REFLECTIONS ON 2007

Erie St. Clair
Local Health Integration Network
Annual Report

Ontario

Contents

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Ipperwash, Lambton Shores, ON

The Local Health System Integration Act

Passed in March 2006, the Act is intended to provide an integrated health system to improve the health of Ontarians. This will be achieved through facilitating better access to health services and coordinated healthcare in addition to efficient and effective local management of the health system by the Local Health Integration Networks (LHINs). LHINs are responsible for coordinating and funding healthcare providers including hospitals, long-term care homes, Community Care Access Centres, community support services, Community Health Centres and community mental health and addictions programs in their specific geographic regions.

A Message from the Acting Chair of the Board of Directors

On behalf of the Board of Directors of the Erie St. Clair Local Health Integration Network, I am pleased to report on our accomplishments over the first full year of our governance from April 01, 2006 through March 31, 2007.

Early in the year, our founding Chair Mina Grossman-Ianni suffered serious injuries in an automobile accident and, as a consequence, resigned her position on the Board. As Vice-Chair of the Board, I have assumed the Chair in an acting capacity until such time that the Ministry appointment process is completed. Through the past months, the Board has built upon the foundations established by Mina, and we are grateful for her contributions to our work.

During the latter portion of the year, Paul Rietdyk resigned his position on the Board to focus his attentions more directly on his family and career. Recruitment of new Board members to fill these vacancies is underway, and we are confident that we will be able to find talented, committed members of the Erie St. Clair community to fill the void.

In the Fall of 2006, the Erie St. Clair LHIN published its first Board-approved Integrated Health Service Plan (IHSP). This document, and the Strategic Integration Directions it contains, is a direct response to the information shared with us by the various members of the Erie St. Clair community. The IHSP forms the foundation of our work for the coming years to create a locally planned healthcare system.

The Erie St. Clair LHIN Board has initiated governance-to-governance contact with all health service providers in the LHIN area, and a series of workshops was held in February with the goal of establishing ongoing relations at the governance level to strengthen the integration initiatives contained within the Integrated Health Service Plan. In the coming months, we will work with the Boards of our health service providers in the development of a series of Governance Councils to foster continued collaboration in the mission in which we all share – improving the health of the citizens of the Erie St. Clair region.

On behalf of the Board, I would like to thank the Erie St. Clair community and our health service provider partners for the direction they have provided in generating our Integrated Health Service Plan. In the coming year the Board will continue to work with the LHIN CEO, staff and governance partners to build upon previous work creating a local healthcare system.

David Wright
Acting Chair, Board of Directors

Lambton Shores, ON

A Message from the Chief Executive Officer

2006-2007 has been a year of change and growth. In this first full year of operation, we have prepared for the change from a centralized provincial system to locally-managed healthcare. Working through this transition period, the LHIN has grown into its role of planning the future for Erie St. Clair's health services – one that is reflective of our area's needs and expectations.

Our major accomplishment of this year has been the completion of our Integrated Health Service Plan, *Our People. Our Health – Erie St. Clair's First Integrated Health Service Plan*. This is a benchmark for our community as this local plan reflects what you told us about your healthcare needs. Over the next 3 years we will work hard to implement the Integrated Health Service Plan and continue to build a uniquely focused local healthcare system.

I believe in the importance of being out in the community, both listening and delivering our message about local healthcare. Our Community Engagement Strategy recognized this need. In the past year, LHIN staff made their way across Erie St. Clair, collecting your input and sharing what we have learned about our system and the people it serves. We will continue to consult with our stakeholders as we implement the Integrated Health Service Plan and collaboratively develop innovative healthcare solutions.

We have accomplished so much in a short amount of time, yet we know the biggest opportunities are just around the corner. I would like to extend thanks for everyone's contributions and ongoing hard work. I would also like to acknowledge Erie St. Clair's health service providers for their efforts at working together as a system. It is together that we will create a system that helps people stay healthy, delivers good care to them when they are sick and will be there for their children and grandchildren.

