

Financial statements of

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

March 31, 2017

# Erie St. Clair Local Health Integration Network

March 31, 2017

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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, 2017, 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, 2017 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 23, 2017

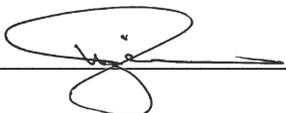
# Erie St. Clair Local Health Integration Network

Statement of financial position  
as at March 31, 2017

	2017	2016
	\$	\$
<b>Financial assets</b>		
Cash	915,602	566,842
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 7)	4,253,500	1,700,855
Accounts receivable	62,391	48,935
	<b>5,231,493</b>	<b>2,316,632</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	969,671	548,326
Due to MOHLTC (Note 10b)	45,627	93,318
Due to Health Service Providers ("HSPs") (Note 7)	4,253,500	1,700,855
Due to the LHIN Shared Services Office (Note 3)	-	5,474
Deferred capital contributions (Note 4)	142,369	287,662
	<b>5,411,167</b>	<b>2,635,635</b>
Net debt	<b>(179,674)</b>	<b>(319,003)</b>
Commitments (Note 13)		
<b>Non-financial assets</b>		
Prepaid expenses	37,305	31,341
Tangible capital assets (Note 5)	142,369	287,662
<b>Accumulated surplus</b>	<b>-</b>	<b>-</b>

Approved by the Board

 Director

 Director

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

# Erie St. Clair Local Health Integration Network

## Statement of operations year ended March 31, 2017

	Budget (Note 6)	2017 Actual	2016 Actual
	\$	\$	\$
<b>Revenue</b>			
MOHLTC funding			
HSP transfer payments (Note 7)	1,152,325,441	1,170,767,983	1,141,071,593
Project Initiatives			
Operations of LHIN	4,348,039	4,312,467	4,160,760
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	425,533	425,533	425,533
Enabling Technologies for Integration			
Project Management Office	510,000	510,000	510,000
Diabetes Regional Coordination	870,561	870,561	870,561
Patients First Transition Planning and			
Implementation	-	180,000	-
Amortization of deferred			
capital contributions (Note 4)	-	149,193	197,063
	<b>1,158,704,574</b>	<b>1,177,440,737</b>	1,147,460,510
Funding repayable to the MOHLTC (Note 10)	-	<b>(8,287)</b>	<b>(37,340)</b>
	<b>1,158,704,574</b>	<b>1,177,432,450</b>	1,147,423,170
<b>Expenses</b>			
Transfer payments to HSPs (Note 7)	1,152,325,441	1,170,767,983	1,141,071,593
General and administrative (Note 8)	4,348,039	4,454,770	4,357,227
Project Initiatives (Note 9)			
Emergency Department Lead	75,000	75,000	73,716
Critical Care Lead	75,000	73,603	75,000
Primary Care Lead	75,000	75,000	75,000
French Language Health Planning			
Entities Fund	425,533	425,533	390,073
Diabetes Regional Coordination	870,561	870,561	870,561
Enabling Technologies for Integration			
Project Management Office (Note 3)	510,000	510,000	510,000
Patients First Transition Planning and			
Implementation	-	180,000	-
	<b>1,158,704,574</b>	<b>1,177,432,450</b>	1,147,423,170
<b>Annual surplus and accumulated</b>			
<b>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, 2017

	Budget (Note 6)	2017 Actual	2016 Actual
	\$	\$	\$
<b>Annual surplus</b>	-	-	-
Prepaid expenses incurred	-	(37,305)	(31,341)
Prepaid expenses used	-	31,341	28,299
Acquisition of tangible capital assets	-	(3,900)	(98,776)
Amortization of tangible capital assets	-	149,193	197,063
Increase in net debt	-	139,329	95,245
Net debt, beginning of year	-	(319,003)	(414,248)
<b>Net debt, end of year</b>	-	(179,674)	(319,003)

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, 2017

	2017	2016
	\$	\$
<b>Operating transactions</b>		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	149,193	197,063
Amortization of deferred capital contributions (Note 4)	(149,193)	(197,063)
Changes in non-cash operating items		
Due from MOHLTC	(2,552,645)	3,869,645
Accounts receivable	(13,456)	19,274
Accounts payable and accrued liabilities	421,345	(182,333)
Due to MOHLTC	(47,691)	37,340
Due to HSPs	2,552,645	(3,869,645)
Due to LHIN Shared Services Office	(5,474)	1,772
Prepaid expenses	(5,964)	(3,042)
	<b>348,760</b>	<b>(126,989)</b>
<b>Capital transaction</b>		
Acquisition of tangible capital assets	3,900	98,776
<b>Financing transaction</b>		
Deferred capital contributions received (Note 4)	(3,900)	(98,776)
Net increase (decrease) in cash	348,760	(126,989)
Cash, beginning of year	566,842	693,831
<b>Cash, end of year</b>	<b>915,602</b>	<b>566,842</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, 2017

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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, 2017.

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 Accountability Agreement ("MLAA"), 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.

# Erie St. Clair Local Health Integration Network

## Notes to the financial statements

March 31, 2017

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### 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.

