



ANNUAL REPORT

15/16

LGA Liquor and Gaming
Authority of Manitoba



August 31, 2016

The Honourable Heather Stefanson
Minister of Justice and Attorney General
Room 104, Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

Dear Minister Stefanson:

I am honoured to present you with the annual report of the Liquor and Gaming Authority of Manitoba for the fiscal year ended March 31, 2016.

Respectfully,

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

Donna Roed
CHAIR



TABLE OF CONTENTS

Message from the Chair	2
Remarks from the Executive Director and CEO	4
About the Liquor and Gaming Authority of Manitoba	6
Operational Highlights	11
Operational Activity Statistics	15
Field Notes	20
Financial Statements and other related information	22
Management Report	22
Auditor's Report on Compliance	23
Management's Certification of Compliance	24
Schedule of Legislative and Related Authorities	25
Independent Auditor's Report	26
Statement of Financial Position	27
Statement of Operations and Accumulated Surplus (Deficit)	28
Statement of Change in Net Financial Assets	29
Statement of Cash Flows	30
Notes to Financial Statements	31
Board Members	40

MESSAGE FROM THE CHAIR

With the legislative mandate to regulate liquor and gaming “in the public interest”, the concept of social responsibility is foundational to the Liquor and Gaming Authority of Manitoba’s (LGA) aims, operations and activities. We, both the board and employees, acknowledge that social responsibility is a broad term that applies to a variety of circumstances and environments in the public and private sectors. Within the context of our regulatory rubric, we are aware that social responsibility comprises consideration and awareness of consumer knowledge and choice, public safety, business operations and community interests.

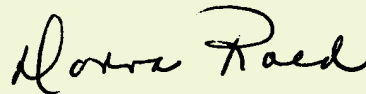
We are also mindful that the responsibilities of a modern regulator extend beyond the traditional accountabilities for licensing and compliance to include public education and collaborative partnerships. Guided by values of respect, integrity, fairness and accountability, we work within this ethical framework to act for the benefit of Manitoba’s society at large. To achieve this, we must balance diverse and sometimes divergent stakeholder interests as we act within the regulatory structure, imperative and authority established by *The Liquor and Gaming Control Act* and associated regulations.

As the stewards of the LGA, the board is responsible to cultivate the organization’s short- and long-term success by establishing strategic direction, monitoring organizational performance, and assuring corporate transparency and reporting. The day-to-day administration of the LGA is accomplished by management and staff under the direction of the executive director, who acts in accordance with the position’s legislated powers and duties. On matters of financial oversight, my colleagues and I work in conjunction with the Office of the Auditor General of Manitoba to manage the annual audit process and to approve the LGA’s financial statements, which are presented in this report.

The legislated responsibility and ethical values framing the LGA's work have provided a sound foundation during our first two years of operations, which saw unprecedented modernization of Manitoba's liquor laws and amalgamation with the province's regulatory framework for gaming. Citizens, businesses, charities and communities have all benefitted from red tape reduction and service improvements as we have begun to deliver on the modernization promises articulated in our five-year strategic plan. We look forward to continuing to evolve our services and licensing options in keeping with our commitment to balancing stakeholder interests.

In considering examples of the benefits of modernization, I want to highlight the positive impact of the decision to empower administrative decision-making to remedy disputes and compliance gaps. This model was designed to address concerns and issues through escalating options, beginning with alternatives for early dispute resolution, through to a decision or order by the executive director and, finally, the right to appeal to the board. The LGA is pleased to note that this approach has nearly eliminated the need for formal hearings, with a reduction from 26 disciplinary and appeal hearings in 2013/14 under the previous system, to just three appeal hearings in 2015/16.

As a final observation, it is gratifying to acknowledge the LGA's substantial accomplishments during a period of significant regulatory change for those we serve and with whom we work. On behalf of the board, I extend sincere appreciation to the LGA's management and staff, who have continued to provide excellent regulatory services to authorize and monitor the sale, service and manufacturing of liquor, and the operation and play of gaming activities in Manitoba.



Donna Roed
CHAIR

REMARKS FROM THE EXECUTIVE DIRECTOR AND CEO

The Liquor and Gaming Authority of Manitoba (LGA) continues to pursue our strategic vision to work as a unified organization, and to provide excellent service to all Manitobans and to the liquor and gaming industries through integrated, adaptive and innovative regulatory services. As the provincial agency responsible for the regulation of two consumer products viewed by our society as requiring control and oversight, our regulatory mandate is based on the concepts of responsible service and consumption, public safety, fairness and integrity.

March 31, 2016 marked two full years of operations by the LGA. During our first year, management and staff focused externally on education, change and transition to extend new regulatory options and services to our clients and stakeholders. In year two, we concentrated on organizational stability, workforce harmonization and service integration.

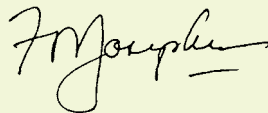
The signing of a new collective agreement between management and the Manitoba Government and General Employees' Union on November 3, 2015, brought together the former legacy liquor and gaming employees under a single

agreement. This enabled managers and staff to begin to offer consolidated services. As a result, inspection services were integrated effective January 1, 2016, with new service districts assigned to each inspector with oversight responsibilities for both liquor and gaming. Streamlining inspections reduces service duplication, creates opportunities to build stronger relationships with licensees and speeds response time. Coordinated cross-training, collaborative knowledge transfer and teamwork within our Compliance Directorate laid the groundwork to implement this unification throughout Manitoba.

Considering next steps, there remain two critical service integration priorities: the first, co-location to bring all Winnipeg staff under one roof, which will establish the foundation for the second, the integration of licensing and permit services to create a “one-stop shop” for Manitoba business and citizen applicants. Unlike inspections, which are conducted at licensee establishments, community venues and special events throughout the province, licensing services need to be offered at a single location to enable single window application, review and approval. Our aim is to continue to reduce the regulatory burden for both commercial and community applicants by moving forward to reach these goals in the new fiscal year.

Additional details about the LGA’s aims and accomplishments are presented throughout this report. The narrative reports on operational achievements, telling the story of 2015/16 through operational highlights, activity reporting and “field notes” on key accomplishments. The financial details are presented beginning on page 22. As a preface to the financial section, I am pleased to report that the Office of the Auditor General of Manitoba has issued clear audit opinions on our financial statements, public sector compensation reporting, and compliance with specified legislative and related authorities for the 2015/16 fiscal year.

I am confident that the regulatory and operational foundation laid by management and staff during our early years provides a sound framework for the work still to come. On behalf of the management and staff of the LGA, I look forward to continuing to serve in the public interest and for the benefit of all Manitobans.