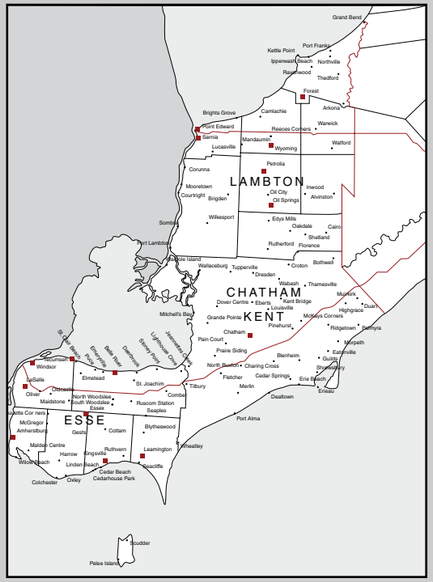
Let's Make It Happen!

Gary Switzer
Chief Executive Officer

Lake Huron, Camlachie, ON

Erie St. Clair LHIN Regional Profile

Erie St. Clair LHIN is home to approximately 651,000 people, or 5.2% of the population of Ontario, who live in the communities of Windsor-Essex, Chatham-Kent and Sarnia-Lambton.



County	*Population*	*Largest Urban Centre*	*Profile*
Essex	410,000	Windsor (56%)	3.8% Francophone 1.2% Aboriginal 11.4% Visible Minorities
Chatham-Kent	109,000	Chatham (39%)	4.0% Francophone 2.0% Aboriginal 3.8% Visible Minorities
Lambton	132,000	Sarnia (56%)	2.4% Francophone 4.3% Aboriginal 2.3% Visible Minorities

Downtown Windsor, Windsor, ON

Population Health Profile

When compared to the Ontario average, there are significant variances that impact the health service needs of Erie St. Clair residents:

- a higher proportion of seniors and a lower proportion of individuals in the 25-39 year age group
- a higher unemployment rate
- a significantly higher incidence of overweight/obese individuals
- a slightly higher proportion of individuals who practice poor lifestyle habits such as smoking, drinking, poor nutrition and inactivity
- a significantly higher prevalence of arthritis/rheumatism
- a slightly higher rate of other chronic conditions such as asthma, diabetes, heart disease and high blood pressure
- significantly higher rates of hospitalization, potential years of life lost, and mortality due to higher rates of neoplasm, circulatory disease and external causes such as injury

2007 Objectives and Accomplishments

Thamesville, ON

Mandate of the LHIN

LHINs are responsible for coordinating and funding healthcare providers which includes hospitals, long-term care homes, Community Care Access Centres, community support services, Community Health Centres and community mental health and addictions programs in their specific geographic regions.

Performance Targets

In 2006/2007, wait times for cancer and cataract surgery for the Erie St. Clair LHIN were better than the provincial targets. Opportunity remains to improve toward provincial targets for hip replacement surgery and diagnostic scans (CT and MRI). Major wait time improvement is needed for knee replacement surgery. The LHIN received one-time funding for additional diagnostic hours and surgeries, totalling $8,300,409, to address wait times for fiscal 2006/2007.

Additional funds were obtained to continue the reduction of wait times for the LHIN through the following initiatives:

- equity funding was secured for the construction of a new state-of-the-art cataract surgery clinic at Bluewater Health's Petrolia site
- education/innovation funds were obtained for Windsor-Essex, Sarnia-Lambton and Chatham-Kent to implement joint surgery best practices
- orthopedic equipment was purchased to relocate outpatient orthopedic procedures to the Wallaceburg site of the Chatham-Kent Health Alliance.

The Erie St. Clair LHIN's Alternate Level of Care (ALC) days are proportionately higher than Ontario, as are median wait times for Long-Term Care (LTC) placement. Also, median wait times for LTC placement from the acute-care setting are slightly higher than Ontario averages. To help alleviate the LTC placement wait times, the Ministry announced its intention to invest in 448 long-term care beds in the Windsor-Essex community. As a part of a provincial initiative to improve ALC, the Erie St. Clair LHIN received additional funds. The majority of the funds, $913,000, were allocated to enhance the community services capacity of the Community Care Access Centre, with a portion, $322,700, impacting emergency departments through CCAC case management and geriatric emergency management.

Old School House, Lambton County, ON

Bluewater Bridge, Sarnia, ON

Analysis of the LHIN's Operational Performance

2006/2007 was the first full year of fiscal operations for the LHIN, during which all 21 of its positions became filled. During the periods when positions were vacant, outside consultants were used to fulfill objectives.

Accountability Agreements between each LHIN and the Ministry of Health and Long-Term Care (MOHLTC) were developed for 2006/2007.

