
Refunds:					
Kid Care Refunds	96	77	4	81	15
Total Refunds	\$ 96	77	4	81	15
Total General Revenue Fund - 0001	\$ 6,030,291	4,968,759	20,908	4,989,667	1,040,624
University of Illinois Hospital Services Fund - 0136					
Hospital Services	\$ 173,400	173,378	-	173,378	22
County Hospital Services Fund - 0329					
Administrative	500	-	-	-	500
Provider	1,981,119	1,727,080	59,205	1,786,285	194,834
Refunds	1,000	-	-	-	1,000
Total County Hospital Services Fund - 0329	\$ 1,982,619	1,727,080	59,205	1,786,285	196,334

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2005
(expressed in thousands)

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
Provider Inquiry Trust Fund - 0341	\$ 1,500	517	211	728	772
Provider Inquiry Services					
Care Provider for Persons with Developmental Disability Fund - 0344					
Administrative	94	58	3	61	33
Refunds	1,000	-	-	-	1,000
Total Care Provider for Persons with Developmental Disability Fund - 0344	\$ 1,094	58	3	61	1,033
Long-Term Care Provider Fund - 0345					
Administrative	1,402	895	39	934	468
Provider	821,328	547,980	-	547,980	273,348
Refunds	2,750	41	-	41	2,709
Total Long-Term Care Provider Fund - 0345	\$ 825,480	548,916	39	548,955	276,525
Hospital Provider Fund - 0346					
Hospitals	984,037	978,756	-	978,756	5,281
Medical Assistance Providers	36,000	34,886	-	34,886	1,114
Total Hospital Provider Fund - 0346	\$ 1,020,037	1,013,642	-	1,013,642	6,395
Special Education Medicaid Matching Fund - 0355	240,000	109,084	4,893	113,977	126,243
Health and Human Services Medicaid Trust Fund - 0365					
Long Term Care Services	60,000	59,269	-	59,269	731
Medical Assistance Providers	124,000	123,936	(4)	123,932	68
Total Health and Human Services Medicaid Trust Fund - 0365	\$ 184,000	183,205	(4)	183,201	799
Trauma Center Fund - 0397	15,000	6,679	2,389	9,068	5,932
Public Assistance Recoveries Trust Fund - 0421					
Appropriated Funds:					
Personal Services	7,145	6,700	281	6,981	164
Retirement - Employer	214	82	2	84	130
Retirement - Employee	1,151	1,066	45	1,111	40
Social Security	547	495	21	516	31
Group Insurance	1,746	1,673	71	1,744	2
Contractual Services	16,385	6,618	7,548	14,166	2,219
Travel	120	72	8	80	40
Commodities	50	21	2	23	27
Printing	25	5	1	6	19
Equipment	974	17	-	17	957
Telecom	320	71	156	227	93
Total Appropriated Public Assistance Recoveries Trust Fund	\$ 28,677	16,820	8,135	24,955	3,722
Non-Appropriated Funds:					
Payment to Local Gov. for Serv to Recip.	-	7,498	-	7,498	-
Federal Share Due To General Revenue Fund	-	323,449	4,008	327,457	-
Refund of TPL Recoveries	-	762	10	772	-
Refund of Non-TPL Recoveries	-	119	3	122	-
Non-Administrative Expenses	-	23	6	29	-
Early Intervention - Due DHS	-	62	16	78	-
Total Non-Appropriated Public Assistance Recoveries Trust Fund	\$ -	331,913	4,043	335,956	-
Total Public Assistance Recoveries Trust Fund - 0421	\$ 28,677	16,820	8,135	24,955	3,722
Appropriated Funds					
Non-Appropriated Funds					
Total Appropriated Funds	\$ 28,677	16,820	8,135	24,955	3,722
Total Non-Appropriated Funds	\$ -	331,913	4,043	335,956	-

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2005
(expressed in thousands)

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
Medical Research & Development Fund - 0486	\$ 12,800	12,800	-	12,800	-
Post-Tertiary Clinical Services Fund - 0487	\$ 12,800	12,800	-	12,800	-
Supplemental Low-Income Energy Assistance Fund - 0550	\$ 88,748	71,391	13,619	85,010	3,738
Good Samaritan Energy Trust Fund - 0555	\$ 500	-	-	-	500
Juvenile Rehabilitation Services Medicaid Matching Fund- 0575	\$ 8,500	1,129	267	1,396	7,104
Energy Assistance Contribution Fund - 0610	\$ 300	-	-	-	300
Family Care Fund - 0720	\$ 40,000	13,758	842	14,600	25,400
Drug Rebate Fund- 0728	\$ 427,000	426,975	25	427,000	-
Tobacco Settlement Recovery Fund - 0733					
Deposit into Indep AC, Med Ctr Fund	\$ 1,000	1,000	-	1,000	-
Deposit into MIR & D Fund	6,400	6,400	-	6,400	-
Deposit into PT & CS Fund	6,400	6,400	-	6,400	-
Prescribed Drugs	373,153	370,432	2,489	372,921	232
Total Tobacco Settlement Fund - 0733	\$ 386,953	384,232	2,489	386,721	232
Independent Academic Medical Center Fund - 0735	\$ 2,000	2,000	-	2,000	-
Energy Administration Fund - 0737					
Administrative:					
Personal Services	\$ 242	189	-	189	53
Retirement - Employer	7	4	-	4	3
Retirement - Employee	39	30	-	30	9
Social Security	19	14	-	14	5
Group Insurance	49	40	-	40	9
Contractual Services	21	4	-	4	17
Travel	40	28	2	30	10
Commodities	2	-	-	-	2
Equipment	9	-	-	-	9
Telecommunications	6	2	3	5	1
Energy Administrative - Weather Program	248	-	23	23	225
Operations of Auto Equipment	1	-	-	-	1
Total Administrative	\$ 683	311	28	339	344
Distributive:					
Energy Administrative - Non Profit Grants	\$ 17,500	12,566	819	13,385	4,115
Total Distributive	\$ 17,500	12,566	819	13,385	4,115
Refunds					
Energy Administrative - Refunds	\$ 300	-	17	17	283
Total Refunds	\$ 300	-	17	17	283
Total Energy Administration Fund - 0737	\$ 18,483	12,877	864	13,741	4,742
Medicaid Buy-in Program Revolving Fund - 0740	\$ 100	1	-	1	99

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2005
(expressed in thousands)

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
Child Support Administration Fund - 0757					
Appropriated Funds:					
Personal Services	\$ 45,879	43,620	1,966	45,586	293
Retirement - Employer	1,379	950	29	979	400
Retirement - Employee	7,389	7,001	317	7,318	71
Social Security	3,510	3,188	144	3,332	178
Group Insurance	11,850	11,288	473	11,761	89
Contractual Services	58,033	37,222	8,639	45,861	12,172
Travel	630	430	41	471	159
Commodities	319	236	20	256	63
Printing	163	125	30	155	8
Equipment	1,960	213	117	330	1,630
Telecommunications	6,320	3,049	1,255	4,304	2,016
Enhanced Collection Efforts & Paternity Adjudication Demo	12,830	7,686	924	8,610	4,220
CSE Projects	1,500	324	79	403	1,097
SDU Costs	17,677	15,371	1,505	16,876	801
Total Appropriated Child Support Administration Fund	\$ 169,439	130,703	15,539	146,242	23,197
Non-Appropriated Funds:					
Retund/INA Application Fees	\$ -	-	-	-	-
Total Non-Appropriated Child Support Administration Fund	\$ -	-	-	-	-
Total Child Support Administration Fund - 0757	\$ 169,439	130,703	15,539	146,242	23,197
Medical Special Purpose Trust Fund- 0808					
Non-Appropriated Funds	\$ 8,673	5,612	484	6,096	2,577
Low Income Home Energy Assistance Block Grant Fund - 0870					
Administrative:					
Personal Services	\$ 1,528	827	-	827	701
Retirement - Employer	46	21	-	21	25
Retirement - Employee	246	132	-	132	114
Social Security	117	62	-	62	55
Group Insurance	222	155	-	155	67
Contractual Services	189	99	44	143	46
Travel	117	96	7	103	14
Commodities	8	-	-	-	8
Printing	65	40	12	52	13
Equipment	145	6	-	6	139
Telecommunications	36	34	1	35	1
Operations of Auto Equipment	3	-	-	-	3
System Development / Maintenance	1,000	300	35	335	665
Total Administrative	\$ 3,722	1,772	99	1,871	1,851
Distributive:					
Weatherization Program Grants	\$ 200,000	99,280	5,537	104,817	95,183
Total Distributive	\$ 200,000	99,280	5,537	104,817	95,183
Refunds:					
Low Income Home Energy Assistance Program Refunds	\$ 600	-	-	-	600
Total Refunds	\$ 600	-	-	-	600
Total Low Income Home Energy Assistance Block Grant Fund - 0870	\$ 204,322	101,052	5,636	106,688	97,634

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule of Appropriations, Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2005
(expressed in thousands)

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30	Lapse period expenditures, July 1 to August 31	Total expenditures, fourteen months ended August 31	Balances lapsed August 31
Child Support Enforcement Trust Fund - 0957					
Non-Appropriated Funds:					
Redirects:					
Illinois TANF Excess Child Support Clients	\$ -	1,889	(8)	1,881	-
Out-of-State TANF Clients	-	10,037	(23)	10,014	-
Illinois NonTANF Clients	-	63,172	(190)	62,982	-
Out-of-State NonTANF Clients	-	30,234	(37)	30,197	-
Total Redirects	\$ -	105,332	(258)	105,074	-
Refunds/Payments to Other Agencies:					
Disregard of Child Support Payments	\$ -	2	-	2	-
Refund Responsible Relative - IRS Offsets	-	3,211	(5)	3,206	-
Refund Responsible Relative - IRS pre N/A	-	30	-	30	-
Refund Responsible Relative - State Offsets	-	417	(1)	416	-
Refund Responsible Relative - State pre N/A	-	1	-	1	-
Refund Responsible Relative - Courts or Third Parties	-	985	(3)	982	-
Refund Responsible Relative - Courts or Third Parties Out of State	-	6	-	6	-
Refund Responsible Relative - Courts or Third Parties N/A Out of State	-	18	-	18	-
Refunds/IRS Offset Nonpublic Aid Clients	-	84	-	84	-
Refunds/State Offset Nonpublic Aid Clients	-	-	-	-	-
Refund - Nonassistance Clients	-	1,225	3	1,228	-
Unclaimed Property	-	81	65	146	-
Interest Penalty/State Refund	-	1	-	1	-
Reimburse DCFS Title IV-E	-	1,114	116	1,230	-
Total Refunds/Payments to Other Agencies	\$ -	7,175	175	7,350	-
Total Child Support Enforcement Trust Fund - 0957	\$ -	112,507	(83)	112,424	-
GRAND TOTAL - ALL FUNDS	\$ -	112,507	(83)	112,424	-
Appropriated Funds	\$ 11,882,716	9,923,448	135,344	10,058,792	1,823,924
Non-Appropriated Funds	-	444,420	3,960	448,380	-
GRAND TOTAL - ALL FUNDS	\$ -	10,367,868	139,304	10,507,172	-

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller. The total column includes the adjustments (voids & cash refunds) made through September 30, 2005

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2005 and August 31, 2004
(expressed in thousands)