F.J.O. (Rick) Josephson
EXECUTIVE DIRECTOR AND CEO

ABOUT THE LIQUOR AND GAMING AUTHORITY OF MANITOBA (LGA)

The Liquor and Gaming Authority of Manitoba is created by *The Liquor and Gaming Control Act (the Act)*, as authorized by the *Criminal Code (Canada)*. The Act and associated regulations establish and empower the LGA to regulate liquor and gaming in Manitoba. Our stakeholder groups include the hospitality and gaming industries, the people employed in those industries, charities, communities and citizens. Our regulatory partners include policing agencies, civic and business groups, and regulators in other provincial, national and international jurisdictions.

OUR MANDATE

- ▲ Regulate persons who sell, serve or manufacture liquor.
- ▲ Regulate gaming events and persons who are involved in gaming.
- ▲ Regulate the integrity of lottery schemes conducted in Manitoba.
- ▲ Provide information and advice to the minister about activities respecting liquor and gaming.

We may implement initiatives to encourage the responsible consumption of liquor and responsible participation in gaming. We may also seek public input and conduct research on matters related to liquor and gaming.

OUR MISSION

We regulate the liquor and gaming industries in the public interest, for the benefit of all Manitobans, by providing a high standard of service through a balanced and independent approach.

OUR VALUES



Respect for our people and stakeholders – We seek out and recognize diverse views, experiences and ideas to shape all that we do.



Integrity – We take personal responsibility for fulfilling our obligations to each other and our stakeholders.



Accountability and transparency – We are open and clear in our processes, decision-making and reporting.



Service excellence – We strive for superior client service by empowering our people with the right information and tools to succeed.



Fairness – We are balanced, consistent and reasoned in our decision-making.



Innovation – We are leaders in seeking new and better ways to deliver service beyond our regulatory requirements, including through research and collaboration.

STRUCTURE

The LGA is led by a minimum seven-member board appointed by the Lieutenant Governor in Council and reporting to the minister responsible for the Act. Operations, finance and corporate services are provided by 100 employees. Staff are headed by a chief executive officer who is also appointed as executive director in accordance with the Act.

We provide high-quality integrated, adaptive and innovative regulatory services delivered by three organizational divisions:

OPERATIONS

Led by the chief operating officer, the Operations Division is comprised of two directorates for licensing and compliance. This division is responsible for licensing and approving all regulated liquor and gaming activities as well as for ensuring compliance with applicable legislation, regulation, and terms and conditions. Staff provide advice and assistance to applicants, licensees, the general public and other stakeholders. They also respond to consumer complaints, conduct liquor and gaming investigations, mediate disputes, and recommend remedies and sanctions.

FINANCE

Led by the chief financial officer, the Finance Division is responsible for the administration and management of the LGA's financial activities as required under Part 2 of the Act. This includes general accounting, budget planning, management and reporting; managing and safeguarding assets; borrowing and investing; and banking. This division is also responsible for accurately recording, consolidating and reporting the LGA's financial activities to be presented for audit by the Office of the Auditor General of Manitoba. Complete financial statements, including comprehensive notes for the year ended March 31, 2016, are published in this report beginning on page 22.

CORPORATE SERVICES

Led by the chief administrative officer, the Corporate Services Division administers and manages the LGA's human resources, information technology, and communications and research activities as authorized by the Act and in support of operational activities. This division also provides advice and services to the minister responsible for the Act, the board and senior management, and is the primary liaison with the media.

ORGANIZATIONAL CHART



FINANCES AND RESOURCES

In accordance with the Act, the LGA may be funded by:

- ▲ Fees received by the LGA under the Act (e.g. licence and permit fees);
- ▲ Amounts appropriated by the Manitoba legislature for the LGA; and
- ▲ Amounts that the LGA, with the approval of the Treasury Board, directs Manitoba Liquor and Lotteries Corporation to pay to the LGA.

The Act permits the LGA to establish its own bank account and operating line of credit. Operational objectives and budget estimates are detailed in the annual business plan, which is approved by the LGA board, reviewed by the minister responsible for the Act, and approved by the Treasury Board. The Office of the Auditor General of Manitoba is appointed as the LGA's auditor. In accordance with the Act, the LGA's annual report is tabled in the Manitoba legislature by the minister, and is published in print and available at LGAmanitoba.ca.

HEARINGS

The LGA board conducts hearings in response to licensing and compliance appeals, which may be made by applicants and stakeholders. The executive director has the authority under the Act to: deny licences, permits and gaming integrity approval applications; issue orders requiring licensees to follow special terms and conditions; order corrective action to remedy deficiencies; and order sanctions including fines, licence suspensions, and licence revocations. The business or individual named in such an order has the right to appeal to the LGA. Appeal hearings are open to the public, although the board may order that a hearing or any part of a hearing may be closed to the public under certain circumstances defined by the Act. The LGA board conducted three appeal hearings in 2015/16.

RELATED AUTHORITIES REPORTING

The Freedom of Information and Protection of Privacy Act (FIPPA) provides a right of access to records held by public bodies and regulates how public bodies manage personal information. In 2015/16, we received and responded to seven requests for information under FIPPA.

The Public Interest Disclosure (Whistleblower Protection) Act gives government employees and others a clear process for disclosing significant and serious wrongdoing in the Manitoba public service and provides protection from reprisal. We did not receive any submissions under this legislation in 2015/16.

OPERATIONAL HIGHLIGHTS

The LGA regulates liquor and gaming products and services in the public interest, through a balanced and modern regulatory approach that authorizes hospitality sector operations, responds to consumers, encourages individual responsibility and supports public safety. The following items highlight some of our key initiatives in 2015/16.

HARMONIZING INSPECTION SERVICES

In January 2016, the Compliance Directorate integrated inspection services for liquor and gaming licensees. This much-anticipated initiative was made possible with the signing of a new collective agreement between the Manitoba Government and General Employees' Union and the LGA in late 2015. Each inspector is now responsible for both liquor and gaming activities within their assigned service district. This integration eliminates service duplication and improves productivity and service time. Further, it creates opportunities for inspectors to develop strong relationships within their assigned areas and offers licensees and members of the public a single point of contact for compliance questions and concerns.