A main objective of the LHIN was to formulate strong relationships with its communities and providers. The LHIN has:

- established governance processes and policies
- developed and implemented business processes
- facilitated proposals from stakeholders
- built evidence-based data sources
- developed a Wait Time Strategy Steering Committee
- networked with other LHINs
- worked with the MOHLTC Regional Office for transition of responsibilities
- worked with existing health networks, including Regional Cancer Care Ontario, Southwest Cardiac Rehabilitation and stroke networks
- developed an E-health Strategy Group
- supported the establishment of a Community Health Centre in Wallaceburg that is expected to provide primary care to local residents including the community of Walpole Island.

Moving Forward, the LHIN Intends to:

- implement the IHSP eight Strategic Integration Directions
- continue community engagement activities, including a focus on priority populations
- develop advisory groups, project teams and a Health Service Providers Advisory Committee
- develop new and align existing networks around common goals
- further advance relationships with health service providers by enhancing understanding of roles and functions
- develop sector reviews in order to determine strengths, weaknesses, opportunities and threats to existing and potential services
- develop a performance management framework

Lakeview Park Marina, Windsor, ON

Knowledge Transfer Process

Knowledge transfer between the MOHLTC and the LHIN has been an ongoing process of working with various branches of the Ministry.

Regular meetings occurred between the Regional and Corporate offices of the MOHLTC and the LHIN. The meetings involved:

- reviewing each transfer payment organization's budget, operating objectives, and key issues related to accountability
- discussing Hospital Annual Plan Submissions (HAPS) and Hospital Accountability Agreement (HAA) processes for fiscal 07/08
- performing the Gateway Review to assess the readiness of the LHINs for the transfer of authority on April 1, 2007

Further knowledge transfer sessions have been scheduled.

Development and Approval of New MOU

The LHINs and the MOHLTC have defined, through a new Memorandum of Understanding (MOU), the relationship in which the LHINs and the Ministry will develop mutual accountabilities and performance expectations. The new MOU received Cabinet approval on January 24, 2007 and became effective on April 1.

Community Engagement

The LHIN established a community engagement strategy in conjunction with the Accountability Agreement. The strategy encompassed objectives to facilitate community participation in local healthcare decisions, a commitment to equity and respect for diversity and support for transparent decision making.

Community Engagement continued its role of raising awareness about the role of the LHIN. The following is a list of strategies undertaken to engage the public and healthcare providers:

- community round table meetings and Feet on the Street survey
- provider listening booths
- media development through conferences, press releases, public service announcements, radio and television appearances
- communication materials such as newsletters, brochures and virtual open house kits
- presentations to providers, municipal councils and interest groups
- open Board meetings
- web site redevelopment

Integrated Health Service Plan (IHSP) Development and Release

IHSP Development

The development of the LHIN's first IHSP, titled *Our People. Our Health – Erie St. Clair's First Integrated Health Service Plan* included input from community engagement events reaching approximately 8,000 Erie St. Clair residents.

An IHSP Steering Committee was developed to oversee the planning process and give insight into local issues. It was supported by three geographic teams from Essex County, Lambton County and Chatham-Kent.

The geographic teams included representation from local healthcare providers, physicians, community members and LHIN Board members. Their role included assisting LHIN staff in the collection and dissemination of information, engaging members of the community, providing guidance on intra-LHIN issues and ultimately shaping the IHSP.

Community Engagement Forums

Round table meetings were held to inform the community about the IHSP process, to provide a population health profile of Erie St. Clair, and to validate Priority Report findings, all while listening to local health needs. Sessions were held in Amherstburg, Chatham, Essex, Forest, Grand Bend, Pain Court, Petrolia, Ridgetown, Sarnia, Tilbury, Wallaceburg and Windsor with a total of 485 participants.

A large component of the community engagement process was the Feet on the Street survey. The survey was based on key themes from the round table meetings and reached approximately 7,500 Erie St. Clair residents. The findings of the poll were analyzed and considered in the IHSP Strategic Integration Direction formulation.

As part of the IHSP community engagement process, the LHIN contacted local aboriginal communities to understand the characteristics of their local healthcare needs. The North Lambton Community Health Centre Satellite in Kettle Point and Stoney Point provided insightful information on the role of the health clinic. The LHIN will continue to build on its initial efforts to support the needs of the local aboriginal community.