	Fiscal Year	
	2005	2004
	P.A. 93-0842	P.A. 93-0092
General Revenue Fund - 0001		
Appropriations (net after transfers)	\$ 6,030,291	5,704,193
Expenditures:		
Administrative		
Personal Services	53,675	57,304
Retirement (1)	8,527	6,391
Social Security	3,876	4,155
Contractual Services	12,502	24,080
Travel	698	593
Commodities	392	504
Printing	889	911
Equipment	130	801
Telecommunications	2,863	2,973
Operation of Auto Equipment	68	72
Medical Management Services	9,011	8,068
Information Systems (Med Elig)	1,063	1,447
Med Level - Med Data Warehouse	3,498	3,657
Deposit to CSAF	31,008	32,300
Total Administrative:	\$ 128,200	143,256
Distributive:		
Medical	\$ 4,861,386	5,546,460
Total Distributive	\$ 4,861,386	5,546,460
Refunds		
Kid Care Refunds	\$ 81	45
Total Refunds	\$ 81	45
Total Expenditures	\$ 4,989,667	5,689,761
Lapsed Balances	\$ 1,040,624	14,432
University of Illinois Hospital Services Fund - 0136		
Appropriations (net after transfers)	\$ 173,400	173,400
Expenditures:		
Hospital Services	173,378	173,397
Lapsed Balances	\$ 22	3
County Hospital Services Fund - 0329		
Appropriations (net after transfers)	\$ 1,982,619	1,982,619
Expenditures:		
Provider	1,786,285	1,820,297
Lapsed Balances	\$ 196,334	162,322
Provider Inquiry Trust Fund - 0341		
Appropriations (net after transfers)	\$ 1,500	1,500
Expenditures:		
Provider Inquiry Services	728	621
Lapsed Balances	\$ 772	879

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2005 and August 31, 2004
(expressed in thousands)

	Fiscal Year	
	2005	2004
	P.A. 93-0842	P.A. 93-0092
Care Provider for Persons with Developmental Disability Fund - 0344		
Appropriations (net after transfers)	\$ 1,094	1,150
Expenditures:		
Administrative	61	29
Lapsed Balances	\$ 1,033	1,121
Long-Term Care Provider Fund - 0345		
Appropriations (net after transfers)	\$ 825,480	825,851
Expenditures:		
Administrative	934	913
Provider	547,980	799,686
Refund	41	93
Total Expenditures	\$ 548,955	800,692
Lapsed Balances	\$ 276,525	25,159
Hospital Provider Fund - 0346 (2)		
Appropriations (net after transfers)	\$ 1,020,037	-
Expenditures:		
Hospitals	978,756	-
Medical Assistance Providers	34,886	-
Total Expenditures	\$ 1,013,642	-
Lapsed Balances	\$ 6,395	-
Special Education Medicaid Matching Fund - 0355		
Appropriations (net after transfers)	\$ 240,000	240,000
Expenditures:		
Administrative	113,757	126,115
Lapsed Balances	\$ 126,243	113,885
Health and Human Services Medicaid Trust Fund - 0365 (2)		
Appropriations (net after transfers)	\$ 184,000	-
Expenditures:		
Long Term Care Services	59,269	-
Medical Assistance Providers	123,932	-
Total Expenditures	\$ 183,201	-
Lapsed Balances	\$ 799	-
Medicaid Provider Relief Fund - 0367		
Appropriations (net after transfers)	\$ -	850,000
Expenditures:		
Medical	-	849,847
Lapsed Balances	\$ -	153
Trauma Center Fund - 0397		
Appropriations (net after transfers)	\$ 15,000	15,000
Expenditures:		
Trauma Centers	9,068	9,580
Lapsed Balances	\$ 5,932	5,420

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2005 and August 31, 2004
(expressed in thousands)

	Fiscal Year	
	2005	2004
	P.A. 93-0842	P.A. 93-0092
Public Assistance Recoveries Trust Fund - 0421		
Appropriations (net after transfers)	\$ 28,677	21,118
Expenditures:		
Personal Services	6,981	6,902
Retirement (1)	1,195	1,029
Social Security	516	507
Group Insurance	1,744	1,412
Contractual Services	14,166	7,255
Travel	80	85
Commodities	23	17
Printing	6	5
Equipment	17	273
Telecommunications	227	95
Total Expenditures - Appropriated	\$ 24,955	17,580
Lapsed Balances	\$ 3,722	3,538
Medical Research & Development Fund - 0486		
Appropriations (net after transfers)	\$ 12,800	12,800
Expenditures	12,800	12,800
Lapsed Balances	\$ -	-
Post-Tertiary Clinical Services Fund - 0487		
Appropriations (net after transfers)	\$ 12,800	12,800
Expenditures	12,800	12,800
Lapsed Balances	\$ -	-
Supplemental Low-Income Energy Assistance Fund - 0550 (3)		
Appropriations (net after transfers)	\$ 88,748	-
Expenditures:	85,010	
Lapsed Balances	\$ 3,738	-
Good Samaritan Energy Trust Fund - 0555 (3)		
Appropriations (net after transfers)	\$ 500	-
Expenditures	-	-
Lapsed Balances	\$ 500	-
Juvenile Rehabilitation Services Medicaid Matching Fund - 0575		
Appropriations (net after transfers)	\$ 8,500	8,500
Expenditures	1,396	1,785
Lapsed Balances	\$ 7,104	6,715
Energy Assistance Contribution Fund - 0610 (3)		
Appropriations (net after transfers)	\$ 300	-
Expenditures	-	-
Lapsed Balances	\$ 300	-
Family Care Fund - 0720		
Appropriations (net after transfers)	\$ 40,000	40,000
Expenditures	14,600	6,209
Lapsed Balances	\$ 25,400	33,791

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule 2
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Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2005 and August 31, 2004
(expressed in thousands)

	Fiscal Year	
	2005	2004
	P.A. 93-0842	P.A. 93-0092
Drug Rebate Fund - 0728		
Appropriations (net after transfers)	\$ 427,000	405,000
Expenditures	427,000	405,000
Lapsed Balances	\$ -	-
Tobacco Settlement Fund - 0733		
Appropriations (net after transfers)	\$ 386,953	312,453
Expenditures:		
Fund Transfers	13,800	13,800
Prescribed Drugs	372,921	298,653
Total Expenditures	\$ 386,721	312,453
Lapsed Balances	\$ 232	-
Independent Academic Medical Centers Fund - 0735		
Appropriations (net after transfers)	\$ 2,000	2,000
Expenditures		
Administrative	2,000	2,000
Lapsed Balances	\$ -	-
Energy Administration Fund - 0737 (3)		
Appropriations (net after transfers)	\$ 18,483	-
Administrative:		
Personal Services	189	-
Retirement (1)	34	-
Social Security	14	-
Group Insurance	40	-
Contractual Services	4	-
Travel	30	-
Commodities	-	-
Equipment	-	-
Telecommunications	5	-
Energy Admin - Weatherization Program	23	-
Operations of Auto Equipment	-	-
Total Administrative	\$ 339	-
Distributive:		
Energy Administrative - Non Profit Grants	\$ 13,385	-
Total Distributive	\$ 13,385	-
Refunds:		
Energy Administrative - Refunds	\$ 17	-
Total Refunds	\$ 17	-
Total Expenditures	\$ 13,741	-
Lapsed Balances	\$ 4,742	-
Medicaid Buy-in Program Revolving Fund - 0740		
Appropriations (net after transfers)	\$ 100	100
Expenditures	1	1
Lapsed Balances	\$ 99	99

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule 2
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Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances

For the Fourteen Months Ended August 31, 2005 and August 31, 2004
(expressed in thousands)

	Fiscal Year	
	2005	2004
	P.A. 93-0842	P.A. 93-0092
Child Support Administration Fund - 0757		
Appropriations (net after transfers)	\$ 169,439	182,102
Expenditures:		
Personal Services	45,586	46,938
Retirement (1)	8,297	7,635
Social Security	3,332	3,442
Group Insurance	11,761	9,707
Contractual Services	45,861	51,253
Travel	471	491
Commodities	256	273
Printing	155	162
Equipment	330	1,670
Telecommunications	4,304	4,431
Enhanced Coll Efforts & Paternity Adjudication Demo	8,610	8,436
CSE Projects	403	466
SDU Costs	16,876	17,422
Total Expenditures	\$ 146,242	152,326
Lapsed Balances	\$ 23,197	29,776
Medical Special Purposes Trust Fund - 0808		
Appropriations (net after transfers)	\$ 8,673	8,836
Expenditures	6,096	4,198
Lapsed Balances	\$ 2,577	4,638
Low Income Home Energy Assistance Block Grant Fund - 0870 (3)		
Appropriations (net after transfers)	\$ 204,322	-
Expenditures:		
Personal Services	827	-
Retirement (1)	153	-
Social Security	62	-
Group Insurance	155	-
Contractual Services	143	-
Travel	103	-
Commodities	-	-
Printing	52	-
Equipment	6	-
Telecommunications	35	-
Operations of Auto Equipment	-	-
System Development/Maintenance	335	-
Total Administrative	\$ 1,871	-
Distributive:		
Weatherization Program Grants	\$ 104,817	-
Total Distributive	\$ 104,817	-
Total Expenditures	\$ 106,688	-
Lapsed Balances	\$ 97,634	-

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2005 and August 31, 2004
(expressed in thousands)

	Fiscal Year	
	2005	2004
	P.A. 93-0842	P.A. 93-0092
GRAND TOTAL - ALL FUNDS		
Appropriations (net after transfers)	\$ 11,882,716	10,799,422
Total Expenditures	\$ 10,058,792	10,397,491
Lapsed Balances	\$ 1,823,924	401,931

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2005 and August 31, 2004
(expressed in thousands)

	Fiscal Year	
	2005	2004
	P.A. 93-0842	P.A. 93-0092
Non-Appropriated Account Expenditures		
Public Assistance Revolving Trust Fund - 0421		
Non-Administrative	\$ 29	47
Early Intervention	78	295
Non-TPL	122	398
Medical TPL	772	758
Pmt Loc Govt for Serv to Recip	7,498	9,364
Federal Share due to General Revenue Fund	327,457	290,706
Total Non-Appropriated - 0421	\$ 335,956	301,568
Child Support Administration Fund - 0757		
Refund/NA Application Fees	\$ -	2
Total Non-Appropriated - 0757	\$ -	2
Child Support Enforcement Trust Fund - 0957		
Interest Penalty/St. Ref.	\$ 1	1
Redirect IL	1,881	1,810
Pass Through - TANF	2	3
Refund - IRS Offset	3,206	3,990
Refund - State Offset	416	502
Refund - Responsible Relative	982	1,194
DCFS TANF Re/IV-E	1,230	1,167
Redirect TANF - Out of State	10,014	10,349
Redirect IL - NA	62,982	52,819
Redirect NA - Out of State	30,197	27,897
Refund - IRS Non-Recipient	84	70
Refund - State - Non-Recipient	-	2
Refund - NA Clients	1,228	907
Refund - Responsible Relative IRS Previous Paid	30	64
Refund - Responsible Relative State Previous Paid	1	7
Refund - Responsible Relative - Court	6	52
Refund - Responsible Relative - NA	18	40
Unclaimed Property	146	44
Total Non-Appropriated - 0957	\$ 112,424	100,918
Total Non-Appropriated	\$ 448,380	402,488

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
Comparative Schedule of Appropriations,
Expenditures and Lapsed Balances
For the Fourteen Months Ended August 31, 2005 and August 31, 2004
(expressed in thousands)

	Fiscal Year	
	2005	2004
	P.A. 93-0842	P.A. 93-0092
State Officers' Salaries		
Appropriations (net after transfers)	\$ 224	224
Expenditures:		
Director's salary (4)	121	121
Assistant Director's salary (4)	-	11
Total Expenditures	\$ 121	132
Lapsed Balances	\$ 103	92

(1) Employer Retirement and Employer Pick-up

(2) New Fund for FY 2005

(3) New Fund for Department, activity transferred from Department of Commerce and Economic Opportunity

(4) Note: State Officers' salaries are paid from the appropriation for the Office of the Comptroller

State of Illinois
Department of Public Aid
 Schedule of Efficiency Initiative Payments
 For the Years Ended June 30, 2005 and 2004

<u>Procurement Efficiency Initiative</u>	<u>2005</u>	<u>2004</u>
General Revenue Fund-0001		
Personal Services	\$ -	\$ 2,491,300
Retirement Pick Up	-	114,100
Retirement Regular	-	334,700
Social Security	-	159,900
Contractual Services	-	1,000,000
EDP Equipment	-	200,000
Public Assistance Recoveries Trust Fund-0421		
Contractual Services	-	123,600
Sub-Total	<u>\$ -</u>	<u>\$ 4,423,600</u>
<u>Information Technology Initiatives</u>		
General Revenue Fund-0001		
Telecommunications	\$ 486,656	\$ -
Awards and Grants, Lump Sums and Other Purposes	-	4,079,624
Public Assistance Recoveries Trust Fund-0421		
Contractual Services	5,587,100	376,400
Telecommunications	150,600	-
Child Support Administrative Fund-0757		
Personal Services	-	2,128,300
Retirement Pick Up	-	286,000
Retirement Regular	-	97,000
Social Security	-	162,800
Group Insurance	-	325,900
Contractual Services	2,065,200	-
Telecommunications	690,300	-
Sub-Total	<u>\$ 8,979,856</u>	<u>\$ 7,456,024</u>
<u>Vehicle Fleet Initiatives</u>		
General Revenue Fund-0001		
Awards and Grants, Lump Sums and Other Purposes	\$ -	\$ 11,171
Sub-Total	<u>\$ -</u>	<u>\$ 11,171</u>
Grand Total	<u>\$ 8,979,856</u>	<u>\$ 11,890,795</u>

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Agency and reconciled to information from the Office of the Comptroller.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Locally Held Funds
Cash Basis Schedule
For the Years Ended June 30, 2005 and 2004
(expressed in thousands)

Public Aid Emergency Revolving Fund

An imprest fund used to provide emergency aid to recipients. Following is a summary of the fund's cash basis activity.