IMPROVING ACCESS AND SERVICE THROUGH TECHNOLOGY

In November 2015, we launched MyLGA.ca as a new web-based option for the public to apply for social occasion permits that authorize Manitobans to serve and sell liquor at socials, family and community events, fundraisers and festivals. This online portal simplifies the application and approval process for the approximately 8,800 permits issued annually and represents an important step forward in our approach to service delivery. Users can create a MyLGA.ca account, which lets them save a draft of their application and complete it at a later time. Registered

users are then able to view the status of multiple permits, search their permit history and easily apply for new permits – a real benefit for annual and multi-event applicants like festivals and fundraisers.

Our online services will continue to grow in 2016/17, with plans to expand MyLGA.ca for social occasion raffle applications. Going forward, MyLGA.ca will be expanded to include online applications for most of the licences we issue.

MODERN REGULATION

Manitoba's liquor licensing framework has become much more flexible as a result of enabling, rather than prescriptive, legislation. Under the Act, regulations and administrative tools such as licence terms and conditions allow the LGA to be more responsive to clients, industry and evolving consumer preferences. Over the year, we developed terms and conditions to articulate regulatory parameters for each type of liquor licence. The new terms and conditions, which will be launched in 2016/17, are structured similarly to gaming licence terms and conditions that have been in place since the late 1990s.

NEW OPTION FOR CHARITABLE FUNDRAISING

Changes to the *Criminal Code (Canada)* in 2014 allowed provinces to begin authorizing charities to operate raffles, including 50/50 draws, "on or through a computer", including offering ticket sales, draws and prize distributions. Prior to this change, only Manitoba Liquor and Lotteries Corporation was permitted to operate gaming "on or through a computer"; all others, including charities, were federally prohibited.

The LGA welcomed this change, which was much-anticipated by charities as a way to reduce their administrative costs, modernize fundraising systems and improve

the security and accountability of raffle draws. This change also improves our ability to ensure the accountability, security and auditability of these raffles. In late 2015, we finalized licence terms and conditions and technical standards to ensure fairness and integrity. As a result, Manitoba's charitable and religious organizations can now sell and issue tickets online, conduct online financial transactions, and use an authorized electronic random number generator to determine the outcome of raffles.

LESS PAPERWORK

To reduce the paperwork burden on liquor licensees, the LGA extended the licence renewal period from one year to five years. Further, renewal periods are now staggered throughout the year, as opposed to the previous single March 31 renewal deadline. This improves administrative efficiency and workflow for our licensing and inspections staff.

WORKING WITH MANITOBA'S HOSPITALITY INDUSTRY

The LGA continues to work collaboratively with industry stakeholders and regularly meets with our hospitality industry advisory committee, which has been active since 2013. This committee includes representatives from the Manitoba Hotel Association, the Manitoba Restaurant and Foodservices Association, Restaurants Canada, and Manitoba Liquor and Lotteries Corporation. The committee acts as a resource as we continue to develop a liquor regulatory framework that contributes to greater consumer choice and a prosperous business climate, while ensuring public safety and social responsibility.

In 2015/16, we consulted with these organizations' representatives on liquor licence terms and conditions, the integration of inspection services and plans to introduce a new risk-based inspection model.

GOOD THINGS BREWING

The LGA has been working with brewing proponents to authorize new business operations that contribute to the development of a viable local brewing industry in Manitoba. This included working with the City of Winnipeg in reviewing its zoning requirements to align with our manufacturing requirements, thereby simplifying and clarifying the requirements for prospective brewers. We also worked with provincial government departments to ensure our licensing process supports manufacturers wishing to take advantage of Manitoba's business development opportunities. As of March 31, 2016, we were poised to license Manitoba's first brew pub since the 1990s and had received applications for several new breweries and tasting rooms at liquor manufacturers. In 2016/17, we expect to work with other Manitoba municipalities wishing to review their zoning requirements to provide opportunities for further growth in craft brewing.

OPENING EMPLOYMENT OPPORTUNITIES FOR YOUNG MANITOBANS

In response to industry requests, the LGA established rules that allow dining room/lounge licensees to hire minors (minimum 16 years of age) to work in lounges. These minors are now able to provide the same kinds of services they have long provided in liquor-licensed dining rooms, such as greeting and seating guests, clearing tables, serving food and non-alcoholic beverages, and cleaning. These employees may not perform any liquor service functions, including taking orders, opening liquor bottles, validating identification, mixing drinks, or serving or transporting liquor. Given that many first jobs are in the restaurant industry, these changes to the liquor regulations create new employment opportunities for young people, helping them develop employability skills necessary for today's workforce.

RISK-BASED OVERSIGHT

In consultation with our hospitality industry advisory committee, the LGA developed a risk-based inspections model focused on security and public safety. The new model, which will be introduced in 2016/17, will enable us to assess risk-based factors, including each premises' compliance history, licence type, size, hours of operation, entertainment format, and special approvals. The assessed risk will determine the frequency of inspections, with higher-risk operations inspected more often. During the first year of implementation, we will monitor and evaluate the success of the new model, including seeking input from the industry committee and licensees.

LAST DRINK PROGRAM

The LGA partners with the Winnipeg Police Service, Brandon Police Service, and the Royal Canadian Mounted Police to operate the Last Drink Program across Manitoba. Modeled after a licensee-focused program promoted by Mothers Against Drunk Driving Canada, the Last Drink Program gathers information from police services' impaired driver reports, including information on the location at which the driver consumed their last drink prior to their arrest. If the location is a licensed

establishment, the LGA is notified and an inspector then follows up with the licensee to refresh information to staff by providing training aimed at reducing drunk driving and reinforcing safe service. Licensees have expressed support for the program, indicating particular interest in identifying and implementing strategies to reduce over-service as well as providing alternative options to get home safely. During 2015/16, we provided follow-up training in response to 112 referrals via this program.

KnowMyLimits.ca

Canada's low-risk drinking guidelines are designed to help reduce the short- and long-term negative consequences of overconsumption of liquor. The LGA's public education messaging, targeted primarily at young adults across the province, focuses on these guidelines to encourage moderate and safer consumption. We conducted an evaluation of the campaign using web traffic analytics and a survey. Overall, the results showed that the campaign is effective at targeting young adults between 18 and 24 years old. Data showed that nearly 70% of the young adults surveyed recalled seeing or hearing the campaign advertisements, with nearly 50% of them stating that the advertisements made them think about their drinking (compared to 36% of older adults). Web analytics also demonstrated the campaign performed as expected, with online advertisements generating strong traffic to KnowMyLimits.ca.

OPERATIONAL ACTIVITY STATISTICS

To accomplish its regulatory mandate in the public interest, the LGA's Licensing and Compliance Directorates provide complementary services that authorize and monitor the businesses, individuals and activities that operate in Manitoba's liquor and gaming sectors.

