



ANNUAL REPORT

*16/17*

**LGA** Liquor and Gaming  
Authority of Manitoba



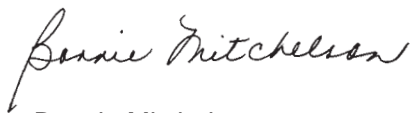
August 31, 2017

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 pleased to present you with the annual report of the Liquor and Gaming Authority of Manitoba (LGA) for the fiscal year ended March 31, 2017. My board colleagues and I are honoured to have been asked by Manitoba to lead the LGA going forward, effective April 19, 2017.

Respectfully,



Bonnie Mitchelson  
CHAIR



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# REMARKS FROM THE EXECUTIVE DIRECTOR AND CEO

When *The Liquor and Gaming Control Act* was proclaimed on April 1, 2014, our legislated duties were described broadly: 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 and managed in Manitoba; and provide information and advice to the minister about liquor and gaming. Since our first day, the Liquor and Gaming Authority of Manitoba's (LGA) actions have been guided by this broad legislation to ensure that we act independently and in the public interest.

Reflecting on the work accomplished since 2014, Manitobans have seen significant, yet subtle, changes in the way liquor is served and sold in the province. For example, consistent operating hours for all retail stores and service establishments have allowed flexibility for businesses and consumer convenience. Easing service licensing restrictions has created new business opportunities for craft brewery tasting rooms, opened opportunities for unique hospitality venues, spurred brew pub development, and eliminated constricting food to liquor ratios.

Thinking about our citizens and communities, and options to improve service through technology, our efforts have sped the permit process for Manitoba's famous summer festivals and socials through MyLGA.ca; encouraged people to learn about Canada's low-risk drinking guidelines at KnowMyLimits.ca; and launched SmartChoicesMB.ca, a new responsible service certification program for service and retail licensees. The LGA has continued to focus on public and community safety through our modern compliance practices, including

emphasizing oversight for higher-risk service and retail premises, and seeking opportunities to educate and train licensees and their employees.

In the coming year, the LGA will continue to pursue new avenues to modernize and streamline our regulatory practices for liquor and gaming, both as part of Manitoba's red tape reduction initiatives and our own commitment to regulatory integration. To support this, the LGA will evaluate our progress in our first three years of operations and will begin development of a new strategic plan to carry us into the 2020s.

Looking forward, I would be remiss not to acknowledge that, at the close of this fiscal year, Canadians were awaiting legislation that would frame the federal foundation upon which provinces are expected to build regulatory frameworks for the sale and use of non-medical cannabis. Should the Government of Manitoba tap the LGA to add cannabis to our regulatory mandate, our capacity and strength as a regulator of two products already deemed by society as requiring specific regulation will position us well to ensure appropriate oversight of cannabis in the province.

Regardless of the breadth of our regulatory scope, we will maintain our focus on responsible service and consumption, public safety, fairness and integrity. Manitobans may be assured that the management and staff of the LGA will continue to strive for excellence and balance in keeping with our overarching mandate to regulate in the public interest.



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

# ABOUT THE LIQUOR AND GAMING AUTHORITY OF MANITOBA

The Liquor and Gaming Authority of Manitoba (LGA) 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 develop, promote or support 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



## 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 89 employees. Staff are headed by a chief executive officer (CEO) 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

The Operations Division is led by the chief operating officer and comprised of two directorates for licensing and compliance. This division licenses and approves all regulated liquor and gaming activities and equipment, and ensures compliance with applicable legislation, regulations, and terms and conditions. Staff provide advice and assistance to applicants, licensees, permit holders, 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

The Finance Division is led by the chief financial officer and 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 for the year ended March 31, 2017, are published in this report beginning on page 22.

### CORPORATE SERVICES

The Corporate Services Division is led by the chief administrative officer. This 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. Staff also provide advice and services to the minister responsible for the Act, the LGA board, and senior management, and act as media spokespersons.



## 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 the 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](http://LGAmanitoba.ca).

## HEARINGS

The LGA board conducts hearings in response to licensing and compliance appeals 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 be closed to the public under certain circumstances defined by the Act. The LGA board conducted one appeal hearing in 2016/17.

## 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. We received and responded to six requests for information under FIPPA in 2016/17.

*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. The LGA did not receive any submissions under this legislation in 2016/17.

# OPERATIONAL HIGHLIGHTS

The LGA takes a balanced approach to regulating liquor and gaming products and services in the public interest. The following items highlight some of our key initiatives in 2016/17.