	<u>2005</u>	<u>2004</u>
Beginning balance	318	337
Plus: Receipts (including cash on hand and in-transit)	416	630
Less: Disbursements	<u>429</u>	<u>649</u>
Ending balance	<u>305</u>	<u>318</u>

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Schedule of Changes in State Property
For the Year Ended June 30, 2005
(expressed in thousands)

	Balance at June 30, 2004	Additions	Deletions	Transfers	Balance at June 30, 2005
Equipment	\$ 49,159	2,553	(7,018)	0	44,694

Notes:

This summary schedule has been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the Comptroller. The Department's State property is composed of equipment items only.

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with accounting principles generally accepted in the United States of America.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2005 and 2004
(expressed in thousands)

	2005	2004
General Revenue Fund - 0001		
Federal government	\$ 3,216,639	3,773,128
Federal reimbursable portion due from the Public Assistance Recoveries Trust Fund	327,332	289,472
Repayment to state pursuant to law	1	-
Federal monies via other Illinois agency	38	-
Investment Income	274	148
Local Illinois governmental units	433,166	428,336
Recipient collections	3,106	2,229
Fund Transfers	81	1
Miscellaneous	3	-
Total cash receipts per Department	\$ 3,980,640	4,493,314
Add:		
Transfers from other funds	1,501,961	107,753
Total cash receipts and transfers per Department	\$ 5,482,601	4,601,067
University of Illinois Hospital Services Fund - 0136		
Federal government	\$ 108,594	125,085
Other Illinois State agencies	64,866	75,138
Total cash receipts per Department	\$ 173,460	200,223
Add:		
Transfers from other funds	44,700	44,700
Total cash receipts and transfers per Department	\$ 218,160	244,923

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2005 and 2004
(expressed in thousands)

	2005	2004
Community MH/DH Services Provider Participation Fee Fund - 0325		
Federal government	\$ -	7
Total cash receipts per Department	\$ -	7
County Hospital Services Fund - 0329		
Federal government	\$ 889,817	936,117
Provider participation fees	895,752	827,027
Total cash receipts per Department	\$ 1,785,569	1,763,144
Provider Inquiry Trust Fund - 0341		
User Fees/Private Organizations or Individuals	\$ 805	559
Total cash receipts per Department	\$ 805	559
Care Provider For Persons with Developmental Disability - 0344		
Federal government	\$ 17,665	20,213
Provider taxes	20,500	19,882
Total cash receipts per Department	\$ 38,165	40,095
Long-Term Care Provider Fund - 0345		
Federal government	\$ 254,520	444,890
Provider taxes	52,184	54,173
Local governmental units	70,687	114,540
Total cash receipts per Department	\$ 377,391	613,603
Add:		
Transfers from other funds	14	3,013
Total cash receipts and transfers per Department	\$ 377,405	616,616

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2005 and 2004
(expressed in thousands)

	2005	2004
Hospital Provider Fund - 0346 (1)		
Federal government	\$ 507,837	-
Provider taxes	637,040	-
Total cash receipts per Department	\$ 1,144,877	-
Add:		
Transfers from other funds	978,516	-
Total cash receipts and transfers per Department	\$ 2,123,393	-
Special Education Medicaid Matching Fund - 0355		
Federal government	\$ 116,428	139,861
Total cash receipts per Department	\$ 116,428	139,861
Health and Human Services Medicaid Trust Fund - 0365 (1)		
Federal government	\$ 91,483	-
Add:		
Transfers from other funds	127,316	-
Total cash receipts and transfers per Department	\$ 218,799	-
Medicaid Provider Relief Fund - 0367		
Federal government	\$ 37,122	396,489
Total cash receipts per Department	\$ 37,122	396,489
Trauma Center Fund - 0397		
Federal government	\$ 4,369	5,234
Total cash receipts per Department	\$ 4,369	5,234

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2005 and 2004
(expressed in thousands)

	2005	2004
Protest Fund - 0401		
Health Care Provider Tax	\$ 27	34
Total cash receipts per Department	\$ 27	34
Public Assistance Recoveries Trust Fund - 0421		
Federal government	\$ 9,924	9,364
Recipient collections	29,844	30,231
3rd party collections - Pharmacy assistance	711	-
Private organizations or individuals	649,836	541,393
Total cash receipts per Department	\$ 690,315	580,988
Medical Research & Development Fund - 0486		
Federal government	\$ 6,401	6,400
Fund transfers	6,400	6,400
Total cash receipts per Department	\$ 12,801	12,800
Post-Tertiary Clinical Services Fund - 0487		
Federal government	\$ 6,401	6,400
Fund transfers	6,400	6,400
Total cash receipts per Department	\$ 12,801	12,800
Early Intervention Services Revolving Fund - 0502		
Federal government	\$ 26,313	19,911
Total cash receipts per Department	\$ 26,313	19,911

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2005 and 2004
(expressed in thousands)

	2005	2004
Good Samaritan Energy Trust Fund - 0555 (2)		
Private organizations or individuals	\$ 31	-
Total cash receipts per Department	\$ 31	-
Juvenile Rehab Services Medicaid Matching Fund - 0575		
Federal government	\$ 1,622	1,375
Total cash receipts per Department	\$ 1,622	1,375
Community Mental Health Medicaid Trust - 0718		
Federal government	\$ 74,497	76,969
Total cash receipts per Department	\$ 74,497	76,969
Family Care Fund - 0720		
Federal government	\$ -	5,993
Other Illinois state agencies	\$ 9,069	-
Reimbursements	\$ 5,389	-
Total cash receipts per Department	\$ 14,458	5,993
Drug Rebate Fund - 0728		
Federal government	\$ 211,095	214,584
Add:		
Transfers from other funds	282,520	226,165
Total cash receipts and transfers per Department	\$ 493,615	440,749
Tobacco Settlement Recovery Fund - 0733		
Federal government	\$ 176,056	169,992
Total cash receipts per Department	\$ 176,056	169,992

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2005 and 2004
(expressed in thousands)

	2005	2004
Independent Academic Medical Center Fund - 0735		
Federal government	\$ 1,000	1,000
Fund transfers	1,000	1,000
Total cash receipts per Department	\$ 2,000	2,000
Energy Administration Fund - 0737 (2)		
Federal government	\$ 12,930	-
Program income	18	-
Total cash receipts per Department	\$ 12,948	-
Medicaid Buy-In Program Revolving Fund - 0740		
Recipient collections	\$ 425	328
Total cash receipts per Department	\$ 425	328
Child Support Administration Fund - 0757		
Federal government	\$ 85,212	94,426
Fund Transfers	31,008	32,300
Licenses, fees or registrations	-	2
Repayment to state pursuant to law	35	45
Total cash receipts per Department	\$ 116,255	126,773
Add:		
Transfers from other funds	36,500	30,000
Total cash receipts and transfers per Department	\$ 152,755	156,773
Medical Special Purpose Trust Fund - 0808		
Federal government	\$ 6,879	6,876
Contracts & Grants - Private Organizations	210	30
Total cash receipts per Department	\$ 7,089	6,906

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Comparative Schedule of Cash Receipts and Transfers
For the Years Ended June 30, 2005 and 2004
(expressed in thousands)

	2005	2004
Low Income Home Energy Assistance Block Grant Fund - 0870 (2)		
Federal government	\$ 101,140	-
Total cash receipts per Department	\$ 101,140	-
Child Support Enforcement Trust Fund - 0957		
Child Support Collections	\$ 141,728	130,016
Repayment to state pursuant to law	3,205	2,625
Total cash receipts per Department	\$ 144,933	132,641
GRAND TOTAL - ALL FUNDS PRESENTED		
Total cash receipts and transfers per Department	\$ 12,326,642	9,428,254

(1) These are new funds in FY 2005.

(2) These funds were controlled and reported by the Department of Commerce and Economic Opportunity in FY 2004.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2005

(expressed in thousands)

	0001	0136	0329	0341	0344
	General Revenue Fund	University of Illinois Hospital Services Fund	County Hospital Services Fund	Provider Inquiry Trust Fund	Care Provider for Persons with Developmental Disability Fund
Total cash receipts and transfers per Department	\$ 5,482,601	218,160	1,785,569	805	38,165
Less - In transit at June 30, 2005	(116)	(744)	-	(63)	-
Less - Transfers Not Reported on Comptroller SB04 Report	(1,501,961)	(44,700)	-	-	-
Plus - In transit at June 30, 2004	147	-	-	4	103
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	167	-	-	-	-
Total cash receipts and transfers per Comptroller	\$ 3,980,838	172,716	1,785,569	746	38,268

	0345	0346	0355	0365	0367
	Long-Term Care Provider Fund	Hospital Provider Fund	Special Education Medicaid Matching Fund	Health and Human Services Medicaid Trust Fund	Medicaid Provider Relief Fund
Total cash receipts and transfers per Department	\$ 377,405	2,123,393	116,428	218,799	37,122
Less - In transit at June 30, 2005	(5,572)	-	-	-	-
Less - Transfers Not Reported on Comptroller SB04 Report	(14)	(978,516)	-	(127,316)	-
Plus - In transit at June 30, 2004	1,329	-	-	-	-
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	-	-	3	-	26
Total cash receipts and transfers per Comptroller	\$ 373,148	1,144,877	116,431	91,483	37,148

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2005

(expressed in thousands)

	0397	0401	0421	0486	0487
	Trauma Center Fund	Protest Fund	Public Assistance Recoveries Trust Fund	Medicaid Research & Development Fund	Post - Tertiary Clinical Services Fund
Total cash receipts and transfers per Department	\$ 4,369	27	690,315	12,801	12,801
Less - In transit at June 30, 2005	-	-	(2,240)	-	-
Less - Transfers Not Reported on Comptroller SB04 Report	-	-	-	-	-
Plus - In transit at June 30, 2004	-	-	3,556	-	-
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	-	-	-	-	-
Total cash receipts and transfers per Comptroller	\$ 4,369	27	691,631	12,801	12,801