Eight Strategic Integration Directions

As a result of the IHSP planning, eight Strategic Integration Directions have been identified:

- chronic disease management
- reduced dependence on hospitals
- support at home
- health promotion/illness prevention
- e-health and back office integration
- system navigation
- health human resources
- timely access to care

IHSP Communication Strategy

To maximize awareness around the IHSP, a communication strategy was created that included:

- media conferences and releases
- workshops with health service providers
- citizen guides
- IHSP book launch
- health service provider listening booths
- presentations
- web publications

Copies of the IHSP were delivered to all health service providers and stakeholders, and were made available to the public online.

IHSP Implementation

As the LHIN began planning its Strategic Integration Direction implementation strategy, a prioritized staged model was created and communicated to the public in the form of a brochure.

Engaging Health Service Providers

The LHIN Integration Consultants have had on-site meetings with all LHIN-funded health service providers to maintain open dialogue and identify themselves as the primary contact person for each of the organizations.

Governance

DIRECTOR	*TENURE*
David Wright	June 1, 2005 – May 31, 2008 (Director) May 17, 2006 – May 31, 2008 (Vice Chair)
Michael Hurry	January 5, 2006 – February 4, 2007 Re-appointed February 5, 2007 – February 4, 2010
Leland J. Martin	January 5, 2006 – January 4, 2008
Douglas Cozad	May 17, 2006 – June 16, 2007
Gary Parent	May 17, 2006 – May 16, 2008
Howard Pawley	May 17, 2006 – June 16, 2007
Renée Moison	September 20, 2006 – September 19, 2009
Mina Grossman-Ianni	June 1, 2005 – May 31, 2008 Resigned December 13, 2006
Mary Kwong-Lee	June 1, 2005 – May 31, 2008 Revoked June 22, 2006
Paul Rietdyk	May 17, 2006 – May 16, 2008 Resigned February 21, 2007

Board governance activities included LHIN Board and Committee meetings, Provincial LHIN Board orientation sessions, Rotman School of Business Board governance sessions, and a LHIN Board policies and planning retreat.

Governance-to-Governance

The Board of Directors initiated governance-to-governance contact with all health service providers through a series of workshops held in February. The goal of the workshops was to establish ongoing relations at the governance level and strengthen the alignment with the Integrated Health Service Plan. The LHIN Board is planning a series of Governance Councils to foster continued collaboration.

Board Assessment Tool

The Board of the Erie St. Clair LHIN has completed the agreed-upon LHIN-wide evaluation tool as required by the MOU. The Board has created an internal Board meeting evaluation tool that is completed by Board members following each meeting as a feedback process.

Committees of the Board

The Board has established an Audit Committee and a Nominations Committee, as per the requirements in the current Memorandum of Understanding.

Conflict of Interest Policy

All current Board members of the Erie St. Clair LHIN met with a Conflict of Interest Commissioner in February 2007 and completed their declarations. The Conflict of Interest Commissioner provided advice in accordance with the LHIN Conflict of Interest Policy, and the Commissioner's letters are on file at the LHIN office.

Financial Statements of ERIE ST. CLAIR LOCAL HEALTH INTEGRATION NETWORK

March 31, 2007

Waterfront, Courtright, ON

Auditors' Report

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

We have audited the statement of financial position of Erie St. Clair Local Health Integration Network (the "LHIN") as at March 31, 2007 and the statements of financial activities, changes in net debt, and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. 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 plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Erie St. Clair Local Health Integration Network as at March 31, 2007 and the results of its operations, its changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
May 1, 2007

ERIE ST. CLAIR LOCAL HEALTH INTEGRATION NETWORK
Statement of Financial Position March 31, 2007

	2007	2006 (Notes 3, 14)
FINANCIAL ASSETS		
Cash	$ 403,697	$ 28,842
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	348,053	-
Due to Ministry of Health and Long-Term Care ("MOHLTC")	-	28,842
Due to the LHIN Shared Services Office (Note 5)	55,644	-
Deferred capital contributions (Note 6)	614,673	792,815
	1,018,370	821,657
NET DEBT	(614,673)	(792,815)
NON-FINANCIAL ASSETS		
Capital assets (Note 7)	614,673	792,815
ACCUMULATED SURPLUS	$ -	$ -

APPROVED BY THE BOARD

.....Director

..... Director

ERIE ST. CLAIR LOCAL HEALTH INTEGRATION NETWORK
Statement of Financial Activities, Year ended March 31, 2007

