

Financial statements of

**Erie St. Clair Local Health  
Integration Network**

March 31, 2016

# Erie St. Clair Local Health Integration Network

March 31, 2016

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## **Independent Auditor's Report**

To the Members of the Board of Directors of the  
Erie St. Clair Local Health Integration Network

We have audited the accompanying financial statements of Erie St. Clair Local Health Integration Network, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Erie St. Clair Local Health Integration Network as at March 31, 2016 and the results of its operations, changes in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants  
May 24, 2016

# Erie St. Clair Local Health Integration Network

## Statement of financial position as at March 31, 2016

	2016	2015
	\$	\$
<b>Financial assets</b>		
Cash	566,842	693,831
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 7)	1,700,855	5,570,500
Accounts receivable	48,935	68,209
	<b>2,316,632</b>	<b>6,332,540</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	548,326	730,659
Due to MOHLTC (Note 10b)	93,318	55,978
Due to Health Service Providers ("HSPs") (Note 7)	1,700,855	5,570,500
Due to the LHIN Shared Services Office (Note 3)	5,474	3,702
Deferred capital contributions (Note 4)	287,662	385,949
	<b>2,635,635</b>	<b>6,746,788</b>
Net debt	<b>(319,003)</b>	<b>(414,248)</b>
Commitments (Note 13)		
<b>Non-financial assets</b>		
Prepaid expenses	31,341	28,299
Tangible capital assets (Note 5)	287,662	385,949
<b>Accumulated surplus</b>	<b>-</b>	<b>-</b>

Approved by the Board

 Director

 Director

# Erie St. Clair Local Health Integration Network

## Statement of operations year ended March 31, 2016

	Budget (Note 6)	2016 Actual	2015 Actual
	\$	\$	\$
<b>Revenue</b>			
MOHLTC funding			
HSP transfer payments (Note 7)	1,118,937,656	1,141,071,593	1,142,748,286
Project Initiatives			
Operations of LHIN	4,347,972	4,160,760	4,325,444
Emergency Department Lead	75,000	75,000	75,000
Critical Care Lead	75,000	75,000	75,000
Primary Care Lead	75,000	75,000	75,000
French Language Health Planning			
Entities Fund	425,500	425,533	425,533
Enabling Technologies for Integration			
Project Management Office	510,000	510,000	510,000
Diabetes Regional Coordination	888,328	870,561	888,328
Amortization of deferred capital contributions (Note 4)		197,063	163,270
	<b>1,125,334,456</b>	<b>1,147,460,510</b>	1,149,285,861
Funding repayable to the MOHLTC (Note 10)	-	(37,340)	(55,978)
	<b>1,125,334,456</b>	<b>1,147,423,170</b>	1,149,229,883
<b>Expenses</b>			
Transfer payments to HSPs (Note 7)	1,118,937,656	1,141,071,593	1,142,748,286
General and administrative (Note 8)	4,347,972	4,357,227	4,473,320
Project Initiatives (Note 9)			
Emergency Department Lead	75,000	73,716	74,066
Critical Care Lead	75,000	75,000	75,000
Primary Care Lead	75,000	75,000	75,000
French Language Health Planning			
Entities Fund	425,500	390,073	425,533
Diabetes Regional Coordination	888,328	870,561	848,678
Enabling Technologies for Integration			
Project Management Office (Note 3)	510,000	510,000	510,000
	<b>1,125,334,456</b>	<b>1,147,423,170</b>	1,149,229,883
<b>Annual surplus and accumulated surplus, end of year</b>	-	-	-

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

# Erie St. Clair Local Health Integration Network

## Statement of change in net debt year ended March 31, 2016

	Budget (Note 6)	2016 Actual	2015 Actual
	\$	\$	\$
<b>Annual surplus</b>			
Prepaid expenses incurred	-	(31,341)	(28,299)
Prepaid expenses used	-	28,299	29,873
Acquisition of tangible capital assets	-	(98,776)	(30,549)
Amortization of tangible capital assets	160,000	197,063	163,270
Increase in net debt	160,000	95,245	134,295
Net debt, beginning of year	(414,248)	(414,248)	(548,543)
<b>Net debt, end of year</b>	<b>(254,248)</b>	<b>(319,003)</b>	<b>(414,248)</b>

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

# Erie St. Clair Local Health Integration Network

## Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
<b>Operating transactions</b>		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	197,063	163,270
Amortization of deferred capital contributions (Note 5)	(197,063)	(163,270)
Changes in non-cash operating items		
Due from MOHLTC	3,869,645	(5,330,100)
Accounts receivable	19,274	2,896
Accounts payable and accrued liabilities	(182,333)	(55,346)
Due to MOHLTC	37,340	(94,667)
Due to HSPs	(3,869,645)	5,330,100
Due to LHIN Shared Services Office	1,772	3,411
Prepaid expenses	(3,042)	1,574
	<b>(126,989)</b>	<b>(142,132)</b>
<b>Capital transaction</b>		
Acquisition of tangible capital assets	98,776	30,549
<b>Financing transaction</b>		
Deferred capital contributions received (Note 5)	(98,776)	(30,549)
Net decrease in cash	<b>(126,989)</b>	<b>(142,132)</b>
Cash, beginning of year	693,831	835,963
<b>Cash, end of year</b>	<b>566,842</b>	<b>693,831</b>

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

# Erie St. Clair Local Health Integration Network

## Notes to the financial statements

March 31, 2016

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### 1. Description of business

The Erie St. Clair Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Erie St. Clair Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Municipalities of Essex, Lambton and Chatham-Kent. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN financial statements do not include any MOHLTC managed programs.