	0502	0550	0555	0575	0718
	Early Intervention Services Revolving Fund	Supplemental Low-Income Energy Asst. Fund	Good Samaritan Energy Trust Fund	Juvenile Rehab Services Medicaid Fund	Community Mental Health Trust Fund
Total cash receipts and transfers per Department	\$ 26,313	-	31	1,622	74,497
Less - In transit at June 30, 2005	-	-	-	-	-
Less - Transfers Not Reported on Comptroller SB04 Report	-	-	-	-	-
Plus - In transit at June 30, 2004	-	1,554	-	-	-
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	-	1,554	31	1,622	74,497
Total cash receipts and transfers per Comptroller	\$ 26,313	1,554	31	1,622	74,497

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2005

(expressed in thousands)

	0720	0728	0733	0735	0737
	Family Care Fund	Drug Rebate Fund	Tobacco Settlement Recoveries Fund	Independent Academic Medical Fund	Energy Administration Fund
Total cash receipts and transfers per Department	\$ 14,458	493,615	176,056	2,000	12,948
Less - In transit at June 30, 2005	(100)	-	-	-	-
Less - Transfers Not Reported on Comptroller SB04 Report	-	(282,520)	-	-	-
Plus - In transit at June 30, 2004	-	-	-	-	-
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	-	-	-	-	-
Total cash receipts and transfers per Comptroller	\$ 14,358	211,095	176,056	2,000	12,948

	0740	0757	0808	0870	0957
	Medicaid Buy-In Program Revolving Fund	Child Support Administration Fund	Medical Special Purpose Trust Fund	Low-Income Home Energy Assistance Block Grant Fund	Child Support Enforcement Trust Fund
Total cash receipts and transfers per Department	\$ 425	152,755	7,089	101,140	144,933
Less - In transit at June 30, 2005	(5)	-	(50)	-	(724)
Less - Transfers Not Reported on Comptroller SB04 Report	-	(36,500)	-	-	-
Plus - In transit at June 30, 2004	17	-	30	-	467
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	-	200	-	3	419
Total cash receipts and transfers per Comptroller	\$ 437	116,455	7,069	101,143	145,095

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Reconciliation of Cash Receipts and Transfers
to Deposits Remitted to the Comptroller
For the Year Ended June 30, 2005

(expressed in thousands)

	Total All Funds
Total cash receipts and transfers per Department	\$ 12,326,642
Less - In transit at June 30, 2005	(9,614)
Less - Transfers Not Reported on Comptroller SB04 Report	(2,971,527)
Plus - In transit at June 30, 2004	5,653
Plus - PY Refunds/Warrant Voids on Comptroller SB04 Report	2,372
Total cash receipts and transfers per Comptroller	\$ 9,353,526

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Expenditures

The following is a summary of explanations for significant fluctuations in appropriated expenditures incurred by the Department for the fiscal year ended June 30, 2005 as compared to the fiscal year ended June 30, 2004. Included are explanations for variances to the General Funds greater than \$1 million and 15%, and explanations for variances to the Non-Major Funds and Agency Funds greater than \$300 thousand and 15%. Dollar amounts are stated in thousands unless otherwise stated. The Department's total appropriated expenditures for fiscal years ended June 30, 2005 and 2004 are presented in Schedule 2 of this report.

General Funds:

General Revenue Fund – 0001

Retirement: Increase of \$2,136 (33.4%)

In FY 2004 30 ILCS 105/14.1(a-1) required that no payments for the State contributions to retirement be made from payroll periods March 1, 2004 through June 30, 2004. There was no such requirement in FY 2005.

Contractual Services: Decrease of \$11,578 (48.1%)

The decrease is the result of the Governor's Executive Order Number 10 – 2003 that transferred the facilities management functions to the Department of Central Management Services (CMS), a rate reduction in the statistical and tabulation services paid to CMS and there were no efficiency payments made from this line in FY 2005.

Long Term Care Provider Fund - 0345

Providers: Decrease of \$251,706 (31.5%)

The decrease is the result of less cash receipts collected in the fund in FY 2005 than in FY2004. The amount of federal financial participation collected in FY 2005 decreased due to less expenditures in the fund. In FY 2004 The Department realized a cigarette tax windfall due to a one-time accelerated cash flow resulting from vendors pre-paying cigarette and tobacco tax stamps. There were less assessment collections from the county nursing homes in FY 2005 due to the fact that the assessments that began in FY 2004 were retroactive to FY 2003 while collections in FY 2005 were for a single year. Also, in FY 2004 there was a court settlement on tobacco products that allowed the transfer of monies from the Protest Fund to the Long Term Care Provider Fund. There was no such transfer in FY 2005.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Expenditures (continued)

Hospital Provider Fund – 0346

Hospitals: Increase of \$978,756 (100.0%)

The Hospital Provider Fund was a new fund in FY 2005 established per legislation 30 ILCS 105-5.327 and 305 ILCS 5/5A. The fund was established to receive assessments and federal monies and to disburse monies to qualifying hospitals.

Medical Assistance Providers: Increase of \$34,886 (100.0%)

The Hospital Provider Fund was a new fund in FY 2005 established per legislation 30 ILCS 105-5.327 and 305 ILCS 5/5A. The fund was established to receive assessments and federal monies and to disburse monies to qualifying hospitals and providers.

Health and Human Services Medicaid Trust Fund – 0365

Long-Term Care Services: Increase of \$59,269 (100.0%)

The Health and Human Services Medicaid Trust Fund was a new fund in FY 2005 established per legislation 305 ILCS 5/12-10.7, 30 ILCS 105/5.621 and 305 ILCS 5/5A-8. In FY 2005 the expenditures were made to medical providers.

Medical Assistance Providers: Increase of \$123,932 (100.0%)

The Health and Human Services Medicaid Trust Fund was a new fund in FY 2005 established per legislation 305 ILCS 5/12-10.7, 30 ILCS 105/5.621 and 305 ILCS 5/5A-8. In FY 2005 the expenditures were made to medical providers.

Medicaid Provider Relief Fund – 0367

Medical: Decrease of \$849,847 (100.0%)

Pursuant to legislation 30 ILCS 105-6z-62, the Medicaid Provider Relief Fund was created for two years ending on June 30, 2005. The legislation required that on July 1, 2004 the cash balance be transferred to the General Revenue Fund and that all monies subsequently deposited in the fund be transferred to the General Revenue Fund. In FY 2004 the fund received short-term borrowing to pay medical claims.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Expenditures (continued)

Public Assistance Recoveries Trust Fund – 0421

Contractual Services: Increase of \$6,911 (95.3%)

The increase is the result of payments made for savings from the Information Technology Initiative by the Department of Central Management Services (CMS) and an increase in the statistical and tabulation costs paid to CMS.

Payments to Local Government for Services to Recipients: Decrease of \$1,866 (19.9%)

The decrease is due to the timing of the payments to the local health departments. In FY 2004 there were five quarterly payments and in FY 2005 there were four quarterly payments.

Family Care Fund – 0720

Expenditures: Increase of \$8,391 (135.1%)

Changes in FY 2005 to legislation 30 ILCS 105/6z-58 allowed for the administration of the Children's Mental Health Initiative in the Family Care Fund. The program was initiated under the Children's Mental Health Act of 2003 and services began in FY2005.

Medical Special Purpose Trust Fund – 0808

Expenditures: Increase of \$1,898 (45.2%)

The increase is due to increased administrative costs related to the Health Insurance Portability and Accountability Act (HIPAA). Also, there were additional federal grant and private grant monies in FY 2005 that allowed increased expenditures. The private grant monies were from the Chicago Community Foundation and the Michael Reese Health Trust for the Assuring Better Child Health Development II Project.

Non-Major Funds:

Supplemental Low-Income Energy Assistance Fund - 0550

Expenditures: Increase of \$85,010 (100.0%)

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Expenditures (continued)

This was the first year that the Department administered the Supplemental Low-Income Energy Assistance Fund. Per the Governor's Executive Order Number 3 – 2004, the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Program were transferred to the Department from the Department of Commerce and Economic Opportunity.

Tobacco Settlement Recovery Fund – 0733

Prescribed Drugs: Increase of \$74,268 (24.9%)

The appropriation for prescribed drugs for this fund increased in FY 2005 due to the Department assuming responsibility for part of the Circuit Breaker Program. The Governor's Executive Order Number 3 – 2004 transferred the Circuit Breaker Program from the Department of Revenue to the Department of Public Aid and to the Department of Aging.

Energy Administration Fund – 0737

Energy Assistance – Non Profit Grants: Increase of \$13,385 (100.0%)

This was the first year that the Department administered the Energy Administration Fund. Per the Governor's Executive Order Number 3 – 2004, the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Program were transferred to the Department from the Department of Commerce and Economic Opportunity.

Child Support Administrative Fund – 0757

Group Insurance: Increase of \$2,054 (21.2%)

The increase was due to the increase of insurance rates from \$9 thousand annually per employee to \$12 thousand annually per employee.

Equipment: Decrease of \$1,340 (80.2%)

The purchases in FY 2005 to upgrade and replace equipment were less than in FY 2004. In FY 2004 there were purchases of PCs, server and communications hardware, a printing system and a scanner to upgrade and replace equipment and to improve security due to the Child Support Reform Initiative.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Expenditures (continued)

Low Income Home Energy Assistance Block Grant Fund - 0870

Personal Services: Increase of \$827 (100.0%)

This was the first year that the Department administered the Low Income Home Energy Assistance Block Grant Fund. Per the Governor's Executive Order Number 3 – 2004, the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Program were transferred to the Department from the Department of Commerce and Economic Opportunity.

System Development/Maintenance: Increase of \$335 (100.0%)

This was the first year that the Department administered the Low Income Home Energy Assistance Block Grant Fund. Per the Governor's Executive Order Number 3 – 2004, the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Program were transferred to the Department from the Department of Commerce and Economic Opportunity.

Weatherization Program Grants: Increase of \$104,817 (100.0%)

This was the first year that the Department administered the Low Income Home Energy Assistance Block Grant Fund. Per the Governor's Executive Order Number 3 – 2004, the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Program were transferred to the Department from the Department of Commerce and Economic Opportunity.

Agency Funds:

Child Support Enforcement Trust Fund – 0957

Refunds – IRS Offset: Decrease of \$784 (19.6%)

Increased efficiency in the Child Support Program resulted in more accurate balances on the Key Information Delivery System (KIDS) being submitted for IRS offsets which results in fewer refunds.

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Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Expenditures (continued)

Redirects IL – NA: Increase of \$10,163 (19.2%)

The increase in redirects to clients is a result of increased revenues received by the Department due to improved collection efforts.

Refund – NA Clients: Increase of \$321 (35.4%)

The increase in refunds is related to a growth in revenues, an increased effort to decrease the backlog of case reviews and an increased effort in the review and processing of escheated warrants.

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Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Receipts

The following is a summary of explanations for significant fluctuations in receipts received by the Department for fiscal year ended June 30, 2005 as compared to the fiscal year ended June 30, 2004. Included are explanations for variances to the General Funds greater than \$1 million and 15% and explanations to the Non-Major Funds and Agency Funds greater than \$300 thousand and 15%. Dollar amounts are stated in thousands unless otherwise stated. The Department's receipts are presented in Schedule 6.

General Funds

General Revenue Fund - 0001

Federal Government: Decrease of \$556,489 (14.7%)

There was a decrease in the base amount of issued warrants used for the federal draw calculation for this fund. The FY 2005 base amount was smaller due to short-term borrowing at the end of FY 2004 that resulted in less bills on hand at the end of the fiscal year which resulted in less federal financial participation receipts in FY 2005 and due to cash flow problems in this fund. There was also an enhanced federal financial participation rate in FY 2004 that was not available in FY 2005.

Transfers from Other Funds: Increase of \$1,394,208 (1,293.9%)

The increase resulted from transfers from the Hospital Provider Fund (0346), the Health and Human Services Trust Fund (0365) and the Medicaid Provider Relief Fund (0367). The 0346 and 0365 transfers to this fund were to pay back the short-term borrowing that occurred in FY 2005 for the initial funding of the expenditures for hospitals in the 0346 fund. The transfers from the 0367 fund were to pay back the short-term borrowing that occurred in FY 2004 to fund the 0367 fund.

