North Simcoe Muskoka
LOCAL HEALTH INTEGRATION NETWORK

RÉSEAU LOCAL D'INTÉGRATION DES SERVICES DE SANTÉ
de Simcoe Nord Muskoka

Working Together for a Better Health Care System

North Simcoe Muskoka LHIN – 2006-2007 Annual Report

Ontario

LHINs…health care managed in our communities, by our communities, for our communities

Ontario's 14 Local Health Integration Networks (LHINs) are responsible for planning, funding and integrating health services in their local regions across Ontario. LHINs work with local health providers and community members to determine the health service priorities of their regions. They started operations in the fall of 2005, and assumed their full role on April 1, 2007. LHINs do not provide services directly. They have responsibility for managing the overall healthcare system in their geographic region, which is comprised of services provided by public and private hospitals, community care access centres, community support service organizations, mental health and addiction agencies, community health centres and long-term care homes.

LHINs were founded on the principle that community-based care is best planned, coordinated and funded in an integrated manner at the community level, because local people are best able to determine their own health service needs and priorities.

LHINs are a key component in the Government of Ontario's plan to build a better health care system that delivers on three priorities – providing better access, keeping Ontarians healthy and reducing wait times. It is already a good system, but it can be even better: more patient-centred, more efficient and more accountable. Improving integration and coordination will help ensure that Ontarians receive the care they need now and in the future.

Message from the Chair and CEO

Ruben Rosen
Board Chair

Jean Trimnell
Chief Executive Officer

'Building a better health care system'

On April 1, 2007, responsibility for funding and coordinating a majority of health services in Ontario was transferred from the Ministry of Health and Long-Term Care to the 14 Local Health Integration Networks. It was a smooth and efficient transition. A year of careful preparation helped ensure that the North Simcoe Muskoka LHIN had the right people, processes and knowledge to take on its new leadership role for our health system.

Many activities went into building our LHIN in 2006-07. We put in place the people and systems to manage our health care system today. With input from the communities, we developed the plans and strategies to create a better health care system for North Simcoe Muskoka in the future. And we implemented governance and operating procedures to ensure that everyone involved in planning and delivering our health services works together effectively.

These accomplishments were achieved by many people with different skills, expertise, backgrounds, interests and concerns. What they share, however, is an enthusiasm for making North Simcoe Muskoka's health care system even better than it already is. That enthusiasm can be seen in our LHIN staff and Board members who have worked hard to build our organization. We see it in people of the North Simcoe Muskoka communities who shared with us their experiences with and aspirations for our health care system. And we see it in the dedicated professionals and volunteers in the many health care organizations who are embracing the challenge of finding new and better ways of working together to further improve the quality of services provided to our patients.

Our health care system belongs to us—the people of North Simcoe Muskoka. By sharing and combining our efforts and enthusiasm, we can build a better health care system for our residents.

Members of the Board

Ruben Rosen, Chair

Committee Membership:

- Audit
- CEO Performance & Compensation
- Governance

Shelly van den Heuvel, Vice-Chair

Committee Membership:

- CEO Performance & Compensation (C)
- Governance

Carolyn Bray, Director

Committee Membership:

- Governance

Lynda Coad, Director

Committee Membership:

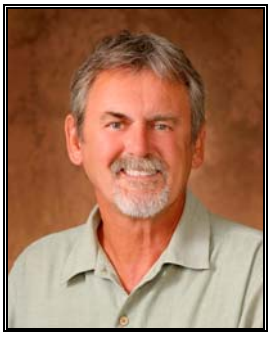
- CEO Performance & Compensation

Lillian (Anne) Gagné, Director

Committee Membership:

- Audit

Michael (Mick) Peters, Director



Committee Membership:

- Audit
- CEO Performance & Compensation

Marilyn (Lynn) Stevenson, Director

Committee Membership:

- Audit (C)

George Todd, Director

Committee Membership:

- Governance (C)

Governance

'Open, accessible and accountable decision-making'

The North Simcoe Muskoka LHIN is governed by a Board of Directors with up to nine members. Currently two positions are vacant and we are actively recruiting for additional Board member. In our initial year, 2005, we focused on recruiting directors from the North Simcoe Muskoka communities for our skills-based board. This year, the Board turned its attention to implementing mechanisms that will ensure effective governance of the North Simcoe Muskoka LHIN.