## A SMART CHOICE FOR THE HOSPITALITY INDUSTRY

On January 2, 2017, the LGA launched Smart Choices, a new responsible service certification that replaced the former Serving It Safe and Problem Gambling Assistance programs. Smart Choices focuses on current laws, safety requirements and responsible service strategies for selling or serving liquor. It also incorporates information about problem gambling awareness, because gambling generally is offered in businesses where liquor is served. Requiring the same liquor and gambling responsibility training for everyone levels the playing field across the hospitality industry and makes Smart Choices easily transferable for workers.

Responsible service training is mandatory for all individuals who serve or sell liquor in Manitoba, as well as for managers and security personnel working in licensed premises. In consultation with its Hospitality Industry Advisory Committee, the LGA established a gradual phase-in period for the new program. Smart Choices is offered online, paper-based and in-class through the Manitoba Tourism Education Council. Visit [SmartChoicesMB.ca](http://SmartChoicesMB.ca) for more information.



## A FLEXIBLE REGULATORY FRAMEWORK

One of the major features of Manitoba's new regulatory framework is that it is much more flexible as a result of enabling, rather than prescriptive, legislation. Under the Act, terms and conditions can be amended at the administrative level and approved by the LGA's executive director. This allows us to respond to clients, industry and evolving consumer preferences without having to seek legislative amendments.

In July 2016, the LGA finalized terms and conditions for the liquor service and retail licence categories, in consultation with its Hospitality Industry Advisory Committee. While terms and conditions are a new format for liquor licensees, they are an extension of legislation and regulations, and serve to clarify and consolidate familiar requirements. The terms and conditions were distributed to all liquor licensees and are available at [LGAmanitoba.ca](http://LGAmanitoba.ca). The LGA also developed a liquor licensee policy manual in November 2016 to help businesses understand and follow the requirements of their licence.

## A UNIQUE LICENSING EXPERIENCE

In May 2016, the LGA issued a unique hospitality venue (UHV) licence to The Forks Market, which allows for the service of craft beer and wine by the glass in a common area with food service provided by multiple food vendors. The Forks Market is considered unique because it is a historical site and a major tourism destination in Manitoba. Reactions have been positive, as Paul Jordan, CEO of The Forks North Portage Partnership noted: “Our newly renovated food hall opened in The Forks Market early in June 2016 to great reviews... We are extremely appreciative of the working relationship developed with the entire LGA.”

While the standard liquor licence categories accommodate the vast majority of applications, the UHV licensing option was introduced in 2014 to create the flexibility to license unique entrepreneurial proposals. Other current UHV licensees include Manitoba’s casinos, tasting rooms at liquor manufacturers, and The Metropolitan Entertainment Centre.

## NEW TASTING ROOM HOURS

In response to requests from Manitoba’s craft brewing industry, in January 2017, the LGA changed tasting room hours to allow service between 11:00 a.m. and 11:00 p.m. daily, on a pilot basis for two years. Craft brewing has become increasingly popular throughout North America. Manitoba is now catching up to the trend with five craft breweries having opened tasting rooms this year and others in various stages of development. The LGA believes that allowing these popular venues to serve until 11:00 p.m. is in keeping with consumer choice, public safety, responsible service and practical business considerations.

## CHARITIES FUNDRAISING WITH THE HELP OF TECHNOLOGY

Last year, Manitoba was among the first provinces to authorize charitable organizations to conduct raffles electronically, following federal amendments to the *Criminal Code (Canada)*. As a result, the LGA issued 21 licences for electronic raffles in 2016/17. The most popular requests were to offer online ticket sales and processing, followed by moving away from barrel drum draws to the use of random number generators to pick winners. The LGA worked closely with charities using random number generators to ensure that they have appropriate systems in place for game fairness and integrity. The first raffle using a random number generator took place on June 30, 2016, at Dauphin’s Countryfest.

Online ticketing can make it easier to track raffle sales and finances, whereas charities using random number generators are able to offer speedier draws. Overall, these technologies can lower fundraising costs, resulting in more profits directly going to Manitoba charities.

## STAYING SAFE WHILE WE ENSURE PUBLIC SAFETY

While we focus our attention outward on public safety, the LGA is also committed to ensuring that our own employees are safe while at work. We take a proactive approach to ensuring that our protection measures meet or exceed workplace safety and health requirements. This includes having an active Workplace Safety and Health Committee that assesses our workplace for safety hazards on a regular basis, and ensures that each office has an appropriate number of staff with first aid training.

Our field staff are regularly on the road and sometimes in unpredictable situations. Special safety initiatives this year included providing custom hearing protection devices to staff who may be exposed to loud sound volumes in the course of their duties, and providing naloxone kits and training to field staff to deal safely with potential incidents involving fentanyl.

