



ANNUAL REPORT

17/18



Liquor and Gaming
Authority of Manitoba



August 31, 2018

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

Dear Minister Cullen:

I am pleased to present you with the annual report of the Liquor and Gaming Authority of Manitoba for the fiscal year ended March 31, 2018.

Respectfully,



Bonnie Mitchelson
CHAIR



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MESSAGE FROM THE CHAIR

The Liquor and Gaming Authority of Manitoba (LGA) began the 2017/18 fiscal year with the appointment of a new board in April 2017. We brought a fresh perspective and embraced our oversight responsibilities with a desire to learn and to exercise due diligence in performing our governance duties.

We set an ambitious agenda for the first year. Our immediate priority was to initiate a process to formalize our board's governance policies and practices including board accountability, executive oversight and committee assignments. Beyond establishing an audit committee to monitor financial matters, we established a regulatory review committee to oversee legislative and regulatory amendments, anticipating the added responsibility for regulation of cannabis.

The safe and responsible sale, service and consumption of liquor and gaming have long been the organization's regulatory aims. We will apply the same lens of public

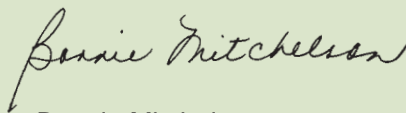
interest oversight to the regulation of cannabis in Manitoba in the coming years.

In preparation for the development of a new strategic plan to guide the LGA through the next three to five years, our board members consulted with key stakeholders across the province with meetings in Brandon, Thompson and Winnipeg. We heard firsthand about current opportunities and challenges as they relate to the regulation of liquor and gaming, as well as to the upcoming legalization of cannabis. Also, we were gratified to learn of the respect and appreciation those we regulate have for the management and staff of our organization.

In framing our strategic plan, we recognized that liquor, gaming, and now cannabis are products deemed as requiring regulation to reflect societal expectations for consumer safety, protection and education in a respectful, impartial and balanced manner. This plan, which also articulates our values and strategic goals, will be published later in 2018 as we prepare to become the Liquor, Gaming and Cannabis Authority of Manitoba.

I would like to express my sincere thanks to each of my board colleagues for their enthusiasm and dedication in performing their tasks. Every board member has made a meaningful contribution to our first year. We consider it a privilege to serve our province and its citizens.

Finally, I would like to thank management and staff who have worked closely with the provincial government, and its departments and agencies, to develop a comprehensive and practical structure for the retail sale, regulation and use of legal cannabis. Their expertise and contributions to this and all aspects of our regulatory responsibilities have led the LGA to conclude another successful year of service to Manitobans.



Bonnie Mitchelson
CHAIR

REMARKS FROM THE EXECUTIVE DIRECTOR AND CEO

It is rare that a regulatory agency's annual report would begin with a focus on a product or service that it does not regulate. But the pending federal legalization of cannabis, expected later in 2018, has created such an environment for governments and agencies across the country – and Manitoba is no exception. From a public policy perspective, this decision sets the stage for a social and cultural change arguably more significant than the lifting of liquor prohibition in the 1920s. While the federal government is legalizing this product, it is up to each province to establish a secure and stable framework that protects consumers, educates the public, confirms integrity in the distribution and retail networks, and emphasizes public safety.

As described in Bill 11, *The Safe and Responsible Retailing of Cannabis Act*, the Liquor and Gaming Authority of Manitoba (LGA), will become the province's regulator for cannabis distribution, and cannabis retail stores and sales. As such, management and staff have spent significant time, research and thought to prepare for the transition of cannabis from an illegal substance to a consumer product in the 2018/19 fiscal year.

Cannabis, like liquor and gaming, is a consumer product that carries risk deemed by society to require particular oversight and regulation to restrict and control the

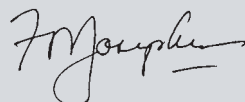
product. Foundational work accomplished during 2017/18 will expand the LGA's current mandate and establish a regulatory regime for cannabis that sets general prohibitions, authorizes licensing, prescribes compliance and enforcement measures, enables community decision-making, and empowers sanctions, including fines. Further, concepts of public interest, social responsibility and public education and information, which are foundational to modern regulation, are also woven into the regulatory framework established by Bill 11. Thanks to the support and guidance of the board, and the expertise and commitment of management

and staff, I am confident that we will be ready to undertake our new responsibilities as the Liquor, Gaming and Cannabis Authority of Manitoba.