### 2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA"). Significant accounting policies adopted by the LHIN are as follows:

#### *Basis of accounting*

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

## 2. Significant accounting policies (continued)

### *Government transfer payments*

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

### *Deferred capital contributions*

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related capital asset recorded.

### *Segment disclosures*

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

### *Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the 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. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

### *Tangible capital assets*

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Office equipment	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

### 3. Related party transactions

#### *LHIN Shared Service Office and LHINC Collaborative*

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end is recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

#### *Enabling Technologies for Integration Project Management Office*

Effective February 1, 2012, an agreement was formed with Erie St. Clair, South West, Waterloo Wellington and Hamilton Niagara Haldimand Brant LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from South West LHIN of \$510,000 (2015 - \$510,000). The LHIN had a contract and retained services of the Transform Shared Service Organization ("Transform"). All funds were expended.

### 4. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	385,949	518,670
Capital contributions received during the year	98,776	30,549
Amortization for the year	(197,063)	(163,270)
Balance, end of year	<b>287,662</b>	385,949

### 5. Tangible capital assets

	2016			2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	855,011	705,812	149,199	197,880
Computer equipment	210,259	210,259	-	203
Leasehold improvements	955,933	817,470	138,463	187,866
	<b>2,021,203</b>	<b>1,733,541</b>	<b>287,662</b>	385,949

## 6. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$1,141,071,593 is derived as follows:

	\$
Initial budget	1,118,937,656
Adjustment due to announcements made during the year	22,133,937
	<u>1,141,071,593</u>

The final LHIN budget, excluding the HSP funding, of \$6,191,854 is derived as follows:

	\$
Initial budget	6,396,800
Change in funding from the MOHLTC during the year	(6,170)
Amount treated as capital contributions made during the year	(98,776)
In-Year recoveries by the MOHLTC during the year	(100,000)
	<u>6,191,854</u>

## 7. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,141,071,593 (2015 - \$1,142,286) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2015 as follows:

	2016	2015
	\$	\$
Operation of hospitals	660,071,256	681,438,461
Grants to compensate for municipal taxation - public hospitals	172,500	172,500
Long-term care homes	220,699,564	211,414,580
Community care access centres	140,525,653	138,215,563
Community support services	22,103,369	21,234,346
Assisted living services in supportive housing	11,685,084	11,567,616
Community health centres	32,171,091	31,402,849
Community mental health addictions programs	12,065,046	11,751,851
Community mental health programs	41,578,030	35,550,520
	<u>1,141,071,593</u>	<u>1,142,748,286</u>

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2016, an amount of \$1,700,855 (2015 - \$5,570,500) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

**8. General and administrative expenses**

The statement of operations presents the expenses by function. The following classifies general and administrative expenses by object:

	<b>2016</b>	2015
	\$	\$
Salaries and benefits	<b>2,930,366</b>	3,124,200
Occupancy	<b>358,425</b>	279,828
Amortization	<b>197,063</b>	163,271
Shared services	<b>313,194</b>	320,555
Public relations	<b>53,680</b>	29,519
Consulting services	<b>54,584</b>	53,954
Supplies	<b>28,001</b>	25,793
Board Chair per diems	<b>43,925</b>	36,575
Board member per diems	<b>46,550</b>	26,850
Board member expenses	<b>49,260</b>	47,422
Obstetrics expert panel	<b>4,785</b>	92,183
Mail, courier and telecommunications	<b>37,004</b>	47,739
LHIN collaborative	<b>38,000</b>	37,721
Other	<b>202,390</b>	187,710
	<b>4,357,227</b>	4,473,320

**9. Project Initiatives**

The LHIN received funds for various project initiatives reported in the statement of operations. Details of expenses incurred in relation to the Diabetes Regional Coordination Centres are as follows:

	<b>Budget</b>	<b>2016</b>	2015
	\$	\$	\$
Salaries and benefits	<b>672,720</b>	<b>666,710</b>	638,021
Operating expenses	<b>215,608</b>	<b>203,851</b>	210,657
<b>General and administrative expenses</b>	<b>888,328</b>	<b>870,561</b>	848,678

Expenses incurred in respect of all other initiatives were for professional services.

## 10. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	2016	2015		
	Funding received	Eligible expenses		
	Excess funding	Excess funding		
	\$	\$		
Transfer payments to HSPs	1,141,071,593	1,141,071,593	-	-
LHIN operations	4,160,760	4,160,164	596	15,394
Project Initiatives				
French Language Health Planning Entities Fund	425,533	390,073	35,460	-
Critical Care Lead Fund	75,000	75,000	-	-
Primary Care Lead Fund	75,000	75,000	-	-
Emergency Department Lead	75,000	73,716	1,284	934
Diabetes Regional Coordination	870,561	870,561	-	39,650
Enabling Technologies	510,000	510,000	-	-
	<b>1,147,263,447</b>	<b>1,147,226,107</b>	<b>37,340</b>	<b>55,978</b>

- b) The continuity of the amount due to the MOHLTC at March 31 is as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	55,978	150,645
Funding repayable to the MOHLTC related to current year activities (Note 10a)	37,340	55,978
Amounts repaid to MOHLTC during the year	-	(150,645)
Due to MOHLTC, end of year	<b>93,318</b>	<b>55,978</b>

## 11. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 33 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$283,144 (2015 - \$272,398) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 2015. Currently, the plan is fully funded.

## 12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

**12. Guarantees (continued)**

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

**13. Commitments**

The LHIN has funding commitments to health service providers associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2016.

	\$
2017	764,626,485
2018	199,068,064
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The LHIN also has commitments under various operating leases related to building and equipment, which will be renewed in accordance with standard lease terms. Minimum lease payments due in each of the next five years are as follows:

	\$
2017	332,464
2018	332,464
2019	326,164
2020	313,532
2021	309,622
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