LICENSING AND PERMITS

FOR THE PERIOD FROM APRIL 1, 2015 TO MARCH 31, 2016. ACTIVE LICENCES ARE AS AT MARCH 31, 2016.

COMMERCIAL LICENSING

Licensing services are provided to hotels, restaurants, entertainment venues, casinos, gaming industry employees, small businesses, gaming suppliers and service providers, and liquor and gaming manufacturers. Licensing staff determine eligibility of licence applicants through background reviews. Licences are issued in accordance with the Act and accompanying regulations and are augmented with terms and conditions specific to each licence type.

LIQUOR SERVICE, RETAIL AND MANUFACTURING

Active service licences	1,966
Active retail licences	492
Active manufacturing licences	6
New liquor licence approvals	119
In-store brewing service authorizations	10
Changes of ownership	31

GAMING INDUSTRY EMPLOYEES

Active employees (Aseneskak Casino, Sand Hills Casino, South Beach Casino and Manitoba Liquor and Lotteries Corporation)	2,840
New employee licence approvals	805
Annual employee licence reviews and renewals	2,404

LOTTERY TICKET RETAILERS AND VLT SITEHOLDERS

	LOTTERY TICKET RETAILERS	VLT SITEHOLDERS
Active licences	907	502
New licence approvals	16	8
Changes of ownership	57	29

GAMING SUPPLIERS AND GAMING SERVICE PROVIDERS

Active gaming suppliers and service providers	43
New gaming supplier and service provider licence approvals	2
Annual licence reviews and renewals	29

GAMING INTEGRITY

Gaming schemes and equipment proposed for operation in Manitoba must perform in a manner that is fair, safe, secure, honest and auditable. Gaming integrity authorizations for commercial and charitable events and equipment are issued in accordance with the Act, accompanying regulation and gaming integrity standards developed for different schemes and equipment.

APPROVALS

Central systems, games, game hardware and software, table games, rules of play, and equipment	758
Bingo paper, breakopen tickets, showdowns and ballot draws	33

COMMUNITY LICENSING AND PERMITS

Licences and permits are issued for eligible community-based events and activities, including socials, festivals, charitable fundraisers, family celebrations and special events. Permits and licences issued in accordance with the Act and accompanying regulations, and are augmented with terms and conditions specific to each permit authorization or licence type.

SOCIAL OCCASION PERMITS AND RAFFLES

Social occasion permits	8,811
Social occasion raffle licences	5,049

CHARITABLE GAMING EVENTS

Active licences	2,599
Charitable licence holders	1,389
Licence application approvals	2,235
Licence amendment approvals	3,035

LICENSED CHARITABLE GAMING OVERVIEW

(FOR THE PERIOD FROM APRIL 1, 2015 TO MARCH 31, 2016) (*IN \$MILLIONS)

EVENT TYPE	LICENSED EVENTS		GROSS REVENUE*		PRIZES PAID*		TOTAL EXPENSES*		NET PROFIT*	
	15/16	14/15	15/16	14/15	15/16	14/15	15/16	14/15	15/16	14/15
Bingo	192	224	32.28	33.03	25.29	26.41	3.89	3.65	3.10	2.97
Breakopen ticket	104	119	2.80	2.99	2.04	2.18	0.22	0.23	0.54	0.58
Raffle	350	346	37.80	34.72	16.79	14.81	6.63	6.75	14.38	13.16
Texas hold'em poker tournament	24	30	0.68	0.87	0.49	0.61	0.10	0.13	0.09	0.13
Media bingo	12	13	4.17	3.83	1.93	1.72	0.69	0.74	1.55	1.37
Other	10	9	0.09	0.14	0.06	0.11	0.01	0.01	0.02	0.02
Totals	692	741	77.82	75.58	46.60	45.84	11.54	11.51	19.68	18.23

In addition, 1,791 licences were issued to charitable organizations that, due to reporting thresholds, were not required to submit financial reports or licence fees (54 bingo, 23 breakopen ticket, 1,700 raffle, three Texas hold'em poker tournaments and 11 other) and therefore, are not reflected in the table above.

COMPLIANCE

FOR THE PERIOD FROM APRIL 1, 2015 TO MARCH 31, 2016.

COMMERCIAL INSPECTIONS AND INVESTIGATIONS

The LGA's risk-based inspection model emphasizes social responsibility, including age control, public safety, game integrity, and regulatory compliance to safeguard the public interest. Inspectors monitor hotels, restaurants, entertainment venues, casinos, gaming industry employees, small businesses, gaming suppliers and service providers, and manufacturers to assess and confirm regulatory compliance, and to identify and remedy gaps.

Investigators conduct gaming employee and supplier investigations. As well, they respond to referrals from licensing staff and investigate complaints.

Commercial inspections	13,437
▲ Liquor licensees (service, retail and manufacturing)	10,862
▲ Gaming licensees (casinos, lottery ticket retailers and VLT siteholders)	2,575

RESPONSIBLE SERVICE EDUCATION, AGE CONTROL AND TRAINING

The LGA prioritizes achieving and maintaining compliance through educational activities focused on responsible service, age control, public safety and regulatory compliance. In 2016/17, the mandatory Serving It Safe program will be expanded to integrate the Problem Gambling Assistance Program and revised to apply to retail liquor operations in accordance with the Act.

Serving It Safe training verifications	3,176
Age control identification verifications	1,903
On-site training (e.g. for commercial and charitable licensees, First Nation gaming commissions, high schools and the Addictions Foundation of Manitoba)	301
Last Drink Program referrals	112

COMMUNITY INSPECTIONS

Based on the LGA's risk assessment model, inspectors visit socials, festivals, charitable fundraisers, family celebrations and special events to assess and confirm regulatory compliance, and to identify and remedy gaps. Prior to events, inspectors may meet with event organizers to confirm venue suitability and to provide information and training about responsible liquor service, charitable event operations and event reporting.

Community inspections	3,564
▲ Pre-event meetings	2,207
▲ Social occasion permit events	500
▲ Charitable gaming events	637
Inspections of licensing authorities under orders in council	
▲ First Nation gaming commissions	75
▲ Municipalities	145

AUDIT OVERSIGHT


Audit reviews are conducted on charitable, municipal, First Nation gaming commission and VLT siteholder events and activity reports to confirm that record-keeping, financial management and reporting practices comply with legislation, regulation and audit standards.