Within this context, it is gratifying to report that throughout the preparations to integrate cannabis into our regulatory mandate, the LGA has continued to deliver appropriate and effective regulatory services to businesses, charities and citizens across the province. Specific examples of our efforts to respond to business interests, reduce red tape, improve access to services, ensure public safety, and inform safe and responsible consumer use are detailed in this annual report. The narrative is accompanied by the details of our annual financial and compliance audits conducted by the Office of the Auditor General of Manitoba. I am pleased to report that, in keeping with our commitment to financial accountability and transparency, once again the LGA has achieved a clear audit opinion.

As well, the LGA has continued to work with a multiplicity of individuals and associations, including other regulators, public health professionals, policing agencies, the hospitality industry, and citizens and their communities, beginning at the local, through to international levels. The diversity of these stakeholders and their perspectives underscores the LGA's continued commitment to understand, consider and balance divergent views on the regulation of liquor and gambling.

While our regulatory responsibilities are expanding, Manitobans can be assured that we will continue to focus our attention on public safety, fairness, responsible service and consumption, and regulatory integrity. As noted in Mrs. Mitchelson's remarks, we will apply this same lens of public interest oversight to the regulation of cannabis in the province. Finally, and on behalf of management and staff, we look forward to being of continued service to all Manitobans.



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 stakeholders include the hospitality and gaming industries, the people employed in these industries, charities, communities, and citizens. Our regulatory partners include policing agencies, civic and business groups, other governments, and regulators in other provincial, national and international jurisdictions.

On December 5, 2017, the Government of Manitoba tabled Bill 11, *The Safe and Responsible Retailing of Cannabis Act*. This legislation will rename the LGA as the Liquor, Gaming and Cannabis Authority of Manitoba and will extend its regulatory oversight to cannabis stores and distributors once cannabis is legalized in 2018. The emerging cannabis industry has become an important new stakeholder group over the year as we have progressed toward creating a regulatory framework for this product.

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. Ninety employees provide operations, finance and corporate services, 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 inspections and 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, financial management and reporting; managing and safeguarding assets; borrowing and investing; and banking. This division also is 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, 2018, are published in this report beginning on page 24.

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, policy, 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 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 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 by the minister in the Manitoba legislature, and is published in print and at LGAmnitoba.ca.



HEARINGS

The board conducts quasi-judicial 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. Objectors to the public notice process can also appeal, in the case of a decision to issue a licence. 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 board conducted two appeal hearings in 2017/18.

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. The LGA received and responded to three requests for information under FIPPA in 2017/18.

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 disclosures under this legislation in 2017/18.

OPERATIONAL HIGHLIGHTS

The LGA strives to be neutral by taking a balanced and independent approach to regulating liquor and gaming products and services in the public interest. This approach has served us well in our four years of operations as the LGA has become established as a fair and modern regulator.

The following items highlight some key initiatives in 2017/18.

EVALUATING OUR STRATEGIC SUCCESS

In early 2017/18, the LGA undertook a comprehensive evaluation to assess how we had so far met the strategic goals and priorities outlined in our 2014-18 strategic plan. This included interviews, surveys and board consultations with LGA clients and stakeholders. The results of this research were used to inform the board's development of a new strategic plan, which will launch in 2018/19 to guide the organization in its next phase.

Overall, the results suggested that clients and stakeholders are satisfied with the integration of liquor and gaming regulation, the LGA's level of service excellence, and the LGA's social responsibility programming. A key theme that emerged is that the LGA is responsive and accessible to clients and stakeholders, which suggests the LGA has been successful in balancing the needs of industry within its mandate to protect the public interest.

PREPARING FOR LEGAL CANNABIS

A significant forthcoming change to the LGA's role was announced on December 5, 2017, when the Government of Manitoba tabled Bill 11, *The Safe and Responsible Retailing of Cannabis Act*. When cannabis is legalized in 2018, this legislation will rename the LGA as the Liquor, Gaming and Cannabis Authority of Manitoba and will extend our regulatory mandate to include cannabis. The LGA has extensive experience overseeing liquor and gaming in Manitoba, which will be foundational as we establish a practical and effective regulatory regime for legal cannabis.

A great deal of preparatory work for the pending legalization took place in 2017/18. This included contributing to the drafting of Bill 11 and beginning to develop the regulation and terms and conditions that will support this legislation and further outline requirements. In addition to this policy work, the LGA measured baseline cannabis indicators through the province-wide *Manitoba Cannabis Survey* described on page 15, and began to prepare public education messaging to inform Manitobans as cannabis transitions from an illicit to legal product.

A YEAR OF SMART CHOICES

Launched in January 2017, Smart Choices responsible service certification is mandatory for all individuals who serve or sell liquor in Manitoba, as well as for managers and security personnel who work in licensed premises. Smart Choices provides information about current laws, safety requirements, strategies for responsible liquor service, and problem gambling awareness. Nearly 8,000 Manitobans successfully completed the program in its first year. We also shared the program with Newfoundland and Labrador, to use as the basis for their province's responsible server training.