Our Board established three committees to address some of the Board's key responsibilities.

- An Audit Committee, whose responsibilities include oversight related to financial reporting, audit activities and risk management and control.
- A Governance Committee, whose responsibilities include overseeing all governance matters of the North Simcoe Muskoka LHIN and ensuring that it has a fully populated Board of Directors, supported by a comprehensive orientation and education program.
- A CEO Performance and Compensation Committee responsible for developing and implementing a process to evaluate the performance of the North Simcoe Muskoka LHIN's CEO.

This year, the Board adopted the Ministry of Health and Long-Term Care's Conflict of Interest Policy. The seven current Board members met with a Conflict of Interest Commissioner in 2006/07 and completed their declarations. The Conflict of Interest Commissioner provided advice in accordance with the LHIN Conflict of Interest Policy.

Board Orientation and Development

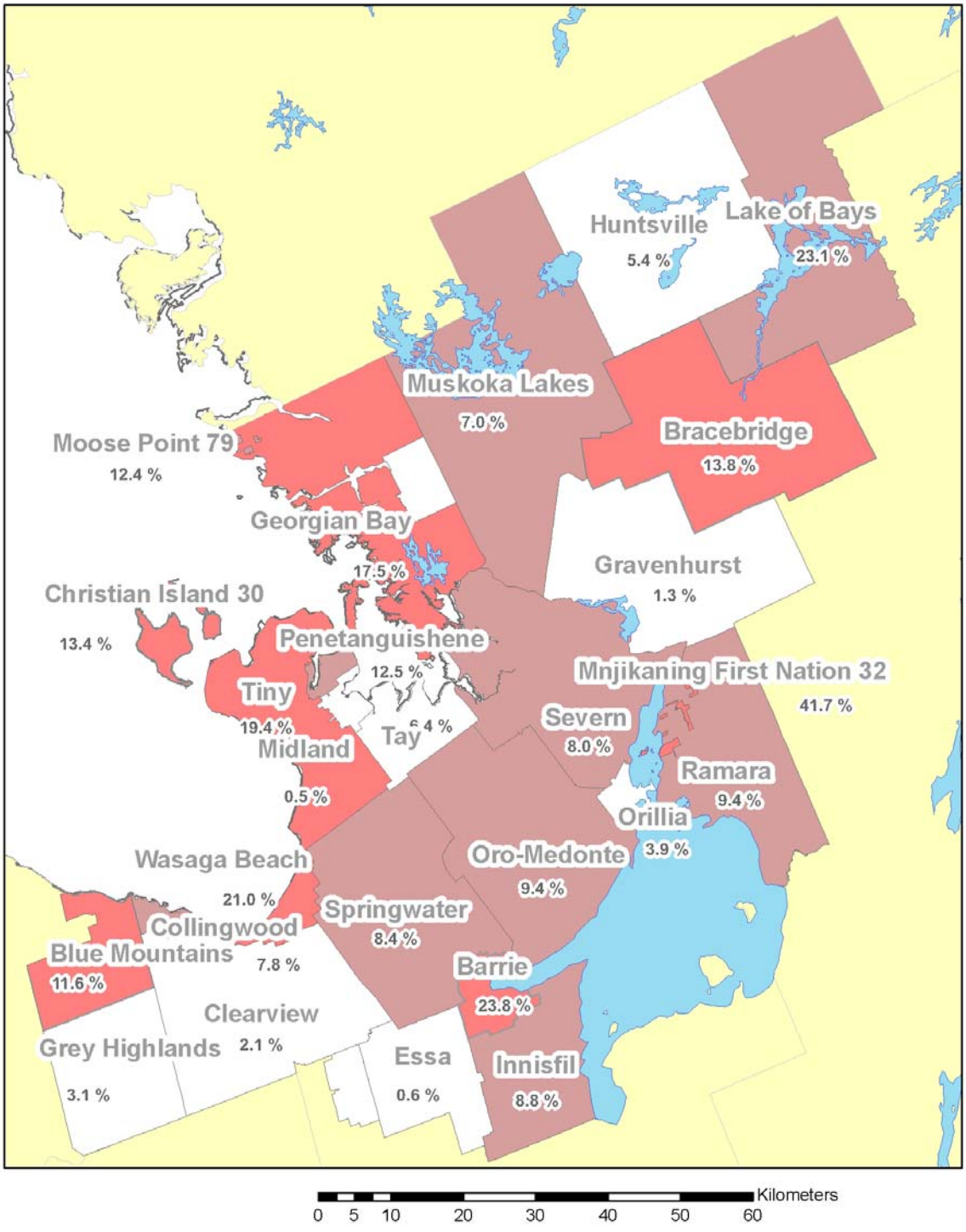
To carry out their responsibilities effectively, Board members must have an understanding of a range of important issues including: their role, Ontario's health care strategy, the responsibilities of the North Simcoe Muskoka LHIN, health care and other related issues, health care providers and the people living in North Simcoe Muskoka. Our Board is committed to ensuring the ongoing education of its members and has developed an education program which is held over eight days during the course of the year.