## HOW MUCH DOES IT COST TO PLAY VLTs?

In May 2016, the LGA worked with the Manitoba Liquor and Lotteries Corporation to re-launch the VLT Cost of Play Calculator, a tool to help Manitobans estimate how much they spend playing video lottery terminals (VLTs). The tool was originally developed in 2012 to help players understand how VLT costs add up over time. One hundred thousand Cost of Play Calculators were distributed to VLT sites across Manitoba and are available free of charge to players. By entering a few numbers into the calculator wheel, VLT players get a better picture of the true cost of gambling and can make informed choices about how much they plan to spend.



## BEGINNING TO PREPARE FOR LEGAL CANNABIS

Following the announcement by the federal government of its intent to legalize non-medical cannabis, a provincial working group was struck to provide advice to the Government of Manitoba on how cannabis regulation and distribution might be managed in the province. As a member of this group, we have worked collaboratively with provincial partners throughout the year to provide expertise on the development of a regulatory model. Should the LGA be asked to assume the regulatory mandate for this new industry, the LGA would also see a role in public education and safe consumption of cannabis, in keeping with our public health and safety mandates for liquor and gaming.

## WE HAVE TO ASK. TAKE IT AS A COMPLIMENT!

LGA inspectors and licensees have noted a trend of youthful-looking patrons not carrying identification (ID). This occurs particularly in rural licensed establishments, where patrons and licensees claim that they know each other and that the licensee knows the patron's age without needing to check their ID. This is a clear violation of the Act, which requires licensees to check the ID of patrons who appear to be minors, even if they know the patron. ID checks are an important counter-measure to prevent underage drinking.

In March 2017, we launched a public education campaign in rural Manitoba to help explain that people who sell or serve liquor are required by law to ask for ID from anyone who could be a minor. The campaign encourages young Manitobans to bring their ID to licensed establishments and illustrates how difficult it is to identify minors. There are people well into their 30s that may look youthful and get asked for ID. If it happens to you, take it as a compliment – you look young!



## EXPANDING CLIENTS' ONLINE LGA ACCESS

Significant work was done throughout the year to expand MyLGA.ca to include social occasion raffles. When this new option launches in April 2017, Manitobans will be able to apply online to hold raffles such as 50/50 raffles or player's choice draws at public locations, such as community halls, banquet halls, hotels, restaurants and churches. These individual fundraising raffles, which are different from larger raffles held by charitable and religious organizations, have been authorized since 2014 and have an easy application process in conjunction with the social occasion permit application process. This new online expansion will make it easier for Manitobans to apply when their raffle is not held as part of an event held under social occasion permit.

With this addition to MyLGA.ca, our internal regulatory management system was expanded to include social occasion raffles. This has significantly reduced our internal data processing workload, as these files were previously managed manually. This has resulted in faster approval times and an improved ability to detect and resolve irregularities.

The LGA will continue to expand our online presence and use of technology to serve our clients. MyLGA.ca will continue to grow going forward, with plans to continue to make more types of applications and account-based services available through this online portal in coming years.



## ABOUT MANITOBANS, LIQUOR AND GAMBLING

In June 2016, the LGA surveyed 1,200 adult Manitobans from across the province to gather information about their liquor- and gambling-related knowledge and activities. We conduct provincial prevalence surveys every three years to monitor changes in behaviour of the Manitoba population. We are pleased to note that this *Liquor and Gambling in Manitoba* series has become a key source for statistics on liquor and gambling in the province.

The results show that the majority of Manitobans drink liquor and gamble, and that they do so responsibly. Overall, the survey shows that liquor consumption and responsible drinking behaviours have remained stable since they were benchmarked in 2013, prior to the overhaul of Manitoba's liquor control framework for the first time in over 50 years. This highlights the need to continue to conduct surveys to monitor the impact of regulatory changes. The following presents some key results from our survey.

### LIQUOR CONSUMPTION

- ▲ 75% of Manitobans indicated they drank alcoholic beverages in the previous 12 months.
- ▲ Beer and wine were the most commonly-consumed alcoholic beverages.
- ▲ Most Manitobans who drink liquor do so moderately. 91% reported drinking two to three times a week or less.

### RESPONSIBLE DRINKING

Most (86%) Manitobans reported always using at least one responsible drinking strategy. The most common strategies included:

- ▲ 65% always pre-planned their transportation, for example by calling a taxi or having a designated driver.
- ▲ 47% always limited the number of drinks consumed on one occasion.