Charitable gaming event reports	2,238
First Nation gaming commission annual reports	33
First Nation VLT siteholder reports	91
Municipal licensing authority reports	176


FIELD NOTES


Throughout the year, key events mark milestones in the LGA's evolution and achievement of our strategic goals. These brief notes recall activities and events observed in our "field", which is all of Manitoba, and link these achievements to our vision to provide excellent service to all Manitobans and the liquor and gaming industries through integrated, adaptive and innovative regulatory services.

Connections to our four strategic goals:


 **Workplace quality:** Maximize performance and productivity by encouraging and supporting a positive, safe, integrated and professional workforce and environment.

 **Integrated regulation:** Regulate the liquor and gaming industries to promote public safety and in the public interest.


 **Financial stewardship:** Confirm and demonstrate fiscal responsibility, financial accountability and sustainability through the appropriate management of financial and capital assets and resources.

 **Service excellence:** Provide excellent service to our clients through fair, balanced and socially responsible policies and programs.




Applying for a social occasion permit became easier in 2015 with the launch of MyLGA.ca. The easy-to-use, account-based site was launched in November 2015 to serve Manitobans planning special events like socials, festivals, community events and family celebrations. Online social occasion permit applications jumped significantly with this launch, resulting in a 55% increase over the previous year. 




14,794

The number of liquor and gaming inspections conducted across the province in 2015/16. 



Manitoba received high marks from Restaurants Canada in its November 2015

industry report card for the ground-up rewrite of *The Liquor and Gaming Control Act*. Dwayne Marling, regional vice-president, described Manitoba as, "the gold standard when it comes to reviewing and modernizing liquor legislation and regulation."¹ 

 The Office of the Auditor General of Manitoba issued a clear audit opinion of the LGA's financial position at March 31, 2016. The audit was conducted in keeping with Canadian generally accepted auditing standards. The LGA's first annual report detailing its financial position and operational narrative was published in autumn 2015, as required by the Act. 

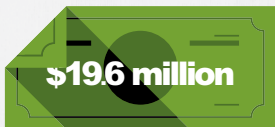
¹ Interview with Ismaila Alfa, Up to Speed, CBC Radio, November 3, 2015



Ten Manitoba businesses were authorized to open in-store brewing operations. These entrepreneurs sell customers ingredients and offer instructional advice, equipment and manufacturing space for the production of wine and beer. This new option for homebrewing stores underscores the LGA's continued focus on consumer choice, regulatory flexibility and red tape reduction. ★



8,811 social occasion permits were issued for events across the province. ★



The amount raised by 595 charitable gaming licensees during 2015/16. These organizations held a variety of events, including raffles, bingos and Texas hold'em poker tournaments, to support community, regional and provincial services and programs. ★



Manitoba was among the first provinces to authorize charitable organizations to conduct online raffles following federal amendments to the *Criminal Code (Canada)*. This change will reduce charities' administrative costs, modernize fundraising systems and improve the security and accountability of raffles. ★



The LGA's scholarship program provides funding of up to \$10,000 annually to graduate students to conduct liquor or gambling research at Manitoba universities. Scholarships awarded during the year supported diverse research studies examining: immersion and focus in gambling environments, prenatal nutritional supplements to mitigate the impact of fetal alcohol spectrum disorder, and gambling behaviour among Manitoba youth. ★



Community raffles continue to be Manitobans' most popular charitable fundraising choice, with 1,694 licences issued in 2015/16. These no-fee licences are granted to eligible organizations seeking to raise \$10,000 or less. ★



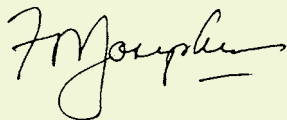
In November 2015, Locals 425 and 426 of the Manitoba Government and General Employees' Union signed a four-year collective agreement with the LGA. This agreement brought together the legacy liquor and gaming groups under a single agreement, which supports workforce stability and facilitated compliance services' consolidation. ★

MANAGEMENT REPORT

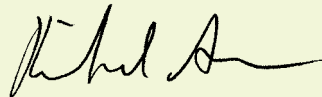
The management of the Liquor and Gaming Authority of Manitoba (LGA) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments are made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Office of the Auditor General of Manitoba (OAG), whose opinion is included herein. The OAG has access to the board members of the LGA, with or without management present, to discuss the results of their audit and the quality of financial reporting at the LGA.



F.J.O. (Rick) Josephson
EXECUTIVE DIRECTOR AND CEO



Richard Green
CHIEF FINANCIAL OFFICER

June 24, 2016



AUDITOR'S REPORT ON COMPLIANCE

To the Board of Liquor and Gaming Authority of Manitoba:

We have audited the Liquor and Gaming Authority of Manitoba's compliance for the year ended March 31, 2016, with the provisions of the legislative and related authorities outlined in Management's Certification of Compliance pertaining to its financial reporting, budgeting and planning, safeguarding of assets, spending, revenue raising, borrowing, investing, board remuneration and expenses, and trust activities.

Compliance with the legislative and related authorities is the responsibility of the management of the Liquor and Gaming Authority of Manitoba. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstance.

In our opinion, the Liquor and Gaming Authority of Manitoba has complied, in all significant respects, with the specified legislative and related authorities for the year ended March 31, 2016.

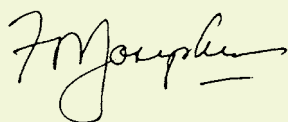
Office of the Auditor General

Office of the Auditor General
June 24, 2016
Winnipeg, Manitoba

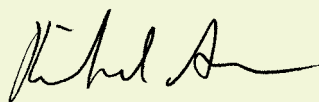
MANAGEMENT'S CERTIFICATION OF COMPLIANCE

To: Board members of the Liquor and Gaming Authority of Manitoba

We hereby confirm that for the year ended March 31, 2016, the Liquor and Gaming Authority of Manitoba has complied with the criteria established by the provisions of *The Liquor and Gaming Control Act*, regulations, Orders in Council and other applicable legislation as outlined in the attached schedule.