LHINs are designed to make health care decision making more open and accessible to the people most affected by them - the local communities. In December 2006, our Board opened its monthly meetings to the public. Each meeting begins with a one-hour education and development session on a variety of topics on health care issues of importance to our communities. These informative sessions have been very well attended by our Health Service Providers, the general public and local media.

The members of our Board are enthusiastic participants in all our community engagement activities. They are involved in strategic planning sessions, speaking engagements and have active roles in our annual Open House. These and other activities provide Board members with excellent insights into the health care needs and experiences of our communities.

The total annual remuneration for members of the Board of Directors for fiscal 2006-2007 was $126,300.

Population Growth (2006 Census) North Simcoe Muskoka LHIN



Map 1: This map demonstrates region of the North Simcoe Muskoka LHIN that experienced growth higher than the provincial average. Darker areas show regions where there was a > 10% increase in population from 2001 (StatsCan, 2006 Census, Community Profiles)

Health and Population Profiles

'North Simcoe Muskoka—Growing Fast and Aging Faster'

Most Ontarians know our region as "cottage country," and as a popular retirement destination but more and more people are starting to call it home. Since 1998, Barrie has been the fastest-growing metropolitan area in Canada. Between 2001 and 2006, our LHIN's population increased by 9% from 390,000 to 425,000 people. Eleven of our 26 communities grew at twice the provincial average and some, such as Barrie and Wasaga Beach, grew three times as fast—and are still growing. What's more, because North Simcoe Muskoka is a recreational destination, the population of many of our communities increases dramatically each summer and winter.