### GAMBLING PARTICIPATION

- ▲ 74% of Manitobans stated they had gambled in the previous 12 months. This is a downward trend since 2010, when 85% of Manitobans stated they had gambled.
- ▲ 48% of Manitobans said they bought raffle tickets for fundraising or from a charitable organization, the most common form of gambling, at least once a year. Buying lottery or instant win tickets, and playing slot machines or VLTs were other popular gambling activities.
- ▲ Online gambling was the least popular form of gambling; only 1.5% of Manitobans reported betting money online.

### RESPONSIBLE GAMBLING

- ▲ A spending limit was the most common responsible gambling strategy used by Manitobans. 57% reported they always set spending limits and 52% said they always limited access to funds by leaving debit or credit cards at home when gambling.

The *Liquor and Gambling in Manitoba II* report is available at [LGManitoba.ca](http://LGManitoba.ca). The LGA uses this survey and other empirical research to guide our operational and social responsibility initiatives. For example, information about the impact of age on responsible drinking from the 2013 survey allowed the LGA to develop its province-wide Know My Limits campaign\*, which has run annually since 2014. The 2016 survey's comprehensive results about liquor consumption and gambling patterns will be used in the coming year to inform the development of gambling-related public education materials and the continued development of the curriculum for the Smart Choices responsible service certification.

\* Know My Limits is a LGA public education campaign designed to inform young Manitobans aged 18-24 years about Canada's low-risk drinking guidelines.

# FIELD NOTES

Throughout the year, we mark our success through the services we deliver to all Manitobans, and the liquor and gaming industries. The following notes recall activities and events observed in our "field", which is all of Manitoba, and link these milestones to the strategic goals that push us to provide excellent regulatory service.



All eyes were on Winnipeg in October 2016 for the Heritage Classic weekend match-up between the Winnipeg Jets and the Edmonton Oilers. The LGA's modern regulatory framework allowed for an extension of the University of Manitoba's liquor licence to the parking lot outside the stadium. The LGA also approved the use of a random number generator to

draw winners for the games' 50/50 raffles. In the past, the tickets would have been printing into a barrel drum for too long for the winner to be selected at the game.



## 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.



Two LGA employees were recognized with Outstanding Achievement Awards from the Government of Manitoba's 2016 All Charities Campaign for their fundraising work on behalf of all LGA employees who participate in the campaign.



The Office of the Auditor General of Manitoba issued a clear audit opinion of the LGA's financial position as at

March 31, 2017. The audit was conducted in keeping with Canadian public sector accounting standards. The LGA's 2015/16 annual report, which includes financial statements, was tabled in the legislature on October 5, 2016, as required by the Act.



The LGA consolidated regional services by enlarging teams in Brandon and Thompson, and closing two satellite offices in Portage la Prairie and The Pas.

Larger teams allow the LGA to deliver better-integrated liquor and gaming licensing and inspection services, while also reducing the fixed costs of having multiple smaller locations.







The LGA is committed to being a respectful workplace. In 2016/17, we rolled out a comprehensive Harassment Prevention and Respectful Workplace Policy, including holding respect and diversity training sessions for all staff.



A surge of public and media interest in liquor delivery occurred this year, following several licensees introducing innovative new delivery models. The LGA's terms and conditions authorize liquor retailers (i.e. beer vendors, liquor vendors, Liquor Marts and specialty wine stores) to offer liquor delivery as a customer service.



The LGA is on social media. Check out our public education campaigns on YouTube and follow us on Facebook.



Cheers! Opening a smaller brew pub became easier this year, as a regulatory amendment in October 2016 eliminated minimum tank sizes for brew pubs. Two new brew pubs opened in Manitoba in 2016.



The number of tasting rooms at breweries that opened this year, following licensing work done in earlier years to support Manitoba's growing craft beer industry, and beer lovers' appreciation for freshly-brewed beer.



The LGA is moving to paperless processing for social occasion permits, as part of a larger focus on increasing efficiency and reducing paper waste. Approved permits are now emailed whenever possible, and liquor retailers do not have to ask permit applicants to complete a paper declaration form in addition to their application.



LGA employees participated in over 1,000 hours of training in 2016/17 to ensure that we have the skills to serve Manitoba's evolving liquor and gaming industries.



The increase in the number of licences issued for community raffles, Manitobans' most popular charitable fundraiser. We issued 2,247 of these no-fee licences this year to eligible organizations seeking to raise \$10,000 or less.