Long-Term Care Provider Fund - 0345

Federal Government: Decrease of \$190,370 (42.8%)

There was a decrease in the base amount of issued warrants used for the federal draw calculation for this fund. The base amount was greater in FY 2004 due to more warrants issued as a result of short-term borrowing that occurred at the end of FY 2004. The decrease was also the result of the enhanced federal financial participation rate in FY 2004 that did not

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Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Receipts (continued)

exist in FY 2005.

Local Government Units: Decrease of \$43,853 (38.3%)

The collection of receipts for the intergovernmental agreements with the county nursing homes, which began in FY 2004, was for two fiscal years, 2003 and 2004. The collections for FY 2005 were for one year.

Transfers from Other Funds: Decrease of \$2,999 (99.5%)

This represents a decrease in the amounts transferred from the Protest fund (0401). In FY 2004 there was a transfer from the 0401 fund for a settled court case on the tobacco products taxes. There was no such transfer-in to the fund in FY 2005.

Hospital Provider Fund – 0346

Federal Government: Increase of \$507,837 (100.0%)

This was a new fund established in FY 2005 per legislation 30 ILCS 105-5.327 and 305 ILCS 5/5A to receive assessments and federal monies and to disburse monies to qualifying hospitals and providers.

Provider Taxes: Increase of \$637,040 (100.0%)

This was a new fund established in FY 2005 per legislation 30 ILCS 105-5.327 and 305 ILCS 5/5A to receive assessments and federal monies and to disburse monies to qualifying hospitals.

Transfers from Other Funds: Increase of \$978,516 (100.0%)

This was a new fund established in FY 2005 per legislation 30 ILCS 105-5.327 and 305 ILCS 5/5A to receive assessments and federal monies and to disburse monies to qualifying hospitals and providers.

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Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Receipts (continued)

Special Education Medicaid Matching Fund – 0355

Federal Government: Decrease of \$23,433 (16.8%)

The decrease resulted from the acceleration of submitting claims at the end of FY 2004 to take advantage of the enhanced federal financial participation rate in FY 2004. This resulted in less claims submitted for the federal draw in FY 2005.

Health and Human Services Trust Fund – 0365

Federal Government: Increase of \$91,483 (100.%)

This was a new fund in FY 2005 established per legislation 30 ILCS 105/5.621, 30 ILCS 105/8.55 and 305 ILCS 5/12-10.7.

Transfers from Other Funds: Increase of \$127,316 (100.0%)

This was a new fund in FY 2005 established per legislation 30 ILCS 105/5.621, 30 ILCS 105/8.55 and 305 ILCS 5/12-10.7.

Medical Provider Relief Fund – 0367

Federal Government: Decrease of \$359,367 (90.6%)

Pursuant to legislation 30 ILCS 105/6z-62, this fund was created for two years ending June 30, 2005 with the balance remaining at the time to be transferred to the General Revenue Fund (0001). The short-term borrowing that occurred in FY 2004 was deposited in this fund and the federal financial participation receipts received as reimbursement for expenditures were transferred out of the fund to repay the short-term borrowing. The activity in this fund for FY 2005 is a carryover from FY 2004.

Public Assistance Recoveries Trust Fund – 0421

Private Organizations or Individuals: Increase of \$108,444 (20.0%)

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For the Year Ended June 30, 2005

Explanation of Significant Variations in Receipts (continued)

The increase is due to increased Drug Rebate collections as a result of the increased growth of the expenditures for prescription drugs which resulted in increased rebates. There was also an increase due to new rebates for the Circuit Breaker Program as well as diabetic test strips and monitors. There was also an increase in third party liability collections due to the natural growth of healthcare costs, and as a result of the implementation of a multi-agency cross match program that identifies additional subrogation.

Family Care Fund - 0720

Federal Government: Decrease of \$5,993 (100.0%)

The decrease is the result of changing the type of activity recorded in this fund in FY 2005 from FY 2004. In FY 2004, this fund was used for the Family Care Program and applicable federal financial participation was deposited in this fund, where in FY 2005 this program was not administered from this fund. In FY 2005, the Children's Mental Health Initiative was enacted in this fund under the Children's Health Act of 2003. Under this initiative, the related financial participation was deposited in another fund.

Other Illinois State Agencies: Increase of \$9,069 (100.0%)

Changes in FY 2005 to 30 ILCS 105/6z-58 allowed for the administration of the Children's Mental Health Initiative in this fund. The program was initiated under the Children's Mental Health Act of 2003 and services began in FY 2005. The receipts are from the Department of Human Services and the Department of Children and Family Services to fund their share of the program.

Reimbursement: Increase of \$5,389 (100.0%)

Changes in FY 2005 to 30 ILCS 105/6z-58 allowed for the administration of the Children's Mental Health Initiative in this fund. The program was initiated under the Children's Mental Health Act of 2003 and services began in FY 2005. The receipts are from the General Revenue Fund (0001) to fund the Department of Public Aid's share of the program.

Drug Rebate Fund – 0728

Transfer from Other Funds: Increase of \$56,355 (24.9%)

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Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Receipts (continued)

The increase is the result of increased transfers from the Public Assistance Recoveries Trust Fund (0421). The increase in the transfers was due to increased drug rebate receipts collected in the 0421 fund because of an increase in the growth of the drug rebate expenditures for prescribed drugs, new rebates for the Circuit Breaker Program and new rebates for diabetic test strips and monitors.

Non-Major Funds

Early Intervention Services Revolving Fund – 0502

Federal Government: Increase of \$6,402 (32.2%)

The increase is due to the federal government approving the Department of Human Services (DHS) application to include administrative costs in the claiming process. The approval was retroactive for two years worth of claims. The increase was also due to the correction of errors such as incorrect rates and date limitations in the processing of data and due to the caseload growth of the program.

Energy Administration Fund – 0737

Federal Funds: Increase of \$12,930 (100.0%)

FY 2005 was the first year that the Department of Public Aid administered this fund. The Governor's Executive Order number 3 – 2004 transferred the LIHEAP and Weatherization Programs from the Department of Commerce and Economic Opportunity to the Department of Public Aid.

Child Support Administration Fund – 0757

Transfers from Other Funds: Increase of \$6,500 (21.7%)

This increase reflects amounts transferred from the Child Support Enforcement Trust Fund (0957) for child support administrative costs and TANF recovery costs due to the 0757 fund. The increase was the result of less federal financial participation received as a result of the expenditures for facilities management being transferred to the Department of Central Management Services (CMS), but the Department was still required to transfer the cash to

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Supplementary Information
For the Year Ended June 30, 2005

Explanation of Significant Variations in Receipts (continued)

CMS for this activity as well as for professional services. In addition the Department's appropriation from the General Revenue Fund, to support child support administration, was decreased in FY 2005.

Low Income Home Energy Assistance Block Grant Fund – 0870

Federal Government: Increase of \$101,140 (100.0%)

FY 2005 was the first year that the Department of Public Aid administered this fund. The Governor's Executive Order Number 3 – 2004 transferred the LIHEAP and Weatherization programs from the Department of Commerce and Economic Opportunity to the Department of Public Aid.

Agency Funds:

Child Support Enforcement Trust Fund – 0957

Repayment to State Pursuant to Law: Increase of \$580 (22.1%)

Due to the increased efforts of the Child Support Program, more in-state banks are participating in the Financial Institute Data Match and the Lien Program.

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Supplementary Information
For the Year Ended June 30, 2005

Analysis of Significant Lapse Period Spending

The following is a summary of and explanations for significant lapse period expenditures incurred by the Department for fiscal year 2005. Included are lapse period expenditures for the General Funds that are greater than \$1 million and 15%, and lapse period expenditures for Non-Major Funds that are greater than \$300 thousand and 15% of the expenditure level noted in the following details. The Department's overall lapse period spending for fiscal year 2005 is presented in Schedule 1 of this report.

General Funds:

Trauma Center Fund – 0397

The lapse period spending of \$2,389 is 26.3% of the total fund expenditures and represents the fourth quarter payments to the trauma centers.

Public Assistance Recoveries Trust Fund – 0421

Contractual Services lapse period spending of \$7,548 is 53.3% of total expenditures for this line. This includes \$5,587 in payments to the Department of Central Management Services (CMS) for the savings from the Information Technology Initiative, \$1,584 in payments to CMS for statistical and tabulation services and various miscellaneous expenditures.

Non-Major Funds:

Supplemental Low-Income Energy Assistance Fund – 0550

The lapse period expenditures of \$13,619 represent 16.0% of the total fund expenditures and are for the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Program. The need for services for the year were greater than the original contract estimate requiring the estimated contract amount to be increased. The increases were processed in the lapse period.

Child Support Administrative Fund – 0757

Contractual Services lapse period expenditures of \$8,639 are 18.8% of the total expenditures from this line. The expenditures consist of \$4,565 to the counties for the maintenance of child support records, summons and processing fees, language translation services and orders for support, \$2,065 paid to CMS for the savings

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Supplementary Information
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Analysis of Significant Lapse Period Spending (continued)

from the Information Technology Initiative, \$1,169 paid to CMS for statistical and tabulation services, \$460 for programmer analyst services, \$270 for postage and postal charges and various miscellaneous expenditures.

Telecommunications lapse period expenditures of \$1,255 are 29.2% of the total expenditures for this line. The expenditures consist of \$690 paid to CMS for savings from the Information Technology Initiative, \$320 for a new phone system for the Child Support Inquiries Call Center, \$138 for charges for the rental or lease of data communications services and equipment, \$102 for charges for the rental or lease of telephone service and equipment and various other expenditures.

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Supplementary Information
For the Year Ended June 30, 2005

Analysis of Significant Balance Sheet Accounts

In FY 2005, legislation created the Hospital Provider Fund and the Health and Human Services Medicaid Trust Fund, which are classified as General Funds. Per the Governor's Executive Order Number 3 – 2004, the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Program were transferred to the Department of Public Aid from the Department of Commerce and Economic Opportunity (DCEO) in FY 2005. The funds included in the transfer were the Supplemental Low Income Energy Assistance Fund, the Good Samaritan Energy Trust Fund, the Energy Administration Fund, the Energy Assistance Contribution Fund and the Low Income Home Energy Assistance Block Grant Fund. These funds are non-major funds. Threshold levels for analysis and explanation are changes of at least \$1 million and 15% for general funds, and changes of at least \$300 thousand and 15% for non-major and fiduciary/agency funds.

General Funds

Assets

Cash equity with State Treasurer - The \$310.6 million decrease was attributable to the net of the following increases and decreases: a decrease of \$396.5 million in the Medicaid Provider Relief Fund which was the federal financial participation for the short-term borrowing in FY 2004 that did not occur in FY 2005; a decrease of \$24.8 million in the Long-Term Care Provider Fund due to increased spending at the end of FY 2005 compared to FY 2004 as a result of the availability of more end-of-year appropriation; a decrease of \$2.1 million in the University of Illinois Hospital Services Fund was caused by an increase in transfers out to the General Revenue fund due to the lack of appropriation authority as a result of an increased bills-on-hand carryover from FY2004 to FY2005 and the appropriation being held flat; an increase of \$60.4 million in the Drug Rebate Fund due to exhausting the appropriation authority which was caused by the Department not adjusting for increased pharmacy service expenditures that occurred at the end of FY 2004 that resulted in increased drug rebates in FY 2005 and created an increase in the cash balance at the end of FY 2005; an increase of \$27.5 million in the Special Education Medicaid Matching Fund because of expenditures that were in-transit at June 30, 2005; an increase of \$16.4 million in the Health and Human Services Medicaid Trust Fund which was a new fund in FY 2005; an increase of \$8.4 million in the Public Assistance Recoveries Trust Fund due to an increase in cash in-transit and cash on hand related to the collection of drug rebate receivables caused by an earlier due date than in the prior year; and miscellaneous variances in other funds in this account.