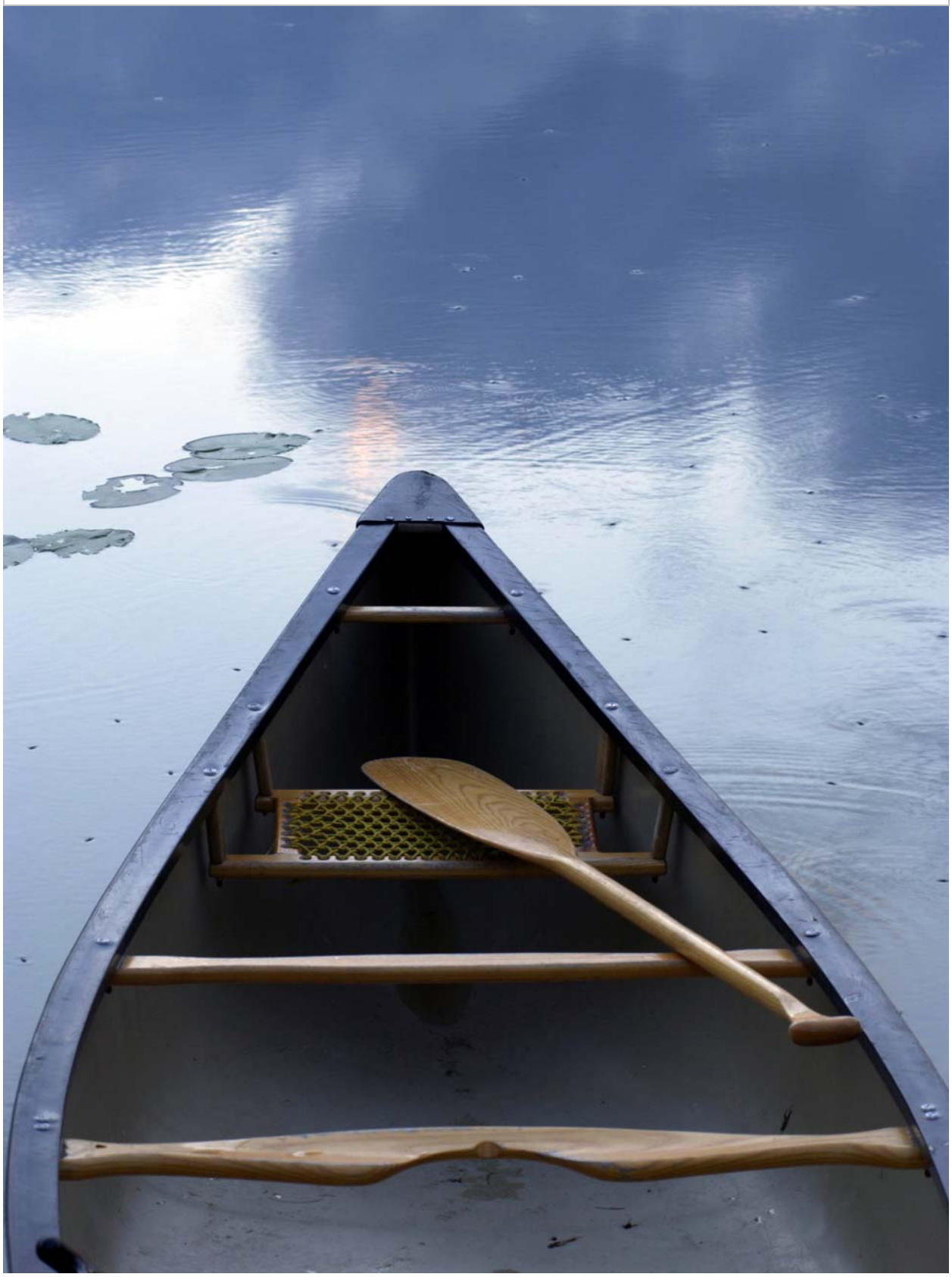
North Simcoe Muskoka's popularity as a retirement destination is a key reason why our population is proportionately older, and becoming more so, than is typical in the rest of Ontario. We have one of the fastest-growing populations of seniors in the province. Between 2004 and 2016, we will see a 42% increase in the number of Ontarians age 65 and over. In North Simcoe Muskoka, however, our population of seniors will grow by 65% during the same period. At the same time, the percentage of younger people in our region is declining. Already, North Simcoe Muskoka has fewer young adults (people aged 20-24) than the provincial average.

Like the nature of its population, North Simcoe Muskoka's health care needs also differ from the rest of the province. For example, our region makes a much higher usage of hospital Emergency Departments, in part because of the seasonal increases in people coming here for recreational activities.

Our citizens tend to be hospitalized more than others in the province, have a higher mortality rate and lower life expectancy. High smoking and obesity rates, coupled with our rapidly aging population, are indicators of health that can only get worse if something is not done. This is why managing and preventing chronic disease is a major focus of the Integrated Health Service Plan. When diseases are found and managed early, it is often possible to prevent their progress and reduce the health complications associated with them. Examples of chronic diseases include cancer, heart failure, high blood pressure, stroke, arthritis, diabetes, asthma, bronchitis, emphysema and depression.