The LGA scholarship program provides funding of up to \$10,000 annually to graduate students to conduct liquor or gambling research at Manitoba universities. Offering scholarships builds research capacity in the province, and ensures that future generations of researchers are asking and answering important questions about our regulated industries. The following doctoral students received LGA scholarships in 2016/17:

- Raymond Lavoie (University of Manitoba)
- Jessica Jarmasz (University of Manitoba)
- Damien Dowd (University of Manitoba)



# OPERATIONAL ACTIVITY STATISTICS

The LGA accomplishes its regulatory mandate in the public interest through its licensing and compliance directorates, which provide complementary services to authorize and monitor the businesses, organizations, individuals and activities that operate in Manitoba's liquor and gaming industries.

## LICENSING AND PERMITS

FOR THE PERIOD FROM APRIL 1, 2016 TO MARCH 31, 2017. ACTIVE LICENCES ARE AS AT MARCH 31, 2017.

### COMMERCIAL LICENSING

The LGA provides commercial licensing services to restaurants, hotels, 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 granted in accordance with the Act and accompanying regulations, and are issued with terms and conditions specific to each licence type.

#### LIQUOR SERVICE, RETAIL AND MANUFACTURING

Active service licences	1,965
Active retail licences	495
Active manufacturing licences	12
New liquor licence approvals	107
In-store brewing service authorizations	5
Changes of ownership	31

#### GAMING INDUSTRY EMPLOYEES

Active employees (Aseneskak Casino, Sand Hills Casino, South Beach Casino, and the Manitoba Liquor and Lotteries Corporation)	2,793
New employee licence approvals	707
Annual employee licence reviews and renewals	2,476

## LOTTERY TICKET RETAILERS AND VLT SITEHOLDERS

	LOTTERY TICKET RETAILERS	VLT SITEHOLDERS
Active licences	898	502
New licence approvals	16	4
Changes of ownership	57	22

## GAMING SUPPLIERS AND GAMING SERVICE PROVIDERS

Active gaming suppliers and service providers	47
New gaming supplier and service provider licence approvals	4
Annual licence reviews and renewals	47

## 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 regulations and gaming integrity standards developed for different schemes and equipment.

## GAMING INTEGRITY APPROVALS

Central systems, games, game hardware and software, table games, rules of play, and equipment	477
Bingo paper, breakopen tickets, showdowns and ballot draws	16

## 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 are granted in accordance with the Act and accompanying regulations, and are issued with terms and conditions specific to each permit or licence type.

### SOCIAL OCCASION PERMITS AND RAFFLES

Social occasion permits	8,778
Social occasion raffle licences	5,217

### CHARITABLE GAMING EVENTS

Active licences	2,991
Charitable licence holders	1,636
Licence application approvals	2,688
Licence amendment approvals	3,534

## LICENSED CHARITABLE GAMING OVERVIEW

(\*IN \$MILLIONS)

EVENT TYPE	LICENSED EVENTS		GROSS REVENUE*		PRIZES PAID*		TOTAL EXPENSES*		NET PROFIT*	
	16/17	15/16	16/17	15/16	16/17	15/16	16/17	15/16	16/17	15/16
Bingo	182	192	32.02	32.28	25.06	25.29	3.76	3.89	3.20	3.10
Breakopen ticket	101	104	2.63	2.80	1.90	2.04	0.20	0.22	0.53	0.54
Raffle	415	350	34.36	37.80	14.59	16.79	6.01	6.63	13.76	14.38
Texas hold'em poker tournament	26	24	0.68	0.68	0.47	0.49	0.10	0.10	0.11	0.09
Media bingo	11	12	3.96	4.17	3.11	1.93	0.65	0.69	0.20	1.55
Other	9	10	0.09	0.09	0.07	0.06	0.01	0.01	0.01	0.02
<b>Totals</b>	<b>744</b>	<b>692</b>	<b>73.74</b>	<b>77.82</b>	<b>45.20</b>	<b>46.60</b>	<b>10.73</b>	<b>11.54</b>	<b>17.81</b>	<b>19.68</b>

In addition, 2,247 licences were issued to charitable organizations that, due to reporting thresholds, were not required to submit financial reports or licence fees (102 bingo, 48 breakopen ticket, 2,084 raffle, eight Texas hold'em poker tournaments, two media bingo and three other) and therefore, are not reflected in the table above.

## COMPLIANCE

FOR THE PERIOD FROM APRIL 1, 2016 TO MARCH 31, 2017.

### 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. Staff inspect restaurants, hotels, 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.