Due from other government – federal - The \$551.8 million increase was attributable to the net of the following increases and decreases: an increase of \$419.1 million in the General Revenue Fund as a result of an increased medical accrual liability (see the accounts payable analysis for the medical accrual liability explanation); an increase of \$145.8 million in the Drug Rebate Fund as a result of an increased medical accrual liability due to exhausting the appropriation authority before the end of the

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Supplementary Information
For the Year Ended June 30, 2005

Analysis of Significant Balance Sheet Accounts (continued)

fiscal year which was caused by the Department not adjusting for increased pharmacy service expenditures that occurred at the end of FY2004 that resulted in increased drug rebates in FY2005; an increase of \$13.2 million in the University of Illinois Hospital Services Fund as a result of an increased medical accrual liability caused by an increase in bills-on-hand at the end of the fiscal year due to the lack of appropriation authority as a result of an increased bills-on-hand carryover from FY2004 to FY2005 and the appropriation being held flat; an increase of \$6.3 million in the Special Education Medicaid Matching Fund as the result of the acceleration of submitting claims in FY 2004 to take advantage of the enhanced federal financial participation rate which resulted in less accrued liabilities at the end of FY 2004; an increase of \$5.6 million from the County Hospital Services Fund due to an increase in the medical accrual liability caused by a decreased FY 2004 bills-on-hand amount resulting from the Department maximizing the Federal Medical Assistance Program federal financial participation rate increase in June 2004 which was not available in FY 2005; a decrease of \$36.9 million from the Medicaid Provider Relief Fund which was established in FY 2004 to facilitate the short-term borrowing in FY 2004 which did not occur in FY 2005; a decrease of \$1.9 million in the Medical Special Purpose Trust Fund that resulted from a federal financial participation overdraw in FY 2004 which decreased the FY 2005 receivable; and miscellaneous variances in other funds in this account.

Taxes receivable, net – The increase of \$1.3 million was attributable to an increase from the Long Term Care Provider Fund due to an extension on the due date on the assessments the Department granted the providers in June 2005.

Other receivables, net – The increase of \$27.2 million was due to a \$28.8 million increase caused by the State supplemental drug rebate program being billed in June of FY 2005 rather than in July as was done last year and a decrease of \$1.8 million from the General Revenue Fund which resulted from a reduction of the medical accrual liability for year-end special medical payments to providers that were classified as other receivables in prior years.

Due from other State Funds – The increase of \$3.6 million was attributable to an increase in the Family Care Fund due to the administering of the Children’s Health Initiative in this Fund beginning in FY 2005.

Due from State of Illinois component units – The \$17.6 million increase in the University of Illinois Hospital Services Fund was due to an increase in the medical accrual liability which resulted from an increased bills-on-hand at year end, an increase in the liability trend and an adjustment for a FY 2004 accrual underestimation.

**STATE OF ILLINOIS
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Supplementary Information
For the Year Ended June 30, 2005

Analysis of Significant Balance Sheet Accounts (continued)

Liabilities

Accounts payable and accrued liabilities - The \$1.4 billion increase was due to: an increase of \$1.1 billion in the General Revenue Fund as the result of an increased medical accrual liability due to a lack of state revenue caused by economic conditions, the lack of appropriation authority due to the FY 2004 accrual and insufficient appropriation increases, and short-term borrowing in FY 2004 that did not occur in FY 2005; an increase of \$293.1 million in the Drug Rebate Fund due to insufficient appropriation authority which created increased assets at the end of the year which resulted in an increase in the medical accrual liability allocated to the fund; an increase of \$8.8 million in the Family Care Fund due to increased accrued liabilities for the Children's Mental Health Initiative for which services began in FY 2005; an increase of \$800 thousand in the Public Assistance Recoveries Trust Fund due to an increase in vouchers in-transit; an increase of \$400 thousand in the Trauma Center Fund due to increased lapse period expenditures; a decrease of \$27.7 million from the Long-Term Care Provider Fund due to a decrease in the medical accrual liability allocated to this fund because of decreased assets at June 30, 2005 as a result of increased spending at the end of the fiscal year, also due to a reclassification of the medical accrual liability to Due to Other Government - Local instead of Accounts Payable as reflected in FY 2004; and a decrease of \$100 thousand in the Medical Special Purpose Trust Fund due to a decrease in lapse period expenditures.

Due to other government - local - The increase of \$61.2 million was due to: an increase of \$33.8 million in the Special Education Medicaid Matching Fund due to increased vouchers in-transit at the end of the fiscal year and an increase in local education administrative claims at the end of the fiscal year; an increase of \$13.8 million in the Long-Term Care Provider Fund due to a reclassification of the medical accrual liability to this account instead of Accounts Payable as reflected in FY 2004; an increase of \$10.9 million in the County Hospitals Service Fund due to the amount of bills-on-hand increasing from FY 2004 to FY 2005 as a result of processing as many claims in June 2004 to take advantage of the enhanced federal financial participation rate; and an increase of \$2.7 million in the Public Assistance Recoveries Trust Fund due to the new government add-on program for the Medicaid state plan.

Due to other State funds- The increase of \$7.8 million was due to: an increase of \$5.9 million from the Public Assistance Recoveries Trust Fund for amounts due to statistical services and for savings payments per Executive Order 10; an increase of \$1.6 million from the General Revenue Fund for amounts due to statistical services, Correctional Industries and savings payments per Executive Order 10; and miscellaneous variances in other funds in this account.

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Analysis of Significant Balance Sheet Accounts (continued)

Due to State of Illinois component units - The increase of \$35.4 million is due to an increase from the University of Illinois Hospital Services Fund for the increased medical accrual liability as the result of increased bills-on-hand at year end which resulted from a lack of appropriation authority, an increase in the liability trend, and an adjustment for a FY 2004 accrual underestimate.

Unavailable revenue - The increase of \$758.4 million was due to a reclassification of deferred revenue to unavailable revenue in FY2005 for various funds. In comparison with the deferred revenue there was an increase of \$255.3 million from FY 2004 to FY 2005. The increase was due to: an increase of \$317.0 million in the General Revenue Fund due to increased medical accrual liability due to the lack of revenue caused by economic conditions of State government; an increase of \$54.3 million in the Drug Rebate Fund due to the appropriation being exhausted before the end of the fiscal year which resulted in a cash build up in the fund and allowed a larger medical accrual allocation which resulted in an increased federal financial participation receivable; an increase of \$14.5 million in the University of Illinois Hospital Services Fund due to an increased medical accrual liability caused by a lack of appropriation authority in FY 2005 as a result of the carryover of the FY 2004 bills-on-hand and the appropriation being held flat; a decrease of \$109.7 million in the County Hospital Services Fund due to the amount of fund equity owed to Cook County at year end being recognized as a refund and being recorded against Accounts Receivable and not Deferred Revenue as in prior years, also due to increased receipts received during the lapse period; a decrease of \$17.4 million in the Long-Term Care Provider Fund due to a decrease in the medical accrual liability allocation because of less year-end assets as a result of increased spending at the end of the fiscal year; a decrease of \$2.9 million in the Care Provider for Persons with Developmental Disabilities Fund due to a change in the process of accumulating expenditure data which caused less deferred revenue; a decrease of \$1.4 million in the Medical Special Purpose Trust Fund as a result of an underestimation on the federal financial participation draw in June 2004 and the June 2005 federal financial participation draw resulted in an overdraw which decreased the FY 2005 receivable; and miscellaneous variances in other funds in this account.

Deferred revenue – The decrease of \$503.1 million is due to a reclassification of deferred revenue to unavailable revenue in FY 2005 for various funds.

Notes payable - The decrease of \$852.9 million in the Medicaid Provider Relief Fund is the result of no short-term borrowing in this fund in FY 2005.

Fund Equity

Unreserved – The increase on the deficit of \$640.0 million is the result of: the increase of \$1,468.6 million in the General Revenue Fund due to an increase in the medical accrual liability and an

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Supplementary Information
For the Year Ended June 30, 2005

Analysis of Significant Balance Sheet Accounts (continued)

increase in unavailable revenue due to the cash flow problems the State incurred in FY 2005, a general increase in medical costs, and short-term borrowing in FY 2004 that did not occur in FY 2005; a decrease of \$852.9 million in the Medical Provider Relief Fund due to the notes payable from FY 2004 short-term borrowing being retired and no short-term borrowing occurring in FY 2005; an increase of \$14.5 million from the University of Illinois Hospital Services Fund due to increased accrued medical liability as the result of insufficient appropriation authority in FY 2005 caused by the carryover of the FY 2004 bills-on-hand and a general increase in medical costs; a decrease of \$75.2 million in the County Hospital Services Fund due to the amount of fund equity owed to Cook County at the end of the year being recognized as a refund and being recorded against accounts receivable and not deferred revenue as in prior years and due to increased receipts collected in the lapse period; an decrease of \$2.2 million in the Care Provider for Persons with Developmental Disabilities Fund as the result of less unavailable revenues as the result of a change in the process of accumulating expenditure data which resulted in less deferred revenue; a decrease of \$17.3 million in the Long-Term Care Provider Fund due to a decrease in the medical accrual liability allocated to the fund because of decreased assets at the end of the year caused by increased spending in the fund at the end of the fiscal year; a decrease of \$4.1 million due to the balance in the Hospital Provider Fund and \$16.5 million due to the balance in the Health and Human Services Medicaid Trust Fund which were new funds in FY 2005; an increase in Drug Rebate Fund of \$123.3 million which is the result of insufficient appropriations in FY 2005 which resulted in increased assets at the end of the year and allowed an increase in the medical accrual liability allocated to the fund; an increase of \$1.1 million in the Medical Special Purpose Trust Fund due to less receivables from the federal government that resulted from a federal financial participation overdraw in FY 2004 which decreased the FY 2005 receivable; and miscellaneous variances in other funds in this account.

Non-Major Funds

Assets

Unexpended appropriations – The increase of \$16.0 million is due to: \$13.7 million from the Supplemental Low Income Energy Assistance Fund which was transferred to the Department in FY 2005 from DCEO and \$2.3 million from the Tobacco Settlement Recoveries Fund as a result of a 20% increase in appropriation authority in FY 2005 which increased the potential of lapse period appropriation.

Due from other governments - federal - The increase of \$13.1 million was due to: an increase of \$9 million in the Tobacco Settlement Recovery Fund due to an increase in the federal financial participation not drawn at June 30, 2005 and an increase in the medical accrual liability applied to this fund in FY 2005 as compared to FY 2004 in which there was short-term borrowing at the end of

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Supplementary Information
For the Year Ended June 30, 2005

Analysis of Significant Balance Sheet Accounts (continued)

the year to pay medical claims; \$5.5 million in the Low Income Home Energy Assistance Block Grant Fund which was transferred to the Department in FY 2005 from DCEO; and a decrease of \$2.3 million in the Child Support Administration Fund as a result of a more accurate estimate on federal draws during the fiscal year; and miscellaneous variances in other accounts of the non-major fund group.

Liabilities

Accounts payable and accrued liabilities - The increase of \$19.4 million was due to: \$12.4 million in the Supplemental Low Income Energy Assistance Fund and \$4.7 million in the Low Income Home Energy Assistance Block Grant Fund which were transferred to the Department in FY 2005 from DCEO; an increase of \$2.3 million from the Tobacco Settlement Recovery Fund due to an increase in medical accrual liability allocated to the fund in FY 2005 due to increased assets available in the fund; and miscellaneous variances in other funds in this account.

Due to other governments – local - The increase of \$2.6 million was due to the transfer of the Low Income Home Energy Program to the Department in FY 2005 from DCEO.

Due to other State funds – An increase of \$3.1 million is from the Child Support Administration Fund and is due to savings payments per the Governor’s Executive Order Number 10.

Fiduciary/Agency Funds

Assets

Other receivables, net - The increase of \$19.2 million is from the Child Support Enforcement Trust Fund and is attributed to the Non-Custodial parents who did not pay their Child Support obligations in previous years and continue to not pay.