Nine hundred people completed an optional evaluation survey after taking Smart Choices, and 90% agreed that it is a worthwhile course that

provided the information they need to sell or serve liquor responsibly. When asked what they found the most useful, common themes included "all the information about keeping yourself and others safe in a social environment," and "it provides a good basic understanding of the rights and responsibilities of patrons and employees. I learned a couple of things I didn't know, such as being allowed to take drinks into the bathroom [to avoid tampering]."


Visit SmartChoicesMB.ca for more information and to take the program.

WHAT'S YOUR GAMBLING LIMIT?

Do you set limits before you gamble? LGA research indicates that many Manitobans, particularly those aged 45 years and older, are not regularly setting limits before participating in gambling activities. People who always set limits have a lower risk of experiencing gambling harm, such as overspending and negative impacts to family and well-being.

Based on this research, the LGA launched a province-wide public education campaign to remind Manitobans to set limits before gambling. The campaign ran for six weeks on radio, through online and social media, and through transit advertising and posters.

Strategies to limit gambling include setting spending limits, limiting access to funds (for example, by leaving credit and debit cards at home), limiting how often you gamble, and setting time limits. Visit KnowMyLimits.ca to learn more.



**I HAD A TALK WITH MYSELF...
I Know My Gambling Limit**

**Before I go out, I know how much I can spend.
Gambling always costs money.**

KnowMyLimits.ca

LGA
Liquor and Gaming
Authority of Manitoba

DO WE NEED THAT INFORMATION?

The LGA is committed to ensuring that our privacy protection processes continue to meet evolving best practices. This means that, while we need to collect personal information to assess applicants' eligibility for licensing, our processes are reexamined regularly to make sure that all the information is truly needed, and to make sure that appropriate steps are being taken to safeguard personal data.

This year, after careful consideration, we determined that we could uphold our mandate and conduct background checks without needing to ask licence applicants for their gender or social insurance number. These questions have been removed from our licensing applications, and the LGA will continue to be mindful of opportunities to improve our personal data collection and reduce red tape.

COULD YOU BE BETTING WITH NO CHANCE OF WINNING?

Licensed Chase the Ace raffles are a popular fundraiser for charitable and religious organizations, in which the jackpot accumulates until it is won. The popularity of Chase the Ace has led some people to conduct these types of raffles illegally on social media to raise money for their personal expenses. In some cases, these raffles are scams, where there is no pre-selected card and the person running the raffle keeps the money. Whether or not an event is a scam, unlicensed gambling is always illegal.

In response to complaints about the fairness of these social media Chase the Ace-type raffles, we conducted an online campaign to show Manitobans how these raffles can be unfair for consumers. The LGA's advertisements led people to a website with information on how to recognize if a Chase the Ace raffle is legal and the regulatory protections provided to legal raffle players, such as an assurance of fairness and a clear avenue for complaints.





EXPANDING OUR HOSPITALITY INDUSTRY ADVISORY COMMITTEE

In 2013, under the auspices of the former Manitoba Gaming Control Commission, the LGA established a hospitality industry advisory committee with representatives from the Manitoba Hotel Association, the Manitoba Restaurant and Foodservices Association, Restaurants Canada and Manitoba Liquor and Lotteries Corporation. This committee meets as needed to discuss their perspectives on regulatory considerations and recommend changes that would benefit Manitoba's hospitality industry. While the LGA acknowledges a natural tension between the regulator and those they regulate, this approach establishes a more open and collegial relationship with this important business group.

Recognizing the breadth of stakeholders in the hospitality industry, this committee was expanded this year to include the representatives for brewers, liquor vendors and specialty wine stores. The LGA is mindful of the far-reaching impact of any regulatory changes and values this committee as a way to hear and balance the perspectives of diverse stakeholders.