F.J.O. (Rick) Josephson
EXECUTIVE DIRECTOR AND CEO



Richard Green
CHIEF FINANCIAL OFFICER

June 24, 2016

SCHEDULE OF LEGISLATIVE AND RELATED AUTHORITIES

Orders in Council

415/2014	Appointment of OAG as auditor of LGA	125/2015	Appointment of Executive Director
330/2015	Appointments to Board	341/1997	Working capital advances

The Liquor and Gaming Control Act (C.C.S.M. c. L153)

Subsections

s.3(1)	Liquor and Gaming Authority of Manitoba	s.17	Property
s.4(1)	Composition of the Authority	s.18(1)	Investment of money
s.6	Remuneration of members	s.18(2)	Investment and interest to be paid to authority
s.10(1)	Executive Director	s.19	Fiscal year
s.12	Annual budget	s.20	Audit
s.13(1)	Funding	s.21(1)	Annual report
s.14(1)	Borrowing by authority	s.104(4)	Costs of background investigations – Application for Licence
s.14(2)	Advance out of Consolidated Fund	s.108(1)	Licence fees
s.15	Banking and accounts	s.114(6)	Costs of investigation – Approving Integrity
s.16(1)	Fees and penalties		
s.16(2)	Disposition of penalty amounts		

Licensing and Appeals Regulation (63/2014)

Section 10(1)	Application fees – liquor licences	Section 15	Gaming service provider licence fees
Section 10(2)	Application fee – brew pub endorsement	Section 17(1)	Person responsible for payment of licence fee
Section 10(3)	Additional categories	Section 17(2)	Licence fees payable by MLLC
Section 11(1)	Liquor service licence fees	Section 17(3)	Licence fees payable by gaming operators
Section 11(2)	Retail liquor licence fees	Section 18(3)	Annual fees must be paid
Section 11(3)	Manufacturer’s endorsement	Section 19(1)	Payment of annual fee for licence
Section 12	Gaming licence fees	Section 19(2)	Fee for late payment of annual fee
Section 13(1) to 13(3)	Gaming event licence fee	Section 20(3)	Late renewal applications
Section 14(1)	Gaming supplier licence fees		

Miscellaneous Liquor Provisions Regulation (64/2014)

Section 7(1) to 7(2)	Marketing representatives and agents
----------------------	--------------------------------------

Social Occasion and Special Sale Permits Regulation (66/2014)

Section 20(1)	Social occasion permit fees
Section 21	Special sale permit fees

The Public Sector Compensation Disclosure Act (C.C.S.M. c. P265)

s.2(1)	Disclosure required	s.3(1)	Manner of disclosure
s.2(2)	Consistent reporting required	s.3(2)	Names and positions or classifications to be disclosed



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and
To the Board of the Liquor and Gaming Authority of Manitoba:

We have audited the accompanying financial statements of the Liquor and Gaming Authority of Manitoba, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated surplus (deficit), change in net financial assets 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 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 the Liquor and Gaming Authority of Manitoba as at March 31, 2016, and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

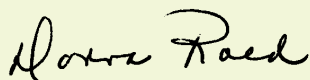
Office of the Auditor General

Office of the Auditor General
June 24, 2016
Winnipeg, Manitoba

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31	ACTUAL 2016	ACTUAL 2015
Financial assets		
Cash and cash equivalents	\$ 5,510,946	\$ 4,332,628
Accounts receivable (Note 4)	94,922	340,645
Long-term investment (Note 5)	146,079	146,079
	5,751,947	4,819,352
Liabilities		
Accounts payable and accrued liabilities (Note 6)	1,248,740	1,348,529
Deferred revenue (Note 7)	886,827	579,666
Severance benefits (Note 8)	956,144	890,178
Retirement benefits (Note 8)	195,800	94,939
Non-vested sick leave benefits (Note 8)	182,214	153,086
Total employee future benefits	1,334,158	1,138,203
	3,469,725	3,066,398
Net financial assets	2,282,222	1,752,954
Non-financial assets		
Tangible capital assets (Note 9)	278,239	321,193
Prepaid expenses	67,750	62,137
	345,989	383,330
Accumulated surplus	\$ 2,628,211	\$ 2,136,284

On behalf of the Board:



BOARD MEMBER



BOARD MEMBER

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (DEFICIT)

FOR THE YEAR ENDED MARCH 31	BUDGET 2016	ACTUAL 2016	ACTUAL 2015
Revenue			
Licence fees – gaming	\$ 6,192,700	\$ 6,124,992	\$ 6,062,160
Licence fees – liquor	1,796,600	1,784,729	1,755,184
MLLC funding transfer	3,250,000	3,250,000	2,500,000
Other revenue	36,000	42,740	39,550
Interest earned	33,700	28,010	37,300
	11,309,000	11,230,471	10,394,194
Expenses			
Salaries and benefits	8,202,500	8,097,382	7,513,169
Rent	619,600	658,350	611,762
Transportation	524,200	376,883	406,412
Legal and professional fees	410,100	272,459	304,962
Communications	254,300	268,091	268,072
Supplies and services	342,900	238,696	385,150
Education, training, conferences	200,000	201,122	211,148
Public education	225,000	174,731	235,741
First Nations legal and professional	0	172,612	5,934
Amortization	143,300	82,916	83,827
Accommodations	100,900	74,248	73,320
Board	59,800	46,246	33,410
Other expenses	67,900	44,617	32,644
Amalgamation expenses (Note 10)	0	15,631	21,163
HR/Systems support	20,000	10,515	32,218
Loss on disposal of tangible capital assets	120,500	4,045	175
	11,291,000	10,738,544	10,219,107
Annual surplus (deficit)	18,000	491,927	175,087
Accumulated surplus, beginning of year	2,152,300	2,136,284	1,961,197
Accumulated surplus, end of year	\$ 2,170,300	\$ 2,628,211	\$ 2,136,284

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31	BUDGET 2016	ACTUAL 2016	ACTUAL 2015
Annual surplus (deficit)	\$ 18,000	\$ 491,927	\$ 175,087
Acquisition of tangible capital assets	(2,260,000)	(44,007)	(125,232)
Amortization of tangible capital assets	143,300	82,916	83,827
Loss on disposal of tangible capital assets	120,500	4,045	175
	(1,996,200)	42,954	(41,230)
Increase in prepaid expenses	0	(5,613)	(25,312)
Increase (decrease) in net financial assets	(1,978,200)	529,268	108,545
Net financial assets , beginning of year	1,805,700	1,752,954	1,644,409
Net financial assets , end of year	\$ (172,500)	\$ 2,282,222	\$ 1,752,954

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31	2016	2015
Operating transactions		
Annual surplus (deficit)	\$ 491,927	\$ 175,087
Loss on disposal of tangible capital assets	4,045	175
Changes in non-cash items		
Accounts receivable	245,723	(286,179)
Prepaid expenses	(5,613)	(25,312)
Accounts payable and accrued liabilities	(99,789)	596,623
Deferred revenue	307,161	579,666
Severance benefits	65,966	59,552
Retirement benefits	100,861	30
Non-vested sick leave benefits	29,128	77,433
Amortization	82,916	83,827
Cash provided by operating transactions	1,222,325	1,260,902
Capital transactions		
Cash used to acquire tangible capital assets	(44,007)	(125,232)
Increase (decrease) in cash and cash equivalents	1,178,318	1,135,670
Cash and cash equivalents, beginning of year	4,332,628	3,196,958
Cash and cash equivalents, end of year	\$ 5,510,946	\$ 4,332,628
Supplemental cash flow information		
Interest received	29,342	36,869

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

1. Nature of Operations

The Liquor and Gaming Authority of Manitoba (LGA) began its operations on April 1, 2014. The LGA was established by *The Liquor and Gaming Control Act* and accompanying Lieutenant Governor in Council and LGA board regulations. As per this act, the Manitoba Gaming Control Commission (MGCC) is continued under the name LGA. The LGA regulates liquor sales, service and manufacturing, and regulates gaming employees, products and operations.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards, established by the Public Sector Accounting Board.