Liabilities

Other liabilities - The increase of \$18.9 million is the result of the increase in net receivables. See the increase in Other receivables, net.

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Supplementary Information
For the Years Ended June 30, 2005 and 2004

ANALYSIS OF ACCOUNTS RECEIVABLE

(amounts in thousands)

Balance Sheet at June 30th of	<u>2005</u>	<u>2004</u>
Accounts Receivable (Net)		
General Funds	\$ 138,711	\$ 110,170
Special Revenue Funds	10,644	10,432
Agency Funds	<u>142,614</u>	<u>123,407</u>
Total Accounts Receivable (Net)	<u><u>\$ 291,969</u></u>	<u><u>\$ 244,009</u></u>
Accounts Receivable - All Funds		
At Gross	2,811,272	2,682,537
Less: Allowance for Uncollectible Accounts	<u>(2,519,303)</u>	<u>(2,438,528)</u>
Total Accounts Receivable (Net)	<u><u>\$ 291,969</u></u>	<u><u>\$ 244,009</u></u>

Aging of Gross Receivables

	<u>2005</u>	<u>2004</u>
Receivables Not Past Due	\$ 112,695	\$ 84,277
Past Due Receivables:		
1 - 30 Days	373,269	318,578
31 - 90 Days	8,458	11,281
91 - 180 Days	10,827	9,923
181 Days - 1 Year	33,869	36,986
Over 1 Year	<u>2,272,154</u>	<u>2,221,495</u>
Total	<u><u>\$ 2,811,272</u></u>	<u><u>\$ 2,682,540</u></u>

Receivable areas within the Department adhere to the guidelines set forth by the Illinois State Collections Act of 1986 along with policy and legislation relevant to their program. Included in those guidelines are: internal offsets against future claims for providers with outstanding debt, Comptroller's Offset system, cyclical billings, letters and telephone contacts, private collection agencies, liens and judgments, and notify credit reporting agencies. In addition, the Department has implemented other methods of collection such as: income withholding, unemployment insurance benefit intercept, federal income tax refund offsets, professional license revocations, judicial remedies, driver's license revocations, new hire reporting, financial institution data match, agency collectors, Department of Revenue initiative, and referral to Attorney General's office.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Supplementary Information
For the Year Ended June 30, 2005
(Expressed in thousands)

(Unaudited)

Indirect Cost Reimbursement

The Department uses a cost allocation methodology to allocate indirect costs associated with the federal programs it administers in accordance with the Federally Approved Public Assistance Cost Allocation Plan. For fiscal year 2005 the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated \$46,927. For fiscal year 2004 the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated \$57,597.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID
 Schedule of Adjudication Pattern, Payment Patterns and Claims Paid
 For the year ending June 30, 2005
 (WITH COMPARATIVE AMOUNTS FOR FY2004)

(Unaudited)

This only reflects schedules processed through MMIS	Adjudication processing time elapsing in calendar days		Time elapsing in calendar days, to pay a claim		Total dollar amount of claims paid	
	Average for FY 2004	Average for FY 2005	Average for FY 2004	Average for FY 2005	FY 2004	FY 2005
Description						
General Revenue Fund						
Drugs	35.0	33.4	48.8	61.4	\$1,386,995,112	\$762,243,812
Hospitals						
Inpatients	31.8	29.8	43.3	46.8	\$1,771,553,769	\$1,260,992,915
Ambulatory	34.8	32.7	49.1	52.1	\$404,856,228	\$248,718,206
Long-term care	15.8	21.2	29.7	45.7	\$808,752,757	\$752,738,074
Long-term care - developmentally disabled	17.8	25.3	35.6	51.4	\$331,707,134	\$325,570,195
Non-institutional provider services	33.4	43.1	44.7	57.7	\$466,824,303	\$385,380,945
Physician	32.4	33.4	44.8	51.1	\$613,580,192	\$444,360,622
Overall averages/totals	28.7	31.3	42.3	52.3	\$5,784,269,495	\$4,180,004,769
Assessment Trust Funds						
Drug Rebate	28.3	37.5	30.5	39.5	\$298,404,527	\$272,469,655
Long-term care	22.2	27.8	26.2	30.9	\$792,325,206	\$412,793,411
Long-term care - developmentally disabled	15.2	20.3	18.2	24.2	\$34,763,182	\$35,257,186
Overall averages/totals	21.9	28.5	25.0	31.5	\$1,125,492,915	\$720,520,252

This analysis presents average Medicaid adjudication days, which are defined as the time elapsing in calendar days from the receipt date to the date the claims are vouchered. This schedule also presents average payment days, which are defined as the time elapsing in calendar days from the receipt date to the date a warrant is mailed by the State Comptroller.

This schedule does not include HMO or Quarterly CHAP expenditures, as these adjudication and payment cycles are not tracked.

The Long-term care - developmentally disabled general revenue fund and assessment trust fund are Department of Human Services (DHS) appropriations, but the Department of Public Aid manages payment of claims from these funds on behalf of DHS.

Analysis of Operations

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2005

Department Functions and Planning Program

The Illinois Department of Public Aid (Department) is committed to empowering Illinois' citizens to lead healthier and more independent lives by providing adequate access to healthcare coverage at a reasonable cost; assisting families through the child support process by establishing and enforcing support obligations; and helping people become more self-sufficient in their home energy needs through energy conservation and bill payment assistance. There are three primary program areas within the Department. They are Medical Programs (MP), Child Support Enforcement (CSE) and Energy Assistance (EA). The Office of Inspector General (OIG) also resides within the Department but functions as a separate, independent entity and reports directly to the Executive Inspector General.

The fiscal year 2005 all funds appropriation was \$11.9 billion. Of this total, 87.4 percent is MP, 1.69 percent is CSE and 2.63 percent is EA. The total increase from fiscal year 2004 to fiscal year 2005 was \$1.1 billion. The Department received approximately \$6.0 billion in federal funds for fiscal year 2005, which includes expenditures from other agencies.

Medical Assistance

In fiscal year 2005, the average monthly count of enrolled individuals for which the MP program provided medical coverage was 1.9 million, including pregnant women, infants, children and teenagers, seniors and people with disabilities, people struggling with one-time catastrophic medical bills, and children and adults with chronic health problems. Licensed practitioners, hospital and nursing facilities, and other noninstitutional providers enrolled in the Department's medical programs provide these medical services. The primary goal of this program is to improve the health of MP and KidCare participants by providing access to quality healthcare.

About two-thirds of the MP program budget is expended for health care to seniors and persons with disabilities. The total number of persons with disabilities on Medicaid was 286,758 in fiscal year 2005. Long-term care caseloads have remained relatively stable over the last few years. The average monthly resident count age 65 and over in fiscal year 2005 was approximately 40,625 individuals.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2005

Department Functions and Planning Program (continued)

Enrollment in the KidCare and FamilyCare health insurance programs continued to grow in fiscal year 2005. KidCare offers health care coverage to children and pregnant women and also helps to pay premiums of employer-sponsored or private health plans. The Department now covers over one million children through all of its health benefits programs. In addition, the Department again expanded coverage to parents of KidCare children in 2005 through a federal waiver program. As of June 30, 2005, there were 463,506 parents covered through the Department's medical programs. Of those, some 103,705 have gained coverage through the FamilyCare program.

Building upon the state's highly successful Circuit Breaker/Pharmaceutical Assistance program, Illinois began the SeniorCare program in June 2002. This Illinois Medicaid waiver was the first of its kind in the nation and has become a model touted by the federal government to other states. SeniorCare makes drugs truly affordable for low-income seniors – paying over 90 percent of the average eligible senior's drug costs. SeniorCare covers all major prescription drugs for eligible seniors for a modest co-payment, thereby increasing access to prescription drugs for the elderly and improving health. Eligible seniors are those 65 years of age and older with income at or below 200 percent of the Federal Poverty Level (FPL) or approximately \$19,140 annual income for a single person and \$25,660 for a couple.

The Department is committed to providing access to quality health care in the most cost effective and efficient way possible. The mission of the OIG is to prevent, detect, and eliminate fraud, waste, abuse, misconduct, and mismanagement in the programs administered by the Department. The OIG also conducts investigations for former DPA programs now administered by the Department of Human Services. OIG combats fraud and abuse by implementing innovative Medicaid fraud prevention and detection techniques, preventing ineligible applicants from receiving benefits, conducting client eligibility investigations, performing client Medicaid fraud investigations, restricting clients who abuse their benefits to one physician and/or pharmacy, conducting post-payment audits and Quality of Care reviews of Medicaid providers and identifying assets which were not disclosed by applicants for long term care.

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Analysis of Operations
For the Year Ended June 30, 2005

Department Functions and Planning Program (continued)

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) serves more than 600,000 families composed of both Temporary Assistance to Needy Families (TANF) clients and any other Illinois citizens requesting child support enforcement services. The Division helps to establish paternities for IV-D children born out of wedlock, locates non-custodial parents, establishes child support through judicial or administrative processes, and enforces child support orders through income withholding orders, unemployment benefit intercepts, federal and state tax intercepts, real and property liens, denial of passports, and other lump sum intercepts. It also assists other states to establish parentage and establish and enforce child support on behalf of their residents. Together, these TANF and non-TANF cases are known as Title IV-D cases. The Division also processes non IV-D cases through the State Disbursement Unit (SDU).

Total program expenditures reflect administrative expenses from the Child Support Administrative Fund, the General Revenue Fund and allocation of the Department's indirect administrative expenditures. Not included are the dollars expended as payments to custodial parents, refunds to non-custodial parents who have overpaid support and expenditures from the Illinois Department of Revenue and the Office of the Illinois Attorney General.

For fiscal year 2005, DCSE collected and disbursed over \$1 billion in total child support, exceeding fiscal year 2004 total collections by more than \$60 million. Total collections include both IV-D and non IV-D collections made to the SDU.

Energy Assistance

On July 1, 2004, the Low Income Home Energy Assistance (LIHEAP) and Illinois Home Weatherization Assistance Programs (IHWAP) were transferred to the Department of Public Aid. In fiscal year 2005, over 310,000 households received assistance grants through LIHEAP and over 7,000 homes were weatherized through IHWAP.

Each year through the LIHEAP program, low-income households in Illinois receive one-time grants that allow them to reestablish and/or maintain their home energy service. The purpose of the LIHEAP is to assist low-income households that pay a high proportion of household income for home energy with meeting their immediate home energy needs.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2005

Department Functions and Planning Program (continued)

The IHWAP program helps low-income families lower their energy costs by providing a range of weatherization services, including insulating attics and walls and ensuring that heating systems are safe and in good working order.

Planning Process

In fiscal year 2004, the Department conducted its strategic planning effort for the period covering FY04-FY07 in conjunction with the Governor's Office. For fiscal year 2005, the Department continued to focus on key initiatives that best reflect their mission and were feasible, based on available resources. Agency goals were developed in fiscal year 2004 to support these key initiatives and the agency continues to strive towards these goals.

As part of the Governor's Performance Management Initiative, the Department also developed performance measures and targets for each goal. These performance metrics were finalized and implemented following a similar process as the strategic plan. Performance measures and targets were updated for fiscal year 2005.

The Office of Planning monitors the progress of projects related to the accomplishments of the strategic plan. As part of this monitoring, responsible parties, targets, and milestones were identified. The monitoring process allows the Department to collect hard data on how well the Department's programs are performing and what effect the implementation of the strategic plan has on Department outcomes. The Department also reports progress toward our performance metrics to the Governor's Office on a quarterly basis.

Auditors' Assessment of Planning Program

The planning program described above appears to be adequate. It appears the Department has established programs to meet the defined goals and objectives of the Department and to fulfill its statutory objectives and responsibilities.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2005

Average Number of Employees

Below is a summary of the average number of personnel employed by the Department, by fund.