	2007 Budget (unaudited, Note 8)	2007 Actual	2006 Actual (Notes 3, 14)
REVENUE			
MOHLTC funding	$3,107,258	$3,085,664	$228,694
E-Health funding (Note 11)	151,000	151,000	-
Amortization of deferred capital contributions (Note 6)	-	199,735	198,204
	3,258,258	3,436,399	426,898
EXPENSES			
General and administrative (Note 9)	3,107,258	3,285,399	398,056
E-Health (Note 11)	151,000	151,000	-
	3,258,258	3,436,399	398,056
ANNUAL SURPLUS BEFORE FUNDING REPAYABLE TO THE MOHLTC	-	-	28,842
FUNDING REPAYMENT TO THE MOHLTC	-	-	(28,842)
ANNUAL SURPLUS	-	-	-
OPENING ACCUMULATED SURPLUS	-	-	-
CLOSING ACCUMULATED SURPLUS	$ -	$ -	$ -

ERIE ST. CLAIR LOCAL HEALTH INTEGRATION NETWORK
Statement of Changes in Net Debt, Year ended March 31, 2007

	2007	2006 (Notes 3, 14)
ANNUAL SURPLUS	$ -	$ -
ACQUISITION OF TANGIBLE CAPITAL ASSETS	(21,593)	(991,019)
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	199,735	198,204
DECREASE (INCREASE) IN NET DEBT	178,142	(792,815)
OPENING NET DEBT	(792,815)	-
CLOSING NET DEBT	$ (614,673)	$ (792,815)

ERIE ST. CLAIR LOCAL HEALTH INTEGRATION NETWORK

Statement of Cash Flows Year ended March 31, 2007

	2007	2006 (Notes 3, 14)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Annual surplus	$ -	$ -
Less items not affecting cash		
Amortization of capital assets	199,735	198,204
Amortization of deferred capital contributions (Note 6)	(199,735)	(198,204)
	-	-
USES		
Decrease in due to MOHLTC	(28,842)	-
	(28,842)	-
SOURCES		
Increase in due to LHIN Shared Services Office	55,644	-
Increase in accounts payable and accrued liabilities	348,053	28,842
	403,697	28,842
CAPITAL TRANSACTIONS		
Acquisition of capital assets	(21,593)	(991,019)
FINANCING TRANSACTIONS		
Increase in deferred capital contributions (Note 6)	21,593	991,019
NET INCREASE IN CASH	374,855	28,842
CASH, BEGINNING OF YEAR	28,842	-
CASH, END OF YEAR	$ 403,697	$ 28,842

1. DESCRIPTION OF BUSINESS

Formation and status

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 both the Act and the Memorandum of Understanding between the LHIN and the Ministry of Health and Long-Term Care (the "MOHLTC").

The LHIN has also entered into an annual Accountability Agreement for the fiscal year 2007 with the MOHLTC which describes the responsibilities of the LHIN and the performance standards that are required to be maintained and achieved in order to obtain funding from the Province.

As of April 1, 2007, funding payments to providers will flow through the LHIN's financial statements. These transfer payments will be reflected as revenue and expenses in the LHIN's financial statements for the year ended March 31, 2008 and thereafter.

LHIN operations

The objects 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 healthcare 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 counties of Essex, Lambton and Chatham-Kent.

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 Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. 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 and losses in the value of assets.

Ipperwash Beach, Ipperwash, ON

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC.

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.

Deferred contributions

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. These 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. 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 over the useful life of the asset reflective of the provision of its services. This amortization revenue is in accordance with the amortization policy applied to the related capital asset recorded.

Cash

Cash includes cash on hand and balances with banks, net of bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible 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:

Computer equipment	three years straight-line method
Leasehold improvements	life of lease straight-line method
Office furniture and fixtures	five years straight-line method
Web development	three years straight-line method

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Actual results could differ from those estimates.