North Simcoe Muskoka's Aboriginal population grew at a rate of 26% between 2001 and 2006, with some Aboriginal communities growing by as much as 40%. Compared to the rest of our region, these communities have higher unemployment rates, lower education levels and a greater number of lower income families, as well as higher mortality rates and health service utilization rates.

Building on Local Success



Objectives/Accomplishments

'Managing health care in North Simcoe Muskoka'

In April 2006, the North Simcoe Muskoka LHIN administration consisted of a small staff and a newly appointed Board, who shared a strong desire to work with our communities to begin building a better health care system. It was an exciting, busy and very rewarding year. Here are some of the highlights.

We invited people across North Simcoe Muskoka to help us build a better health care system. "If you could imagine a better health care system, what would it look like?" During the spring and summer of 2006, we asked people and health care providers across North Simcoe Muskoka to share their vision of a better health care system. They responded enthusiastically, telling us what works welland what needs to be improved. Based on their input, we developed and released North Simcoe Muskoka's first Integrated Health Service Plan in December 2006. This three-year strategic plan will help us improve the health of North Simcoe Muskoka residents, provide the right care, in the right place at the right time and to use resources wisely—and it has been greeted with great enthusiasm.

We created processes to govern and guide the North Simcoe Muskoka LHIN. Our Board of Directors focussed on key areas of governance responsibility, such as oversight of the Integrated Health Service Plan, the financial well-being of the North Simcoe Muskoka LHIN, the effective functioning of the Board itself, and a process to measure the performance of the CEO. The Board also approved Conflict of Interest guidelines, a three-year Accountability Agreement and a new Memorandum of Understanding with the Ministry.

We helped achieve Ontario's critical care priorities in North Simcoe Muskoka. We compiled an inventory of critical care services. Our Critical Care Strategy leader, Dr. Guilio DiDiodato began networking with critical care staff across our region. The new provincial Critical Care Information System was initiated at Royal Victoria Hospital in Barrie and will provide important data to help improve critical care treatment.

We began implementing an e-Health Strategy. An e-Health Advisory Committee was formed to develop an e-Health Strategic Implementation Plan for North Simcoe Muskoka. Members were drawn from a variety of health service providers locally and provincially. The plan identifies and prioritizes several initiatives for the LHIN including advancing the development of the Electronic Health Record, encouraging development of regional e-Business systems and enhancing the management of chronic disease.

We are reducing some key wait times. Wait times in North Simcoe Muskoka for many of the province's five priority health services are among the lowest in Ontario. As of March 2007, North Simcoe Muskoka had the shortest wait times for cataract surgery in Ontario, well below the provincial benchmark. In January, 2007, a new Magnetic Resonance Imaging (MRI) facility was opened at Orillia Soldiers' Memorial Hospital, which will help reduce the wait time required for MRIs.

We are piloting an integrated approach to treat total joint disease. As part of the provincial Wait Time Strategy, North Simcoe Muskoka is piloting an integrated model of care for total joint disease that will provide patients with a seamless continuum of care from diagnosis, through treatment, to rehabilitation. Our region's six hospitals, the Community Care Access Centre and the North Simcoe Muskoka LHIN are working together to share their expertise and resources on this special one-year pilot project funded by the Ministry of Health and Long-Term Care, which is designed to provide patients with standardized care and services close to home and help reduce wait times under Ontario's Wait Time Strategy.

Community Involvement

'Working with those who best understand our health care needs … the North Simcoe Muskoka communities'

North Simcoe Muskoka has an excellent health care system, but we can make it better. Beginning in the spring of 2006, we asked people living in North Simcoe Muskoka and the health care providers who work here to share their vision for a better health care system. They told us what works best today…and what needs to be improved. They also helped identify the most important things to address immediately, and the action plans to do that.