MORE TECHNOLOGY FOR CHARITABLE FUNDRAISING

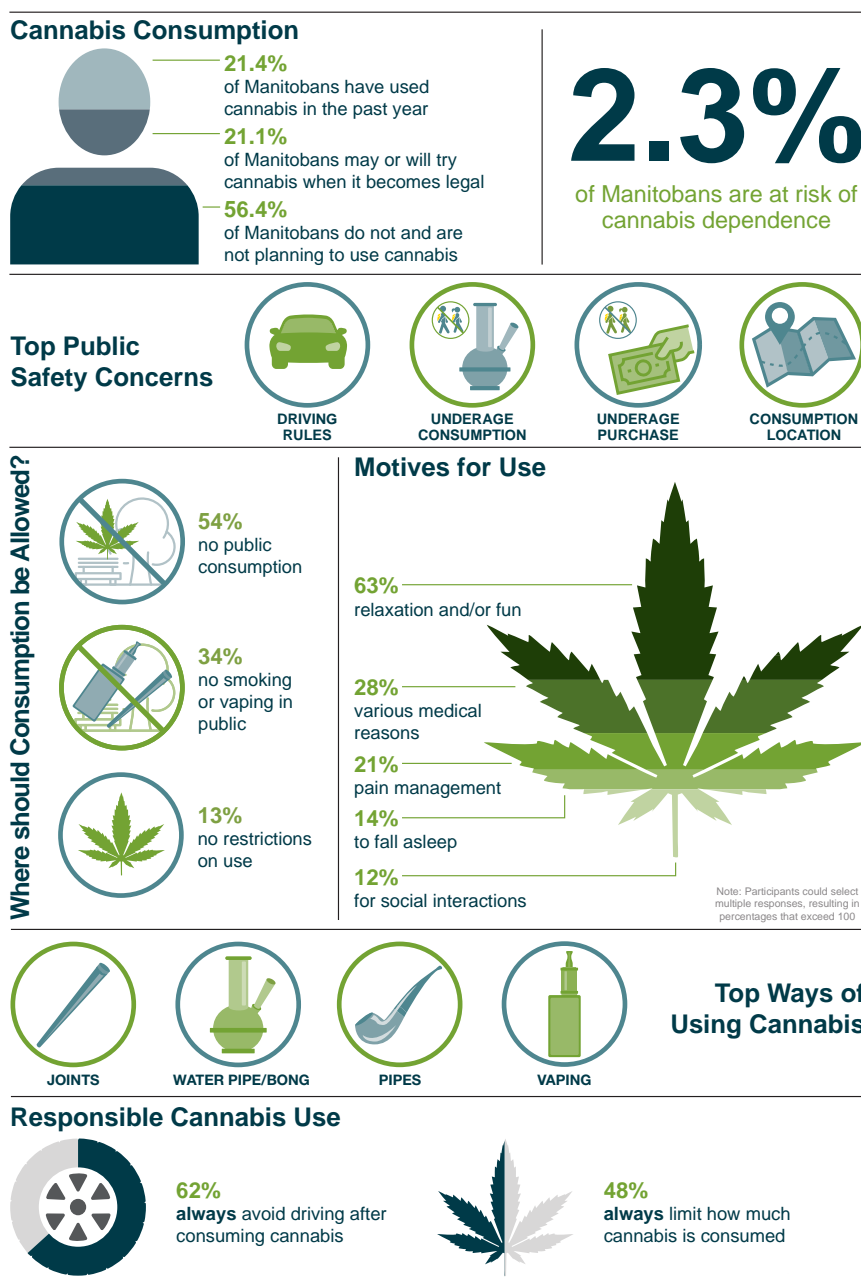
Manitoba charities continued to innovate with new fundraising technologies, as a direct result of 2015 federal amendments to the *Criminal Code (Canada)* that allow organizations to conduct raffles electronically. This year, the Dauphin Kings Junior Hockey Club was the first group licensed to use an electronic raffle system for a Chase the Ace raffle. St. Amant Foundation Inc. was the first charity licensed to conduct a hybrid paper/electronic raffle, in which the organization made half of the tickets available through paper sales and the other half through an electronic platform. Both of these charities were successful in raising funds for their respective sporting and client programming objectives, an example of two charitable gaming events of the nearly 3,000 such events licensed by the LGA during the year.

A CANNABIS LEARNING CURVE

As part of preparations for our expanding regulatory mandate, the LGA surveyed 1,200 anonymous adults from across the province in September 2017 to build a full picture of who is using cannabis now, how often and how much they use, and how this might look different after legalization. The LGA also asked Manitobans about their expectations for information and public safety.

Understanding current and potential use will help the LGA create regulatory standards, retailer training and public education when cannabis is legalized. The LGA is legislatively mandated to conduct research, and is committed to basing the coming regulatory framework for cannabis on a strong foundation of reliable and valid information.

The *Manitoba Cannabis Survey* report is available at LGAmanitoba.ca, with key results as follows:



FIELD NOTES

Throughout the year, we measure 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 achievements to the strategic goals that push us to provide excellent regulatory service.



296,292

The number of times people viewed our

Bring ID YouTube video. This campaign was launched in early 2017 to show how difficult it is to identify minors and to help explain that people who sell or serve liquor are required by law to ask for identification.