Lake Erie, Erie Beach, ON

3. ADOPTION OF PUBLIC SECTOR ACCOUNTING RECOMMENDATIONS

At the direction of the MOHLTC, commencing in 2007, the LHIN has adopted generally accepted accounting principles, applying government accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The comparative figures included in these financial statements have been restated to conform with accounting standards adopted for the current year. As a result of this change, during the year the LHIN obtained the fair market value for the donated tangible capital assets received in the prior fiscal period and chose to reflect this more meaningful valuation in the financial statements. This change has been applied retroactively and the prior period has been restated resulting in an increase in deferred capital contributions, net debt and capital assets of $792,815 on the statement of financial position. On the statement of financial activities amortization of deferred capital contributions increased by $198,204 as did general and administrative expenses. On the statement of changes in net debt acquisition of tangible capital assets increased by $991,019 amortization of tangible capital assets increased by $198,204 and closing net debt increased by $792,815.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The MOHLTC has included accounts payable and accrued liabilities totaling $147,866 in its records on behalf of the LHIN as at March 31, 2006. These expenses are included in amounts disclosed in Note 9 related to the prior period.

5. RELATED PARTY TRANSACTIONS

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 on an equal basis. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the share service agreement the LSSO has with all the LHINs.

6. DEFERRED CAPITAL CONTRIBUTIONS

	2007	2006
Balance, beginning of year	**$792,815**	$ -
Capital contributions received during the year	**21,593**	991,019
Amortization for the year	**(199,735)**	(198,204)
Balance, end of year	**$614,673**	$792,815

7. CAPITAL ASSETS

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Office Equipment	**$ 461,297**	**$ 184,518**	**$ 276,779**	$ 369,037
Computer Equipment	**4,593**	**1,532**	**3,061**	-
Web Development	**17,000**	**-**	**17,000**	-
Leasehold Improvements	**529,722**	**211,889**	**317,833**	423,778
	$1,012,612	**$ 397,939**	**$ 614,673**	$ 792,815

8. BUDGET FIGURES

The total operating budget of $3,107,258 has been approved by the MOHLTC. The figures are unaudited and have been reclassified for the purposes of these statements to comply with PSAB reporting principles.

9. GENERAL AND ADMINISTRATIVE EXPENSES

For the period ended March 31, 2006, certain operating expenses, other than those disclosed on the statement of financial activities, were approved and paid for on behalf of the LHIN by the MOHLTC. These amounts were not included with the LHIN's financial activities and are disclosed below for information purposes.
These expenses are as follows:

Salaries and benefits	$ 80,005
Accommodation/Occupancy	1,338,762
Common services	42,126
Information technology	89,656
Other expenditures	221,848
	$ 1,772,397

For the first three months of fiscal 2007, all financial information was processed by the MOHLTC on behalf of the LHIN. Unlike in 2006, these amounts are considered expenses of the LHIN directly and are included as part of the financial activities of the LHIN and included in the Statements of Financial Activities. Subsequent to the prior year's fiscal close, additional amounts totalling $45,628 of prior period expenses were noted as not having been accrued and are included in the current year expenses, due to differences in cut-off reporting by the MOHLTC. For the year ended March 31, 2007, these amounts were included in the Statement of Financial Activities of the LHIN.

9. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2007	2006
Salaries and benefits	$ 1,392,921	$ 197,993
Occupancy	184,900	-
Amortization	199,735	198,204
Shared services	290,201	-
Public relations	152,278	-
Consulting services	598,595	-
Supplies	79,595	1,741
Board member per diems	63,846	-
Board member expenses	127,180	-
Mail, courier and telecommunications	44,808	65
Other	151,340	53
	$3,285,399	$398,056

10. PENSION AGREEMENTS

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 17 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 2007 was $82,833 (2006 - $19,957) for current service and is included as an expense in the Statement of Financial Activities.

11. E-HEALTH

The E-Health office of the Ministry of Health and Long-Term Care provided $151,000 to the LHIN. The LHIN had a contract and retained services of the Courtyard Group during 2007. The Courtyard Group provided services and deliverables as described in the contract. In return, the LHIN agreed to reimburse the Courtyard Group for expenses incurred during the performance of this work. The total amount of the expenses reimbursed during the duration of this contract was $151,000.

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 favour 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 commitments under various operating leases, including building and operating leases. Lease renewals are likely. Minimum lease payments due in each of the next five years and thereafter are as follows:

2008	$161,268
2009	159,458
2010	155,546
2011	64,479
2012 and thereafter	-
	$540,751

14. COMPARATIVE FIGURES

The prior period figures are from the date of incorporation, June 2, 2005 to March 31, 2006. The comparative figures have been reclassified to conform to the current year's presentation. During the 2007 fiscal year, the LHIN received direction from the MOHLTC in its Memorandum of Understanding to follow PSAB accounting. Presentation changes are a result of the change in presentation format to comply with PSAB.

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