We gathered this information through a four-phase community engagement strategy that focused on understanding needs, setting priorities, developing action plans, and creating a three-year strategic plan. Over 5,000 health service providers, physicians, consumers and members of the communities provided their input through open houses, focus groups, surveys and workshops. Members of the North Simcoe Muskoka LHIN also visited health services organizations and attended a variety of community events to gather further input.

In December 2006, we released the North Simcoe Muskoka LHIN Integrated Health Service Plan—a plan to make our communities' vision of a better health care system real. The Integrated Health Service Plan identifies three strategic directions:

- Improve the health of residents
- Improve access to the right care, in the right place, at the right time, and
- Ensure the wise use of our health care resources.

Each strategic direction is supported by specific actions to be implemented between April 2007 and March 2010. In addition, the Integrated Health Service Plan includes activities to gain a better understanding of the health care needs of francophones, women and the frail elderly, prior to setting specific goals to address their health care needs. Copies of the plan are available at www.nsmlhin.on.ca or by contacting the North Simcoe Muskoka LHIN office.

Since the release of our Integrated Health Service Plan, LHIN staff and health service providers have been very busy. Three Regional Action Groups have been set up: Complex Continuing Care, Alternate Level of Care, and Addictions and Mental Health.

Two other major activities planned for the LHIN are:

- Health Human Resources Think Tank, June 11th with key note speaker Dr. Joshua Tepper, Assistant Deputy Minister, Ministry of Health and Long-Term Care
- Chronic Disease Prevention and Management Forum, "Setting the Stage for Change", June 21st with key note speaker Dr. Michael Rachlis, Author and Health Policy Analyst.

Improving Aboriginal Health

Aboriginal communities face some distinct and challenging health care needs. Research studies have determined that the health of Aboriginal people across Canada is below the national average.

An important part of our process to develop the Integrated Health Service Plan involved working with Aboriginal communities in North Simcoe Muskoka to gain a clear understanding of their health priorities, the gaps that exist in their health care services and barriers to their ability to access services, as well as recommendations to close those gaps and remove the barriers. Several of the Integrated Health Service Plan's recommendations for improving Aboriginal health are already being implemented.

An Aboriginal Steering Committee was formed in late 2006, which includes representatives from North Simcoe Muskoka's various Aboriginal organizations and communities. The Committee meets monthly and is helping the North Simcoe Muskoka LHIN set up an Aboriginal health secretariat, or planning body, to address Aboriginal health priorities.

Understanding Francophone Health

Approximately 3% of North Simcoe Muskoka's population reports French as their mother tongue. Ontario's francophone population is older with more elderly women than the provincial average. Francophones tend to rate their health lower than others, and while their levels of activity and chronic disease are equivalent to the general population in most instances, their rates of heart disease are higher.

Currently, limited information is available about the health of francophones in North Simcoe Muskoka. The Integrated Health Service Plan identifies the need to gather data on francophone health issues as the first step in addressing francophone health needs. The North Simcoe Muskoka LHIN has also set up a French Language Action and Support Committee to help assess these needs and identify actions to address them.

Operations

'Acquiring the talent and the tools for local health system management'

The focus of this year's operational activities was on building a strong team and the functional capabilities to enable the North Simcoe Muskoka LHIN to take on its full responsibilities beginning in April 2007.

On April 1, 2006, the LHIN's staff consisted of a small core team comprised of the CEO, business manager, senior director - planning, integration and community engagement, senior director - performance monitoring, contract and allocation, and one administrative assistant. Through a broad public recruitment drive during the summer and fall of 2006, ten additional staff members were hired with a wide range of backgrounds, including experience with ministries other than health, the Ministry of Health and Long-Term Care (Financial Branch) and local health service providers. Three additional staff members joined the North Simcoe Muskoka LHIN in 2007.