The LGA conducts relevant regulatory research that meets academic standards, including publishing results in scholarly journals. *Show me the money: Incorporating financial motives into the gambling motives questionnaire*, a 2014 LGA article published in the *Journal of Gambling Studies*, has been cited by 27 academic studies to date as an important source of information about the factors that motivate gambling.



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.



The LGA's Brandon office relocated in February 2018 to a larger and more central location to be able to better serve our clients in the Westman region. Please come see our new space at D-2015 Brandon Avenue.



Another move is afoot. The LGA has ratified an offer-to-lease for new Winnipeg office space at 1055 Milt Stegall Drive. Upon occupancy in

2018/19, the LGA will be able to complete the consolidation of our Winnipeg offices, and offer single-window client services for Manitoba businesses, charitable organizations, community groups and individuals.



Our 2016/17 annual report, including financial statements, was tabled intersessionally on September 29, 2017, in accordance with the Act.



We continue to cut red tape to make it more efficient for Manitobans to access our services. This year, the LGA introduced a new licence amendment process that is significantly faster for licensees and began to introduce paperless licensing processes.



Our risk-based liquor inspections factors were integrated into our regulatory management system. This means that liquor service licensees' risk levels are automatically updated and inspections assignments are automated to meet risk-based frequency targets.



A special raffle application guide was created this year to provide clarity on the licensing process for the many youth sports teams that apply for charitable fundraising raffle licences.



A policy change this year allowed PVP Cyber Lounge, Manitoba's first cyber gaming lounge, to be licensed for liquor service as a recreational facility.



After launching the Smart Choices responsible service certification, the LGA required all its staff to complete the program. 100% of employees have successfully completed it, so please ask any of us how you can make smart choices when selling or serving liquor.



Over 1,100 social occasion raffle applications have been received online since this licensing program was added to MyLGA.ca, our online application portal, early in 2017/18.



Manitoba was in the spotlight during the 2017 Canada Summer Games. The LGA issued social occasion permits for two main licensed sites as part of this event. The main festival site located at The Forks in Winnipeg drew an estimated daily attendance of 10,000 people for the family-friendly event.

OPERATIONAL ACTIVITY STATISTICS

The LGA regulates 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, 2017 TO MARCH 31, 2018. ACTIVE LICENCES ARE AS AT MARCH 31, 2018.

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

	17/18	16/17
Active service licences	1,982	1,965
Active retail licences	490	495
Active manufacturing licences	14	12
New liquor licence approvals	134	107
In-store brewing service authorizations	13	5
Changes of ownership	42	31

GAMING INDUSTRY EMPLOYEES

	17/18	16/17
Active employees (Aseneskak Casino, Sand Hills Casino, South Beach Casino and Manitoba Liquor and Lotteries Corporation)	2,835	2,793
New employee licence approvals	766	707
Annual employee licence reviews and renewals	2,591	2,476

LOTTERY TICKET RETAILERS AND VIDEO LOTTERY TERMINAL (VLT) SITEHOLDERS

	LOTTERY TICKET RETAILERS		VLT SITEHOLDERS	
	17/18	16/17	17/18	16/17
Active licences	902	898	484	502
New licence approvals	23	16	13	4
Changes of ownership	69	57	17	22

GAMING SUPPLIERS AND GAMING SERVICE PROVIDERS

	17/18	16/17
Active gaming suppliers and service providers	53	47
New gaming supplier and service provider licence approvals	11	4
Annual licence reviews and renewals	44	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

	17/18	16/17
Central systems, games, game hardware and software, table games, rules of play, and equipment	574	477
Bingo paper, breakopen tickets, showdowns and ballot draws	6	16

COMMUNITY LICENSING AND PERMITS

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

SOCIAL OCCASIONS

	17/18	16/17
Social occasion liquor permits	8,500	8,778
Social occasion raffle licences	5,095	5,217

CHARITABLE GAMING EVENTS

	17/18	16/17
Active licences	3,109	2,991
Charitable licence holders	1,574	1,636
Licence application approvals	2,677	2,688
Licence amendment approvals	4,334	3,534

LICENSED CHARITABLE GAMING OVERVIEW

(*IN \$MILLIONS)