#### *Government transfer payments*

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:

# Erie St. Clair Local Health Integration Network

## Notes to the financial statements

March 31, 2017

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### 2. Significant accounting policies (continued)

#### *Tangible capital assets*

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, LHINC Collaborative and Health Shared Services Ontario*

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was 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 was 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 was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

#### *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 (2016 - \$510,000). The LHIN had a contract and retained services of the Transform Shared Service Organization ("Transform"). All funds were expended.

# Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2017

## 4. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	287,662	385,949
Capital contributions received during the year	3,900	98,776
Amortization for the year	(149,193)	(197,063)
Balance, end of year	142,369	287,662

## 5. Tangible capital assets

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	858,911	783,129	75,782	149,199
Leasehold improvements	955,933	889,346	66,587	138,463
	<b>1,814,844</b>	<b>1,672,475</b>	<b>142,369</b>	<b>287,662</b>

## 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, 2016. 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 \$1,170,767,983 is derived as follows:

	\$
Initial budget	1,152,325,441
Adjustment due to announcements made during the year	18,442,542
	<b>1,170,767,983</b>

The final LHIN budget, excluding the HSP funding, of \$6,523,561 is derived as follows:

	\$
Initial budget	6,379,133
Change in funding from the MOHLTC during the year	180,134
Amount treated as capital contributions made during the year	(3,900)
In-Year recoveries by the MOHLTC during the year	(31,806)
	<b>6,523,561</b>

# Erie St. Clair Local Health Integration Network

## Notes to the financial statements

March 31, 2017

### 7. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,170,767,983 (2016 - \$1,141,071,593) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2017 as follows:

	2017	2016
	\$	\$
Operation of hospitals	676,437,991	660,071,256
Grants to compensate for municipal taxation - public hospitals	172,500	172,500
Long-term care homes	220,720,033	220,699,564
Community care access centres	148,779,255	140,525,653
Community support services	22,826,637	22,103,369
Assisted living services in supportive housing	12,322,437	11,685,084
Community health centres	35,250,458	32,171,091
Community mental health addictions programs	12,213,804	12,065,046
Community mental health programs	42,044,868	41,578,030
	<b>1,170,767,983</b>	1,141,071,593

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2017, an amount of \$4,253,500 (2016 - \$1,700,855) 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:

	2017	2016
	\$	\$
Salaries and benefits	3,250,923	2,930,366
Occupancy	333,878	358,425
Amortization	149,194	197,063
Shared services	268,769	313,194
Public relations	17,265	53,680
Consulting services	44,866	54,584
Supplies	17,391	28,001
Board Chair per diems	41,650	43,925
Board member per diems	40,100	46,550
Board member expenses	59,218	49,260
Obstetrics expert panel	-	4,785
Mail, courier and telecommunications	37,206	37,004
LHIN collaborative	38,000	38,000
Other	156,310	202,390
	<b>4,454,770</b>	4,357,227

# Erie St. Clair Local Health Integration Network

## Notes to the financial statements

March 31, 2017

### 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:

	Budget	2017	2016
	\$	\$	\$
Salaries and benefits	681,330	701,487	666,710
Operating expenses	189,231	169,074	203,851
<b>General and administrative expenses</b>	<b>870,561</b>	<b>870,561</b>	<b>870,561</b>

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

### 10. Funding repayable to the MOHLTC

In accordance with the MLAA, 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:

	Funding received	Eligible expenses	2017 Excess funding	2016 Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,170,767,983	1,170,767,983	-	-
LHIN operations	4,312,467	4,305,577	6,890	596
Project Initiatives				
French Language Health				
Planning Entities Fund	425,533	425,533	-	35,460
Critical Care Lead Fund	75,000	73,603	1,397	-
Primary Care Lead Fund	75,000	75,000	-	-
Emergency Department Lead	75,000	75,000	-	1,284
Diabetes Regional Coordination	870,561	870,561	-	-
Enabling Technologies	510,000	510,000	-	-
LHIN Transition Planning	180,000	180,000	-	-
	<b>1,177,291,544</b>	<b>1,177,283,257</b>	<b>8,287</b>	<b>37,340</b>

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

	2017	2016
	\$	\$
Due to MOHTLC, beginning of year	93,318	55,978
Funding repayable to the MOHLTC related to current year activities (Note 10a)	8,287	37,340
Amounts repaid to MOHLTC during the year	<b>(55,978)</b>	-
<b>Due to MOHLTC, end of year</b>	<b>45,627</b>	<b>93,318</b>

# Erie St. Clair Local Health Integration Network

## Notes to the financial statements

March 31, 2017

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### 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 2017 was \$314,335 (2016 - \$283,144) 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 2016. 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.

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, 2017.

	\$
2018	808,599,254

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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:

	\$
2018	345,898
2019	336,098
2020	327,974
2021	326,401
2022	326,401
	<hr/> 1,662,772

### 14. Subsequent events

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the *Local Health System Integration Act*, 2006, as amended by the *Patients First Act*, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Erie St. Clair Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective June 21, 2017 the LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the *Home Care and Community Services Act*, 1994 and to provide information to the public about, and make referrals to, health and social services.

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