	2005	2004
General Revenue Fund		
Program Administration	325	357
Office of Inspector General	195	205
Attorney General	22	22
Medical	461	473
Managed Care	23	23
Kid Care - Look a Like	44	47
Kid Care - Rebate	39	40
Medi Rev*	9	9
Total General Revenue Fund	1,118	1,176
Other Funds		
Care Provider for Persons with DD	1	1
Long-Term Care Provider	12	13
Medical Special Purpose Trust	9	9
Child Support Administration	983	997
Public Assistance Recoveries Trust	148	151
Energy Assistance	25	0
Total Other Funds	1,178	1,171
Grand Total - All Funds	2,296	2,347

* Medical electronic interchange recipient eligibility verification

STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID

Analysis of Operations
For the Year Ended June 30, 2005

Fiscal Year Statistics (Unaudited)
Medicaid Enrollment

		<u>2005</u>	<u>2004</u>
Average Number of Enrollees	(1)	2,116,022	1,940,492
Annual Payments	(2)	\$6,442,055,500	\$7,905,850,300
Payment per Enrollee	(3)	\$3,044.42	\$4,074.15

SOURCE: Division of Finance

NOTES:

- (1) Enrollees are reported for FY05 by the average number of days enrolled in a fiscal year, rather than by "as of June 30" in previous reports.
- (2) Fiscal year 2004 appropriation spending has been revised upward to reflect \$850 million in short-term borrowing for provider relief.
- (3) For illustration purposes only, payment per enrollee is calculated by dividing annual payments by average number of enrollees. This figure does not represent actual cost per user.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2005

Emergency Purchases

<u>Contracts Identified as "Emergency"</u>	<u>Total \$ Value of the "Emergency" Contracts</u>	
FY 2005 = 4	\$630,880.50	
	Total includes Multi-Year contract costs	
<u>FY 2005</u>		
O'Brien and Associates	6 month contract extension with O'Brien and Associates for Fraud Prevention Investigation in Cook county to allow for competitive procurement. Necessary in that allowing the current contract to terminate would not be advantageous to the State as the current vendor detects and prevents the incorrect issuance of financial, medical and food stamp assistance which would cause unnecessary Department expenditures.	\$205,900.00
O'Brien Servcies, Inc. and O'Brien Investigations, Inc. d/b/a O'Brien & Associates	Emergency for Service of Process (SoP). To work down the backlog of cases for service. The backlog delays serving orders, which in turn jeopardizes the Department's ability to reach the federally mandated goals, as well as obtaining federal match and incentive funding.	249,980.50
<u>FY 2005 - 2006 (Multi Year)</u>		
Fairbanks	Fairbanks - procured to facilitate the Employee Group Health procurement as mandated by Executive Order 2005-03. This procurement was made on an emergency basis because it would have been a threat to public health and the wellbeing of state employees if the hospital network is not in place by July 1, 2005. Also, the procurement was necessary to prevent and minimize serious disruption of state services, specifically, the provision of a healthcare network (as required by union contract) to its employees.	100,000.00 *

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Year Ended June 30, 2005

Emergency Purchases

Emergency Purchases continued

Wayne Smallwood	The Illinois Department of Public Aid (Department) entered into an emergency contract with Wayne Smallwood for consulting services and to provide expertise to the Department for the implementation of the following key initiatives: 1. Expansion of the Supportive Living Program (SLP). 2. Development and implementation of a new reimbursement system that governs Medicaid payment to nursing homes for direct care that is provided. 3. Development and implementation of a program that addresses improvements to nursing home care for persons with mental illness or potentially risky populations and that provides a network of housing and services to persons with mental illness. This emergency contract was procured in order to avoid an interruption of State services to the citizens of Illinois who are currently residing or planning to use the state-funded long term care system.	75,000.00 *
Total		<u>\$ 630,880.50</u>

* The reported amount is an estimate.

Note: An emergency purchase contract for the purchase of flu vaccinations was filed with the Office of the Comptroller (IOC). The contract was subsequently rejected by the IOC and was therefore not executed.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2005 and 2004

(Unaudited)

Service Efforts and Accomplishments

Program

Medical Programs

Narrative Description of the Program

The Division of Medical Programs provides managed care services, long term care services, and comprehensive health services to Illinois' neediest citizens. The Department of Public Aid (Department) is also the primary State administrator of federal Medicaid health care policies under the Social Security Act. Through a central unit based in Springfield, the Department also determines eligibility for KidCare and FamilyCare (Medicaid and State Children's Health Insurance Program health plans for pregnant women, children and parents) program through mail-in and web-based applications. In-person applications are taken and processed by Illinois Department of Human Services local offices throughout the State.

Program Goal

The program goal is to improve the health of Illinois' children and families by providing access to quality medical care.

Performance Measures

	<u>FY 2004</u>	<u>FY 2005</u>
Total Medical Program Expenditures (in millions)	\$10,195	\$9,662
Number of actively enrolled physicians billing over 100 claims per year	16,651	17,492
Total children enrolled in Medical Programs	1,094,077	1,159,593

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2005 and 2004

(Unaudited)

Service Efforts and Accomplishments (continued)

Evaluation of Performance/Activity Measures

KidCare/FamilyCare

Enrollment in the KidCare and FamilyCare health insurance programs continued to grow in fiscal year 2005. KidCare offers health care coverage to children and pregnant women and also helps to pay premiums of employer-sponsored or private health plans. The Department now covers over one million children through all of its health benefits programs. In addition, the Department again expanded coverage to parents of KidCare children in 2005 through a federal waiver program. As of June 30, 2005, there were 463,506 parents covered through the Department's medical assistance programs. Of those, some 103,705 have gained coverage through the FamilyCare program.

SeniorCare and Persons with Disabilities

About two-thirds of the medical assistance program budget is expended for health care to seniors and persons with disabilities. The monthly average number of Medicaid recipients age 65 and over was 156,746 in fiscal year 2005, excluding SeniorCare, compared to 143,729 in fiscal year 2004. The monthly average of SeniorCare recipients was 156,113 and the total number of persons with disabilities on Medicaid was 286,758 in fiscal year 2005. Long term care caseloads have remained relatively stable over the last few years. The average monthly resident count for those age 65 and over in fiscal year 2005 was approximately 40,625 individuals.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2005 and 2004

(Unaudited)

Service Efforts and Accomplishments (continued)

Accountability

Although providing access to quality health care is the overriding mission of the Department, its goal is to be accountable to the citizens of Illinois and to perform this function in the most cost effective and efficient manner. Two indicators have been selected to measure this effectiveness: savings from prepayment review of over 4 million medical services and preventing unnecessary expenditures. Savings from prepayment review of claims for fiscal year 2005 was over \$51 million. Cost avoidance is a strategy recognized by the Centers for Medicare and Medicaid Services and is devised to make Medicaid the payer of last resort. Cost avoided dollars are Medicaid savings, realized through the discovery of a private payer responsible for medical bills of medical assistance participants. The Department saved the taxpayers of Illinois over \$111 million in fiscal year 2003, over \$122 million in fiscal year 2004, and over \$110 million in fiscal year 2005.

Program

Child Support Enforcement

Narrative Description of the Program

The Division of Child Support Enforcement (DCSE) serves more than 600,000 families composed of both Temporary Assistance to Needy Families (TANF) clients and any other Illinois citizens requesting child support enforcement services. The Division helps to establish paternities for IV-D children born out of wedlock, locates non-custodial parents, establishes child support through judicial or administrative processes, and enforces child support orders through income withholding orders, unemployment benefit intercepts, federal and state tax intercepts, real and property liens, denial of passports, and other lump sum intercepts. It also assists other states to establish parentage and establish and enforce child support on behalf of their residents. Together, these TANF and non-TANF cases are known as Title IV-D cases. The Division also processes non IV-D cases through the State Disbursement Unit. These activities suggest some of the basic indicators of the Division's performance, many of which are driven by federal reporting requirements and standards.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2005 and 2004

(Unaudited)

Service Efforts and Accomplishments (continued)

Program Goal

The program goal is to enforce child support payment obligations of non-custodial parents for Illinois' most vulnerable children.

Performance Measures

	<u>FY 2004</u>	<u>FY 2005</u>
Total child support collections (in thousands, includes all Title IV-D, TANF & non-TANF)	\$950,080	\$1,012,014
Number of IV-D cases with new support orders established	50,219	49,511
Amount of total child support arrearages collected (in thousands, includes all Title IV-D, TANF & non-TANF)	\$202,763	\$220,102

Evaluation of Performance/Activity Measures

Effectiveness is measured by monitoring the status of the measures shown above on an ongoing basis. Additionally, DCSE measures the percentage of children in IV-D cases born out-of-wedlock where parentage has been established and the percentage of IV-D cases where support orders are established.

Program

Inspector General

Narrative Description of the Program

The Inspector General is appointed by the Governor, reports to the Executive Inspector General, and is confirmed by the Senate. The mission of the Office of Inspector General (OIG) is to prevent, detect and eliminate fraud, waste, abuse, misconduct, and mismanagement in the programs administered by the Department of Public Aid. The OIG also conducts investigations for Department programs administered by the Department of Human Services.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2005 and 2004

(Unaudited)

Service Efforts and Accomplishments (continued)

Program Goal

The OIG is committed to combating fraud and abuse through its efforts of implementing innovative Medicaid fraud prevention and detection techniques, preventing ineligible applicants from receiving benefits, conducting client eligibility investigations, performing client Medicaid fraud investigations, restricting clients who abuse their benefits to one physician and/or pharmacy, conducting post-payment audits and quality of care reviews of Medicaid providers, and identifying assets hidden by long term care applicants.

Performance Measures

	<u>FY2004</u>	<u>FY2005</u>
Provider post-payment audits performed	725	629
Number of fraud prevention investigations completed	4,400	3,950

Evaluation of Performance/Activity Measures

The OIG conducted 629 post-payment audits during fiscal year 2005, which are 154 more audits than the targeted goal of 475 audits. The audits were conducted to help ensure that Medicaid dollars were spent appropriately. These audits allowed the OIG to recover \$17.7 million in overpayments during fiscal year 2005. The OIG also conducted 3,950 fraud prevention investigations during fiscal year 2005, to prevent ineligible applicants from receiving welfare benefits.

**STATE OF ILLINOIS
DEPARTMENT OF PUBLIC AID**

Analysis of Operations
For the Years Ended June 30, 2005 and 2004

(Unaudited)

Service Efforts and Accomplishments (continued)

Program

Energy Assistance

Narrative Description of the Program

On July 1, 2004, the Low Income Home Energy Assistance Program (LIHEAP) and the Illinois Home Weatherization Assistance Program (IHWAP) were transferred to the Department of Public Aid.

Each year through the LIHEAP program, low-income households in Illinois receive one-time grants that allow them to reestablish and/or maintain their home energy service. The purpose of LIHEAP is to assist low-income households that pay a high proportion of household income for home energy to meet their immediate home energy needs.

The IHWAP program helps low-income families lower their energy costs by providing a range of weatherization services, including insulating attics and walls and ensuring that heating systems are safe and in good working order.

Program Goal

The program goal is to reduce the energy burden of low-income Illinoisans in the Energy Assistance programs

Performance Measures

	<u>FY2004</u>	<u>FY2005</u>
Percent of vulnerable households receiving LIHEAP assistance	N/A	48.98%
Number of households receiving home weatherization services	N/A	7,083

STATE OF ILLINOIS
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Analysis of Operations
For the Year Ended June 30, 2005

Ratio of Federal Expenditures to Total Agency Expenditures
(Amounts in Thousands)

	2005	
	Amount	Percent
Federal Funds (note 1)	\$ 6,428,163	59.5%
Nonfederal Funds (note 2)	4,367,424	40.5%
Total	\$ 10,795,587	100.0%

Note 1 - Federal funds represent cash disbursements as reflected on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2005.

Note 2 - Nonfederal funds represent total expenditures, less federal funds, on the modified accrual basis as reflected in the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances for the year ended June 30, 2005.