EVENT TYPE	LICENSED EVENTS		GROSS REVENUE*		PRIZES PAID*		TOTAL EXPENSES*		NET PROFIT*	
	17/18	16/17	17/18	16/17	17/18	16/17	17/18	16/17	17/18	16/17
Bingo	181	182	30.77	32.02	24.12	25.06	3.62	3.76	3.03	3.20
Breakopen ticket	95	101	2.35	2.63	1.70	1.90	0.18	0.20	0.47	0.53
Raffle	425	415	36.23	34.36	15.15	14.59	6.53	6.01	14.55	13.76
Texas hold'em poker tournament	27	26	0.92	0.68	0.66	0.47	0.14	0.10	0.12	0.11
Media bingo	11	11	3.94	3.96	2.02	3.11	0.71	0.65	1.21	0.20
Other	12	9	0.10	0.09	0.08	0.07	0.01	0.01	0.01	0.01
Totals	751	744	74.31	73.74	43.73	45.20	11.19	10.73	19.39	17.81

In addition, 2,209 licences were issued to charitable organizations that, due to reporting thresholds, were not required to submit financial reports or licence fees (56 bingo, 12 breakopen ticket, 2,134 raffle, and seven other) and therefore, are not reflected in the table above.

COMPLIANCE

FOR THE PERIOD FROM APRIL 1, 2017 TO MARCH 31, 2018.

COMMERCIAL INSPECTIONS AND INVESTIGATIONS

The LGA safeguards the public interest through our emphasis on social responsibility, age control, public safety, game integrity, and regulatory compliance. Within our compliance directorate, staff follow a risk-based model to inspect restaurants, bars, 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 and audit staff and investigate complaints.

COMMERCIAL INSPECTIONS

	17/18	16/17
Liquor licensees (service, retail and manufacturing)	11,573	8,676
Gaming licensees (casinos, lottery ticket retailers and VLT siteholders)	4,050	2,844

INVESTIGATIONS

	17/18	16/17
Complaints and referrals	154	176*
Employee licensing investigations	106	81
Gaming siteholder and supplier investigations	12	18

*This number is restated from the 2016/17 annual report, which incorrectly indicated that 112 investigations had been conducted in this category.

RESPONSIBLE SERVICE EDUCATION, AGE CONTROL AND TRAINING

The LGA uses training strategically to support clients to achieve and maintain compliance. In 2017/18, we offered training sessions on responsible service, age control, public safety and regulatory compliance. The roll-out of the Smart Choices responsible service certification program was a key focus for training this year, as this included inspectors providing in-person training to liquor retailers across the province.

	17/18	16/17
Responsible service certification checks	3,813	3,545
Age control identification verifications	2,298	2,188
On-site training (e.g. for commercial and charitable licensees, First Nation gaming commissions and high schools)	318	297
Last Drink Program referrals*	71	94

* Under the Last Drink Program, 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 speak 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

	17/18	16/17
Pre-event consultations	716	413
Social occasion permit events	549	326
Charitable gaming events	937	526

INSPECTIONS OF LICENSING AUTHORITIES UNDER ORDERS-IN-COUNCIL

	17/18	16/17
First Nation gaming commissions	50	65
Municipalities	65	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.

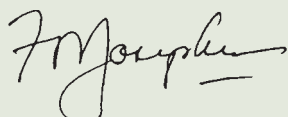
	17/18	16/17
Charitable gaming event reports	3,009	2,172
First Nation gaming commission annual reports	35	35
First Nation VLT siteholder reports	122	120
Municipal licensing authority reports	142	129

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 27, 2018



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, 2018, 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, 2018.

Office of the Auditor General

Office of the Auditor General
June 27, 2018
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, 2018, 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 27, 2018

SCHEDULE OF LEGISLATIVE AND RELATED AUTHORITIES

Orders-in-Council

415/2014	Appointment of OAG as auditor of LGA	125/2015	Appointment of Executive Director
112/2017	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 17	Property
Section 4(1)	Composition of the authority	Section 18(1)	Investment of money
Section 6	Remuneration of members	Section 18(2)	Investment and interest to be paid to authority
Section 10(1)	Executive Director	Section 19	Fiscal year
Section 12	Annual budget	Section 20	Audit
Section 13(1)	Funding	Section 21(1)	Annual report
Section 14(1)	Borrowing by authority	Section 104(4)	Costs of background investigations – application for licence
Section 14(2)	Advance out of Consolidated Fund	Section 108(1)	Licence fees
Section 15	Banking and accounts	Section 114(6)	Costs of investigation – approving integrity
Section 16(1)	Fees and penalties		
Section 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 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
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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, 2018 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, 2018, 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 27, 2018
Winnipeg, Manitoba