The LGA follows a risk-based model to determine how often we inspect establishments with liquor licences. This allows the LGA to inspect all licensed premises, while strategically focusing our resources where they are most likely to enhance public safety. Most of the criteria used to calculate risk levels are based on a licensee's business model; however, compliance history is the most heavily-weighted criterion and the one a licensee can control. Licensees can lower their risk level significantly by operating in a safe and responsible manner, in accordance with the Act, regulations, and terms and conditions. The full scoring formula is available at [LGAmanitoba.ca](http://LGAmanitoba.ca).

#### COMMERCIAL INSPECTIONS

Liquor licensees (service, retail and manufacturing)	8,676
Gaming licensees (casinos, lottery ticket retailers and VLT siteholders)	2,844

#### INVESTIGATIONS

Public complaints regarding licensees	112
Employee licensing investigations	81
Gaming siteholder and supplier investigations	18

## RESPONSIBLE SERVICE EDUCATION, AGE CONTROL AND TRAINING

The LGA emphasizes training to support clients to achieve and maintain compliance, and offered training sessions this year on responsible service, age control, public safety and regulatory compliance. Developing the new Smart Choices responsible service certification program, described on page 9, was a significant step forward in 2016/17. This new program will better prepare liquor servers, salespeople, managers and security to comply with Manitoba's liquor laws and with responsible gambling best practices.

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Responsible service certification checks	3,545
Age control identification checks	2,188
On-site training (e.g. for commercial and charitable licensees, and First Nation gaming commissions)	297
Last Drink Program* referrals	94

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\* The Last Drink Program sees police services gather information from impaired driver arrest reports, including information on the location at which the driver consumed liquor prior to their arrest. If the location is a licensed premises, the police notify the LGA and a liquor inspector follows up with the licensee to provide information and training. This program is designed to enhance public safety by identifying licensed establishments that may have issues related to over-service.

## COMMUNITY INSPECTIONS

In keeping with a risk-based approach, inspectors visit socials, festivals, charitable fundraisers 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

Pre-event meetings	413
Social occasion permit events	326
Charitable gaming events	526

### INSPECTIONS OF LICENSING AUTHORITIES UNDER ORDERS IN COUNCIL

First Nation gaming commissions	65
Municipalities	61

## 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 and reporting practices comply with legislation, regulation and audit standards.

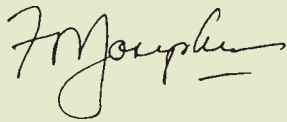
Charitable gaming event reports	2,172
First Nation gaming commission annual reports	35
First Nation VLT siteholder reports	120
Municipal licensing authority reports	129

## MANAGEMENT REPORT

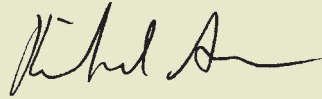
The management of the Liquor and Gaming Authority of Manitoba (LGA) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

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 28, 2017





## 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, 2017, 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, 2017.

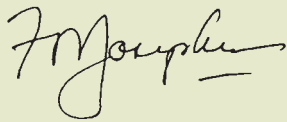
*Office of the Auditor General*

Office of the Auditor General  
June 28, 2017  
Winnipeg, Manitoba

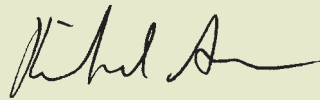
## MANAGEMENT'S CERTIFICATION OF COMPLIANCE

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

We hereby confirm that for the year ended March 31, 2017, 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 28, 2017

# 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)

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

## 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 fee 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)

Section 2(1)	Disclosure required
Section 2(2)	Consistent reporting required
Section 3(1)	Manner of disclosure
Section 3(2)	Information 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, 2017 and the statements of operations and accumulated surplus, 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, 2017, 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*

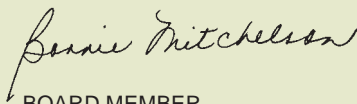
Office of the Auditor General  
June 28, 2017  
Winnipeg, Manitoba

LIQUOR AND GAMING AUTHORITY OF MANITOBA

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31	ACTUAL 2017	ACTUAL 2016
<b>Financial assets</b>		
Cash and cash equivalents	\$ 5,082,447	\$ 5,510,946
Accounts receivable (Note 4)	35,673	94,922
Long-term investment (Note 5)	146,079	146,079
	<b>5,264,199</b>	<b>5,751,947</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	939,905	1,248,740
Deferred revenue (Note 7)	464,359	886,827
Severance benefits (Note 8)	964,473	956,144
Retirement benefits (Note 8)	233,845	195,800
Non-vested sick leave benefits (Note 8)	174,450	182,214
Total employee future benefits	1,372,768	1,334,158
	<b>2,777,032</b>	<b>3,469,725</b>
Net financial assets	<b>2,487,167</b>	<b>2,282,222</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	259,804	278,239
Prepaid expenses	65,370	67,750
	<b>325,174</b>	<b>345,989</b>
Accumulated surplus	\$ 2,812,341	\$ 2,628,211