B. Cash and Cash Equivalent

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

C. Employee Future Benefits

i) The cost of severance obligations is determined using the annual actuarial report as at March 31, 2016. Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. For legacy MGCC employees and former non-unionized

Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGA, the maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the LGA. For former unionized Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGA, the entitlement is one week's pay for each complete year of continuous service, to a maximum of 25 weeks at the employee's weekly salary at the date of retirement. Manitoba Liquor and Lotteries Corporation will maintain the severance liability to March 31, 2014 for all former Manitoba Liquor Control Commission employees who transferred to the LGA.

ii) All LGA employees belong to the Province of Manitoba's Civil Services Superannuation Fund (Superannuation Fund), which is a multi-employer joint trustee plan. The Superannuation Fund is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years.

The joint trustee board of the Superannuation Fund determines the required contribution rates.

The LGA's contribution to the Superannuation Fund is recorded as an expense for the year.

iii) The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement.

D. Tangible Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis
Leasehold improvements	Straight-line method over remaining term of lease (9 months)

E. Prepaid Expenses

Prepaid expenses include rent, insurance and supplies and are charged to expenses over the periods expected to benefit from it.

F. Revenues

Revenues are recorded on an accrual basis except for gaming event licence fees, supplier licence fees, social occasion permit fees, and licence application fees which are recognized on a cash receipt basis.

The annual funding transfer from the Manitoba Liquor and Lotteries Corporation is the amount that the LGA, with the approval of the Treasury Board, directs the Manitoba Liquor and Lotteries Corporation to pay to the LGA.

G. Expenses

Expenses are recorded on an accrual basis.

H. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Financial Instruments and Financial Risk Management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The LGA records its financial assets at cost. Financial assets include cash and cash equivalents, temporary investments and accounts receivable. The LGA also records its financial liabilities at cost. Financial liabilities are accounts payable.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The LGA did not incur any re-measurement gains and losses during the year ended March 31, 2016 (2015 – \$nil).

The LGA has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest risk and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the LGA to credit risk consist principally of cash and cash equivalents and accounts receivable.

The maximum exposure of the LGA to credit risk as at March 31, 2016 was:

	2016	2015
Cash and cash equivalents	\$ 5,510,946	\$ 4,332,628
Accounts receivable	94,922	340,645
	\$ 5,605,868	\$ 4,673,273

Cash and cash equivalents: The LGA is not exposed to significant credit risk as the deposits are primarily held by the Minister of Finance.

Accounts receivable: The LGA is not exposed to significant credit risk as the receivable is composed of fees due from clients and payment in full is typically collected when it is due. The LGA does not use an allowance for doubtful accounts. The policy is to write off any accounts deemed uncollectible during the year.

The aging of accounts receivable as at March 31, 2016 was:

Current	\$ 56,285
30 to 60 days past the billing date	2,236
61 to 90 days past the billing date	997
More than 90 days past the billing date	35,404
	\$ 94,922

Liquidity risk

Liquidity risk is the risk that the LGA will not be able to meet its financial obligations as they come due.

The LGA manages liquidity risk by maintaining adequate cash balances. The LGA prepares and monitors forecasts of cash flows from operations and anticipated investing and financing activities. The LGA continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the LGA's income or the fair values of its financial instruments. The significant market risk the LGA is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents. The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The LGA is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Accounts Receivable

	2016	2015
MLLC	\$ 12,916	\$ 277,567
Liquor service/retail beer vendor licensees	6,050	3,750
First Nations casinos	3,750	10,600
Social occasion permits	2,250	3,950
Gaming event licensees	3,418	805
Interest on short-term investments	3,886	5,218
Other trades	62,652	38,755
	\$ 94,922	\$ 340,645

5. Long-Term Investment

The Province of Manitoba had accepted responsibility for the severance pay benefits of \$146,079 accumulated to March 31, 1998 for certain employees. Effective March 31, 2009 the Province of Manitoba placed the amount of \$146,079 into an interest-bearing trust account to be held on the LGA's behalf until the cash is required to discharge the related liabilities. Interest earned on this investment in the year was \$996 (2015 – \$1,432).

6. Accounts Payable and Accrued Liabilities

	2016	2015
Accounts payable and accrued liabilities	\$ 106,474	\$ 283,553
Salaries and benefits payable	282,140	239,348
Accrued vacation pay	857,617	820,852
Other	2,509	4,776
	\$ 1,248,740	\$ 1,348,529

7. Deferred Revenue

Deferred revenue consists of liquor service and retail beer vendor licence fees received to be recognized as revenue in the year in which the related revenues are earned.

	Balance at Beginning of Year	Receipts During Year	Transferred to Revenue	Balance at End of Year
Licence fees	\$ 579,666	\$ 1,231,960	\$ 924,799	\$ 886,827

8. Employee Future Benefits

A. Severance Benefits

The amount of the estimated liability for accumulated severance pay benefits for LGA employees is determined using the annual actuarial report of severance obligations as at March 31, 2016. It should be noted that Manitoba Liquor and Lotteries Corporation will maintain the severance liability earned to March 31, 2014 for all former Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGA. The LGA will continue to accrue the severance liability for former MGCC employees and will accrue the severance liability for former Regulatory Services Division employees of the Manitoba Liquor Control Commission April 1, 2014 and onwards.

For former MGCC employees and former non-unionized Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGA, the maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the LGA. For former unionized Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGA, the entitlement is one week's pay for each complete year of continuous service, to a maximum of 25 weeks at the employee's weekly salary at the date of retirement.