LIQUOR AND GAMING AUTHORITY OF MANITOBA

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31	ACTUAL 2018	ACTUAL 2017
Financial assets		
Cash and cash equivalents	\$ 5,159,208	\$ 5,082,447
Accounts receivable (Note 4)	497,594	35,673
Long-term investment (Note 5)	146,079	146,079
	5,802,881	5,264,199
Liabilities		
Accounts payable and accrued liabilities (Note 6)	924,508	939,905
Deferred revenue (Note 7)	448,238	464,359
Severance benefits (Note 8)	1,045,104	964,473
Retirement benefits (Note 8)	108,840	233,845
Non-vested sick leave benefits (Note 8)	172,168	174,450
Total employee future benefits	1,326,112	1,372,768
	2,698,858	2,777,032
Net financial assets	3,104,023	2,487,167
Non-financial assets		
Tangible capital assets (Note 9)	250,367	259,804
Prepaid expenses	73,764	65,370
	324,131	325,174
Accumulated surplus	\$ 3,428,154	\$ 2,812,341

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 2018	ACTUAL 2018	ACTUAL 2017
Revenue			
Licence fees – gaming	\$ 6,116,000	\$ 6,162,867	\$ 6,070,906
Licence fees – liquor	1,743,500	1,736,517	1,741,853
MLLC funding transfer	2,700,000	2,700,000	2,708,000
Other revenue	20,300	45,340	33,360
Interest earned	36,400	51,498	35,400
	10,616,200	10,696,222	10,589,519
Expenses			
Salaries and benefits	7,718,800	7,521,832	7,893,392
Rent	666,900	676,648	661,841
Legal and professional fees	476,500	352,181	336,041
Transportation	343,900	323,964	308,905
Supplies and services	309,300	281,530	269,280
Communications	274,300	262,449	287,683
Public education	375,000	247,579	201,029
Education, training, conferences	150,000	160,937	202,582
Accommodations	84,800	78,193	69,616
Board	58,500	71,829	33,827
Amortization	69,000	58,980	70,481
Other expenses	60,800	34,175	49,574
Human resources/systems support	16,500	8,451	13,557
Loss on disposal of tangible capital assets	0	1,661	7,581
	10,604,300	10,080,409	10,405,389
Annual surplus	11,900	615,813	184,130
Accumulated surplus, beginning of year	2,812,341	2,812,341	2,628,211
Accumulated surplus, end of year	\$ 2,824,241	\$ 3,428,154	\$ 2,812,341

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 2018	ACTUAL 2018	ACTUAL 2017
Annual surplus	\$ 11,900	\$ 615,813	\$ 184,130
Acquisition of tangible capital assets	(103,000)	(51,204)	(59,627)
Amortization of tangible capital assets	69,000	58,980	70,481
Loss on disposal of tangible capital assets	0	1,661	7,581
	(34,000)	9,437	18,435
Decrease (increase) in prepaid expenses	0	(8,394)	2,380
Increase (decrease) in net financial assets	(22,100)	616,856	204,945
Net financial assets, beginning of year	2,487,167	2,487,167	2,282,222
Net financial assets, end of year	\$ 2,465,067	\$ 3,104,023	\$ 2,487,167

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31	2018	2017
Operating transactions		
Annual surplus	\$ 615,813	\$ 184,130
Loss on disposal of tangible capital assets	1,661	7,581
Changes in non-cash items		
Accounts receivable	(461,921)	59,249
Prepaid expenses	(8,394)	2,380
Accounts payable and accrued liabilities	(15,397)	(308,835)
Deferred revenue	(16,121)	(422,468)
Provision for employee severance benefits	80,631	8,329
Provision for employee pension benefits	(125,005)	38,045
Provision for employee sick leave benefits	(2,282)	(7,764)
Amortization	58,980	70,481
Cash provided by operating transactions	127,965	(368,872)
Capital transactions		
Cash used to acquire tangible capital assets	(51,204)	(59,627)
Increase (decrease) in cash and cash equivalents	76,761	(428,499)
Cash and cash equivalents, beginning of year	5,082,447	5,510,946
Cash and cash equivalents, end of year	\$ 5,159,208	\$ 5,082,447
Supplemental cash flow information		
Interest received	45,621	33,595

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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 Equivalents

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, 2018. 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, 2018 (2017 – \$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, 2018 was:

	2018	2017
Cash and cash equivalents	\$ 5,159,208	\$ 5,082,447
Accounts receivable	497,594	35,673
	\$ 5,656,802	\$ 5,118,120

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, 2018 was:

Current	\$ 488,315
30 to 60 days past billing date	2,975
61 to 90 days past the billing date	1,365
More than 90 days past the billing date	4,939
	\$ 497,594

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

	2018	2017
MLLC	\$ 459,523	\$ 10,700
Liquor service/retail beer vendor licensees	7,125	1,100
First Nation casinos	6,650	7,350
Social occasion permit holders	3,775	4,650
Gaming event licensees	1,712	2,523
Interest on short-term investments	11,568	5,691
Other trades	7,241	3,659
	\$ 497,594	\$ 35,673

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 \$1,002 (2017 – \$906).