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

FOR THE YEAR ENDED MARCH 31	BUDGET 2017	ACTUAL 2017	ACTUAL 2016
<b>Revenue</b>			
Licence fees – gaming	\$ 6,203,300	\$ 6,070,906	\$ 6,124,992
Licence fees – liquor	1,744,300	1,741,853	1,784,729
MLLC funding transfer	3,400,000	2,708,000	3,250,000
Other revenue	19,300	33,360	42,740
Interest earned	24,800	35,400	28,010
	11,391,700	10,589,519	11,230,471
<b>Expenses</b>			
Salaries and benefits	8,323,600	7,893,392	8,097,382
Rent	657,500	661,841	658,350
Legal and professional fees	407,800	336,041	272,459
Transportation	466,900	308,905	376,883
Communications	265,800	287,683	268,091
Supplies and services	313,100	269,280	238,696
Education, training, conferences	200,000	202,582	201,122
Public education	375,000	201,029	174,731
Amortization	139,800	70,481	82,916
Accommodations	86,000	69,616	74,248
Other expenses	68,000	49,574	44,617
Board	60,400	33,827	46,246
Human resources/systems support	20,600	13,557	10,515
Loss on disposal of tangible capital assets	0	7,581	4,045
First Nations legal and professional	0	0	172,612
Amalgamation expenses (Note 10)	0	0	15,631
	11,384,500	10,405,389	10,738,544
<b>Annual surplus</b>	7,200	184,130	491,927
<b>Accumulated surplus, beginning of year</b>	2,679,200	2,628,211	2,136,284
<b>Accumulated surplus, end of year</b>	\$ 2,686,400	\$ 2,812,341	\$ 2,628,211

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

LIQUOR AND GAMING AUTHORITY OF MANITOBA

## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31	BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Annual surplus	\$ 7,200	\$ 184,130	\$ 491,927
Acquisition of tangible capital assets	(2,168,000)	(59,627)	(44,007)
Amortization of tangible capital assets	139,800	70,481	82,916
Loss on disposal of tangible capital assets	0	7,581	4,045
	(2,028,200)	18,435	42,954
Decrease (increase) in prepaid expenses	0	2,380	(5,613)
<b>Increase (decrease) in net financial assets</b>	(2,021,000)	<b>204,945</b>	529,268
<b>Net financial assets</b> , beginning of year	2,383,000	<b>2,282,222</b>	1,752,954
<b>Net financial assets</b> , end of year	\$ 362,000	\$ <b>2,487,167</b>	\$ 2,282,222

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

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31	2017	2016
<b>Operating transactions</b>		
Annual surplus	\$ 184,130	\$ 491,927
Loss on disposal of tangible capital assets	7,581	4,045
Changes in non-cash items		
Accounts receivable	59,249	245,723
Prepaid expenses	2,380	(5,613)
Accounts payable and accrued liabilities	(308,835)	(99,789)
Deferred revenue	(422,468)	307,161
Provision for employee severance benefits	8,329	65,966
Provision for employee pension benefits	38,045	100,861
Provision for employee sick leave benefits	(7,764)	29,128
Amortization	70,481	82,916
Cash provided by operating transactions	(368,872)	1,222,325
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(59,627)	(44,007)
Increase (decrease) in cash and cash equivalents	(428,499)	1,178,318
<b>Cash and cash equivalents, beginning of year</b>	<b>5,510,946</b>	<b>4,332,628</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,082,447</b>	<b>\$ 5,510,946</b>
<b>Supplemental cash flow information</b>		
Interest received	33,595	29,342

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



# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

## 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 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, 2017. 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 Manitoba Gaming Control Commission

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. The Manitoba Liquor and Lotteries Corporation (MLLC) 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 (0 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 re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement 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, 2017 (2016 – \$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, 2017 was:

	2017	2016
Cash and cash equivalents	\$ 5,082,447	\$ 5,510,946
Accounts receivable	35,673	94,922
	<b>\$ 5,118,120</b>	<b>\$ 5,605,868</b>

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, 2017 was:

Current	\$ 28,442
30 to 60 days past billing date	3,872
61 to 90 days past the billing date	535
More than 90 days past the billing date	2,824
	<b>\$ 35,673</b>