Our team has been working closely with the Ministry of Health and Long-Term Care and the Ministry of Finance to gain a full understanding of the operational details related to coordinating health services in North Simcoe Muskoka. These include funding procedures and frameworks, risk management issues, integration approaches and other responsibilities transferred to us when the Ministry's Regional Office was wound down in April 2007. At the same time, we built finance, information technology, human resources, communications and other processes necessary for us to manage our own business.

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Auditors' Report

To the Members of the Board of Directors of the
North Simcoe Muskoka Local Health Integration Network

We have audited the statement of financial position of North Simcoe Muskoka Local Health Integration Network (the "LHIN") as at March 31, 2007 and the statements of financial activities, changes in net debt balance 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 North Simcoe Muskoka 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
April 25, 2007

NORTH SIMCOE MUSKOKA LOCAL HEALTH INTEGRATION NETWORK
Statement of Financial Position
March 31, 2007

	2007	2006 (Notes 3, 14)
FINANCIAL ASSETS		
Cash	**$ 660,197**	$ 31,318
Accounts receivable from Ontario Realty Corporation	**4,214**	-
	664,411	31,318
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	**530,501**	-
Due to Ministry of Health and Long-Term Care ("MOHLTC")	**50,545**	31,318
Due to the LHIN Shared Services Office (Note 5)	**83,365**	-
Deferred capital contributions (Note 6)	**627,481**	756,625
	1,291,892	787,943
NET DEBT	**(627,481)**	(756,625)
NON-FINANCIAL ASSETS		
Capital assets (Note 7)	**627,481**	756,625
ACCUMULATED SURPLUS	**$ -**	$ -

APPROVED BY THE BOARD

RJ Rosen.

S. vandenHeuvel

NORTH SIMCOE MUSKOKA LOCAL HEALTH INTEGRATION NETWORK
Statement of Financial Activities
Year ended March 31, 2007

	2007		2006
	Budget	**Actual**	Actual
	(unaudited) (Note 8)		(Notes 3, 14)
REVENUE			
MOHLTC funding	**$ 3,140,137**	**$ 3,012,721**	$ 235,293
E-Health funding (Note 10)	**129,000**	**129,000**	-
Amortization of deferred capital contributions	**-**	**223,561**	197,490
	3,269,137	**3,365,282**	432,783
EXPENSES			
General and administrative (Note 9)	**3,140,137**	**3,191,591**	401,465
E-Health (Note 10)	**129,000**	**123,146**	-
	3,269,137	**3,314,737**	401,465
ANNUAL SURPLUS BEFORE FUNDING REPAYABLE	**-**	**50,545**	31,318
FUNDING REPAYABLE TO THE MOHLTC	**-**	**(50,545)**	(31,318)
ANNUAL SURPLUS	**-**	**-**	-
OPENING ACCUMULATED SURPLUS	**-**	**-**	-
CLOSING ACCUMULATED SURPLUS	**$ -**	**$ -**	$ -

NORTH SIMCOE MUSKOKA 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	**(94,417)**	(954,115)
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	**223,561**	197,490
DECREASE (INCREASE) IN NET DEBT	**129,144**	(756,625)
OPENING NET DEBT	**(756,625)**	-
CLOSING NET DEBT	**$ (627,481)**	$ (756,625)

NORTH SIMCOE MUSKOKA 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	**$ -**	$ 31,318
Less items not affecting cash		
Amortization of deferred capital contributions	**(223,561)**	(197,490)
Amortization of capital assets	**223,561**	197,490
	-	31,318
USES		
Increase in accounts receivable from Ontario Realty Corporation	**(4,214)**	-
SOURCES		
Increase in accounts payable and accrued liabilities	**530,501**	-
Increase in due to MOHLTC	**19,227**	31,318
Increase in due to LHIN Shared Services Office	**83,365**	-
	633,093	31,318
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	**(94,417)**	(954,115)
FINANCING		
Increase in deferred capital contributions	**94,417**	954,115
NET CHANGE IN CASH	**628,879**	62,636
CASH, BEGINNING OF YEAR	**62,636**	-
CASH, END OF YEAR	**$ 691,515**	$ 62,636

1. DESCRIPTION OF BUSINESS

Formation and status

The North Simcoe Muskoka 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 North Simcoe Muskoka 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 Accountability Agreement with the Ministry of Health and Long Term Care 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 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 North Simcoe Muskoka LHIN includes the municipalities of Muskoka, most of Simcoe County and part of Grey County.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LHIN are the representations of management, prepared in accordance with 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 expenditures 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.