6. Accounts Payable and Accrued Liabilities

	2018	2017
Accounts payable and accrued liabilities	\$ 119,718	\$ 122,723
Salaries and benefits payable	19,666	16,987
Accrued vacation pay	783,283	798,899
Other	1,841	1,296
	\$ 924,508	\$ 939,905

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	\$ 464,359	\$ 875,796	\$ 891,917	\$ 448,238

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, 2018. 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, 2018. The LGA's actuarially-determined net liability for accounting purposes as at March 31, 2018, was \$927,826 (2017 – \$991,721). An actuarial gain of \$146,875 will be amortized over the expected average remaining service life of the employee group. This gain will begin to be amortized at the beginning of the next fiscal year. Severance payments for this year amounted to \$53,575 (2017 – \$134,957).

Significant long-term actuarial assumptions used in the March 31, 2018 valuation and in the determination of the March 31, 2018 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, 2018 includes the following components:

	2018	2017
Accrued benefit liability	\$ 927,826	\$ 991,721
Unamortized actuarial gains (losses)	117,278	(27,248)
Severance benefit liability	\$ 1,045,104	\$ 964,473

The total expenses related to severance benefits at March 31, 2018 include the following components:

	2018	2017
Interest on obligation	\$ 60,177	\$ 57,665
Current period benefit cost	76,378	58,883
	136,555	116,548
Amortization of actuarial gain over expected average remaining service lifetime	(2,349)	(7,799)
Total expense related to severance benefit	\$ 134,206	\$ 108,749

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, 2016, the Superannuation Fund had a deficit of \$4.3 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 \$445,742. Contributions for the 2016/17 year were \$488,627.

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, 2018, a reserve of \$108,840 (2017 – \$233,845) 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 reduced by \$125,005 (2017 – increased by \$38,045). Significant long-term actuarial assumptions used in the March 31, 2018 valuation and in the determination of the March 31, 2018 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 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, 2018	Equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost					
Opening balance	\$ 54,442	\$ 447,563	\$ 1,110,566	\$ 64,397	\$ 1,676,968
Additions	1,834	21,466	27,904		51,204
Disposals		(2,739)	(9,659)		(12,398)
Closing Balance	\$ 56,276	\$ 466,290	\$ 1,128,811	\$ 64,397	\$ 1,715,774
Accumulated amortization					
Opening balance	\$ 50,313	\$ 331,417	\$ 971,037	\$ 64,397	\$ 1,417,164
Amortization	1,040	12,013	45,927		58,980
Disposals		(1,871)	(8,866)		(10,737)
Closing Balance	\$ 51,353	\$ 341,559	\$ 1,008,098	\$ 64,397	\$ 1,465,407
Net book value					\$ 250,367

MARCH 31, 2017	Equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost					
Opening balance	\$ 54,442	\$ 445,334	\$ 1,156,571	\$ 64,397	\$ 1,720,744
Additions		8,691	50,936		59,627
Disposals		(6,462)	(96,942)		(103,404)
Closing Balance	\$ 54,442	\$ 447,563	\$ 1,110,565	\$ 64,397	\$ 1,676,967
Accumulated amortization					
Opening balance	\$ 49,281	\$ 323,096	\$ 1,014,088	\$ 56,040	\$ 1,442,505
Amortization	1,032	12,669	48,423	8,357	70,481
Disposals		(4,348)	(91,475)		(95,823)
Closing Balance	\$ 50,313	\$ 331,417	\$ 971,036	\$ 64,397	\$ 1,417,163
Net book value					\$ 259,804

10. Commitments

The LGA has an operating lease expiring on December 31, 2018 for its Winnipeg premises and an operating lease expiring on January 31, 2028 for its Brandon premises.

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

2019	\$278,425
2020	44,550
2021	44,550
2022	44,550
2023	44,550

11. Budgeted Figures

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

12. 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 (2017 – \$2,000,000). As at March 31, 2018, \$2,000,000 (2017 – \$2,000,000) of these advances were unused and available.

13. 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

Bonnie Mitchelson

CHAIR
Winnipeg

Eric Luke

VICE-CHAIR
Stonewall

Sheila Atkinson

MEMBER
Brandon

William Duff

MEMBER
Beausejour

Catherine C. Cronin


MEMBER
Winnipeg

Courtney Hirota

MEMBER
Winnipeg

Stéphane Dorge

MEMBER
Winnipeg



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