### 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

	2017	2016
MLLC	\$ 10,700	\$ 12,916
Liquor service/retail beer vendor licensees	1,100	6,050
First Nation casinos	7,350	3,750
Social occasion permit holders	4,650	2,250
Gaming event licensees	2,523	3,418
Interest on short-term investments	5,691	3,886
Other trades	3,659	62,652
	<b>\$ 35,673</b>	<b>\$ 94,922</b>

#### 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 this year was \$906 (2016 – \$996).

#### 6. Accounts Payable and Accrued Liabilities

	2017	2016
Accounts payable and accrued liabilities	\$ 122,723	\$ 106,474
Salaries and benefits payable	16,987	282,140
Accrued vacation pay	798,899	857,617
Other	1,296	2,509
	<b>\$ 939,905</b>	<b>\$ 1,248,740</b>

## 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	\$ 886,827	\$ 462,961	\$ 885,429	\$ 464,359

## 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, 2017. It should be noted that the 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 Manitoba Gaming Control Commission 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 Manitoba Gaming Control Commission 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, 2017. The LGA's actuarially-determined net liability for accounting purposes as at March 31, 2017, was \$991,721 (2016 – \$926,543). An actuarial loss of \$49,050 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 this year amounted to \$134,957 (2016 – \$34,537).

Significant long-term actuarial assumptions used in the March 31, 2017, valuation and in the determination of the March 31, 2017, 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, 2017 includes the following components:

	2017	2016
Accrued benefit liability	\$ 991,721	\$ 926,543
Unamortized actuarial gains (losses)	(27,248)	29,601
Severance benefit liability	\$ 964,473	\$ 956,144

The total expenses related to severance benefits at March 31, 2017 include the following components:

	2017	2016
Interest on obligation	\$ 57,665	\$ 49,768
Current period benefit cost	58,883	56,926
	116,548	106,694
Effect of change per new collective agreement	0	26,325
Effect of change in staff identification for two employees	0	12,153
Amortization of actuarial gain over expected average remaining service lifetime	(7,799)	(10,130)
Total expense related to severance benefit	\$ 108,749	\$ 135,042

## 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, 2015, the Superannuation Fund had a deficit of \$3.9 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 this year were \$488,627. Contributions for the 2015/16 year were \$486,635.

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, 2017, a reserve of \$233,845 (2016 – \$195,800) 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 this year were \$38,045 (2016 – \$100,861). Significant long-term actuarial assumptions used in the March 31, 2017 valuation and in the determination

of the March 31, 2017 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%
	6.00%

### Annual salary escalation rates

(i) general increases	
a) salary increase	2.00%
b) productivity component	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%.

## 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 agreement. 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.



## 9. Tangible Capital Assets

MARCH 31, 2017	Equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
<b>Cost</b>					
Opening balance	\$ 54,442	\$ 445,334	\$ 1,156,571	\$ 64,397	\$ 1,720,744
Additions		8,691	50,936		59,627
Disposals		(6,462)	(96,941)		(103,403)
Closing balance	\$ 54,442	\$ 447,563	\$ 1,110,566	\$ 64,397	\$ 1,676,968
<b>Accumulated amortization</b>					
Opening balance	\$ 49,281	\$ 323,096	\$ 1,014,088	\$ 56,040	\$ 1,442,505
Amortization	1,032	12,669	48,424	8,357	70,482
Disposals		(4,348)	(91,475)		(95,823)
Closing balance	\$ 50,313	\$ 331,417	\$ 971,037	\$ 64,397	\$ 1,417,164
<b>Net book value</b>					<b>\$ 259,804</b>

MARCH 31, 2016	Equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
<b>Cost</b>					
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
<b>Accumulated amortization</b>					
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
<b>Net book value</b>					<b>\$ 278,239</b>



**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 June 30, 2018.

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

2018	\$311,834
2019	\$77,959

**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 (2016 – \$2,000,000). As at March 31, 2017, \$2,000,000 (2016 – \$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

APPOINTED APRIL 19, 2017

## **Bonnie Mitchelson**

CHAIR  
Winnipeg

## **Eric Luke**

VICE-CHAIR  
Stonewall

## **Sheila Atkinson**

MEMBER  
Brandon

## **Catherine C. Cronin**

MEMBER  
Winnipeg

## **Stéphane Dorge**


MEMBER  
Winnipeg

## **William Duff**

MEMBER  
Beausejour

## **Courtney Hirota**

MEMBER  
Winnipeg



This report is available on the Liquor and Gaming Authority of Manitoba's website at [LGManitoba.ca](http://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](http://LGManitoba.ca).

Available in alternate formats, upon request.



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