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 expenditures are incurred or services performed. In addition, certain amounts received are used to pay expenditures for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets, are recorded as deferred capital revenue 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets (continued)

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

Computer equipment	3 years straight-line method
Leasehold improvements	Remaining life of lease straight-line method
Office furniture and equipment	5 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.

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 $756,625 on the statement of financial position. On the statement of financial activities amortization of deferred capital contributions increased by $197,490 as did general and administrative expenses. On the statement of changes in net debt acquisition of tangible capital assets increased by $954,115, amortization of tangible capital assets increased by $197,490 and closing net debt increased by $756,625.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The MOHLTC had included accounts payable and accrued liabilities totaling $164,808 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, 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 LHIN at the year end are recorded as a receivable (payable) to the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

6. DEFERRED CAPITAL CONTRIBUTIONS

	2007	2006
Balance, beginning of year	**$ 756,625**	$ -
Capital contributions received during the year	**94,417**	954,115
Amortization for the year	**(223,561)**	(197,490)
	$ 627,481	$ 756,625

7. CAPITAL ASSETS

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Office furniture and equipment	**$ 179,410**	**$ 64,510**	**$ 114,900**	$ 114,510
Computer equipment	**101,369**	**50,456**	**50,913**	33,333
Leasehold improvements	**767,753**	**306,085**	**461,668**	608,782
	$ 1,048,532	**$ 421,051**	**$ 627,481**	$ 756,625

8. BUDGET FIGURES

The total budget of $3,140,137 has been approved by the MOHLTC. The figures have been reported 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	$ 79,565
Accommodation/occupancy	1,404,249
Common services	42,126
Information technology	101,317
Other expenditures	298,648
	$ 1,925,905

For the first three months of fiscal 2007, all financial information was processed by the MOHLTC on behalf of the LHIN. Unlike 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 Statement of Financial Activities.

As part of this transition, amounts totalling $51,906 of prior period expenses were not accrued. For the year ended March 31, 2007, these amounts were included in the Statement of Financial Activities of the LHIN.

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

	2007	2006
Salaries and benefits	**$ 1,419,288**	$ 201,636
Occupancy	**241,802**	-
Amortization	**223,561**	197,490
Shared services	**290,201**	-
Public relations	**17,544**	-
Consulting services	**564,776**	-
Supplies	**217,242**	1,663
Board member expenses	**126,470**	-
Travel	**69,369**	-
Mail, courier and telecommunications	**15,890**	92
Other	**5,448**	584
	$ 3,191,591	$ 401,465

10. E-HEALTH EXPENSES

The Statement of Financial Activities presents the expenditures for the E-Health project in one line. The following classifies these expenditures by object:

	2007	2006
Salaries and benefits	**$ 15,711**	$ -
Consulting services	**104,627**	-
Supplies	**2,808**	-
	$ 123,146	$ -

11. PENSION AGREEMENTS

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 19 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 $96,342 (2006 - $34,845) for current service costs and is included as an expense in the Statement of Financial Activities.

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 equipment leases. Lease renewals are likely. Minimum lease payments due in each of the next four years and thereafter are as follows:

2008	$ 173,668
2009	173,158
2010	170,608
2011	70,117
	$ 586,371

14. COMPARATIVE FIGURES

The prior period figures are from the date of incorporation, June 9, 2005 to March 31, 2006.

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.

North Simcoe Muskoka
LOCAL HEALTH INTEGRATION NETWORK

RÉSEAU LOCAL D'INTÉGRATION DES SERVICES DE SANTÉ
de Simcoe Nord Muskoka

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