An actuarial report was completed for the severance pay liability as of March 31, 2016. The LGA's actuarially-determined net liability for accounting purposes as at March 31, 2016 was \$961,080 (2015 – \$829,464). An actuarial loss of \$20,983 will be amortized over the expected average remaining service life of the employee group. This loss will begin to be amortized at the beginning of the next fiscal year. Severance payments for 2016 amounted to \$34,537 (2014 – \$0).

Significant long-term actuarial assumptions used in the March 31, 2016 valuation and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation were:

Annual rate of return

(i) inflation component	2.00%
(ii) real rate of return	4.00%
	6.00%

Annual salary escalation rates

(i) general increases	
a) salary increase	2.00%
b) real rate	0.75%
	2.75%

(ii) service, merit and promotional increases.
The rates used vary by age groupings from a high of 3.0% to a low of 0%.

The severance benefit liability at March 31, 2016 includes the following components:

	2016	2015
Accrued benefit liability	\$ 961,080	\$ 829,464
Unamortized actuarial gains (losses)	29,601	60,714
Less: Employer severance payments	(34,537)	0
Severance benefit liability	\$ 956,144	\$ 890,178

The total expenses related to severance benefits at March 31, 2016 include the following components:

	2016	2015
Interest on obligation	\$ 49,768	\$ 48,584
Current period benefit cost	56,926	22,331
	106,692	70,915
Effect of change per new collective agreement	26,325	0
Effect of change in staff identification for two employees	12,153	0
Amortization of actuarial gain over expected average remaining service lifetime	(10,130)	(11,363)
Total expense related to severance benefit	\$ 135,042	\$ 59,552

B. Retirement Benefits

All employees of the LGA are members of the Province of Manitoba's defined benefit Superannuation Fund.

In accordance with the provisions of the *Civil Service Superannuation Act*, LGA employees are eligible for pension benefits. Plan members are required to contribute to the Superannuation Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The LGA is required to match contributions contributed to the Superannuation Fund by the employees at prescribed rates, which is recorded as an operating expense. Under the *Civil Service Superannuation Act*, the LGA has no further pension liability. At December 31, 2014, the Superannuation Fund had a deficit of \$3.8 billion.

The LGA's portion of contributions to the Superannuation Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are \$486,635. Contributions for the 2014/15 year were \$417,610.

For employees whose annual earnings exceed the limit under the Superannuation Fund or are a disability retirement, a pension liability is established. Based on the annual actuarial report of pension obligations as at March 31, 2016, a reserve of \$195,800 (2015 – \$94,939) has been established as a pension liability. Due to the nature of the liability, actuarial gains or losses are recognized in operations in the year. Pension costs realized in the year were \$100,861 (2015 – \$30). Significant long-term actuarial assumptions used in the March 31, 2016 valuation and in the determination of the March 31, 2016 present value of the accrued basic pension benefit obligations were:

Annual rate of return

(i) inflation component	2.00%
(ii) real rate of return	4.00%
	<hr/>
	6.00%

Annual salary escalation rates

(i) general increases	
a) salary increase	2.00%
b) productivity component	0.75%
	<hr/>
	2.75%

(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%.

C. Non-Vested Sick Leave Benefits

All employees are credited with sick day credits for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in the most recent collective agreements. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plans are included in the financial statements. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement. These assumptions include a 3.83% discount rate and a 3.75% annual salary increase.

Tangible Capital Assets

MARCH 31, 2016	Equipment	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
Cost					
Opening balance	\$ 54,442	\$ 443,914	\$ 1,186,813	\$ 59,429	\$ 1,744,598
Additions		11,269	27,770	4,968	44,007
Disposals		(9,849)	(58,012)		(67,861)
Closing balance	\$ 54,442	\$ 445,334	\$ 1,156,571	\$ 64,397	\$ 1,720,744
Accumulated amortization					
Opening balance	\$ 47,990	\$ 318,357	\$ 1,011,912	\$ 45,146	\$ 1,423,405
Amortization	1,291	13,030	57,701	10,894	82,916
Disposals		(8,291)	(55,525)		(63,816)
Closing balance	\$ 49,281	\$ 323,096	\$ 1,014,088	\$ 56,040	\$ 1,442,505
Net Book Value					\$ 278,239

Tangible Capital Assets

MARCH 31, 2015	Equipment	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
Cost					
Opening balance	\$ 54,442	\$ 432,628	\$ 1,075,934	\$ 57,318	\$ 1,620,322
Additions		12,242	110,879	2,111	125,232
Disposals		(956)			(956)
Closing balance	\$ 54,442	\$ 443,914	\$ 1,186,813	\$ 59,429	\$ 1,744,598
Accumulated amortization					
Opening balance	\$ 46,377	\$ 305,841	\$ 950,946	\$ 37,195	\$ 1,340,359
Amortization	1,613	13,297	60,966	7,951	83,827
Disposals		(781)			(781)
Closing balance	\$ 47,990	\$ 318,357	\$ 1,011,912	\$ 45,146	\$ 1,423,405
Net Book Value					\$ 321,193

10. Amalgamation Expenses

The LGA has incurred certain expenses as a result of the amalgamation process. These expenses have been recognized when incurred.

11. Commitments

The LGA has an operating lease for its premises expiring on December 31, 2016.

The minimum annual lease payment for the next three years is:

2017	\$233,876
------	-----------

12. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the LGA Board.

13. Working Capital Advance

The Minister of Finance, with Lieutenant Governor in Council approval by Orders in Council (341/1997), has arranged for working capital advances to be available to the LGA. The aggregate of the outstanding advances is not to exceed \$2,000,000 (2015 – \$2,000,000). As at March 31, 2016, \$2,000,000 (2015 – \$2,000,000) of these advances were unused and available.

14. Related Party Transactions

The LGA is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The LGA enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

BOARD MEMBERS

Donna Roed

CHAIR
Gimli

Vic Wonnacott

VICE-CHAIR
Winnipeg

Stephen Carroll

MEMBER
Winnipeg

Lucille Cenerini

MEMBER
Winnipeg

Ellen Olfert


MEMBER
Winnipeg

John Scott

MEMBER
Brandon

Lorraine Sigurdson

MEMBER
Riverton



This report is available on the Liquor and Gaming Authority of Manitoba's website at LGManitoba.ca.

La version française de ce rapport annuel est disponible au site web de la Régie des alcools et des jeux du Manitoba au LGManitoba.ca.

Available in alternate formats, upon request.



Liquor and Gaming
Authority of Manitoba

800-215 Garry Street | Winnipeg, MB R3C 3P3

Telephone: 204-954-9400 | Toll-free 1-800-782-0363

www.LGManitoba.ca