

ANNUAL REPORT

14/15



August 21, 2015

Honourable Dave Chomiak
Minister responsible for Liquor and Gaming Control
Room 317, Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

Dear Minister Chomiak:

I am honoured to present you with the first annual report of the Liquor and Gaming Authority of Manitoba for the fiscal year ended March 31, 2015.

Respectfully,

A handwritten signature in black ink, appearing to be 'D. Dziewit', with a stylized, cursive style.

Darlene Dziewit
CHAIR

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MESSAGE FROM THE CHAIR

2014/15 was the Liquor and Gaming Authority of Manitoba's (LGA) inaugural year. The vision, consultations, research, deliberations and drafting of legislation and regulations which characterized much of the work undertaken in the previous two years, culminated in the April 1, 2014 proclamation of *The Liquor and Gaming Control Act* – creating a modern and practical framework for regulating liquor and gaming in our province.

The new legislation established the LGA and brought together the regulation of liquor and gaming under the oversight of a single agency. Manitoba's liquor laws were overhauled for the first time since 1956, leaving behind the dated pre-existing restrictions that characterized the mid-20th century regulatory model and shifting to a model focused on public safety, flexibility and modern consumer choice.

The journey began in April of 2012, when the government announced its intent to integrate the regulatory framework for liquor and gaming in Manitoba. The legacy agencies' complementary accountabilities for

licensing and compliance services to many of the same stakeholder groups advanced the opportunity to reduce red tape and streamline regulatory processes. At the same time, this decision created a unique opportunity to review and modernize Manitoba's liquor and gaming regulatory framework to better reflect today's diverse and evolving social norms, consumer expectations and business practices.

To gather input and opinions to inform the legislative drafting process, province-wide consultations were held in the fall of 2012. These consultations, which heard from charitable

organizations, businesses, community groups and citizens, told of Manitobans' expectations for liquor and gaming products and services to be regulated in the public interest. This public process also revealed that citizens and businesses in Manitoba want a balanced and modern regulatory framework that responds to consumers, encourages individual accountability, is grounded in social responsibility and supports neighbourhood safety.

In response, these concepts were translated into new legislation that:

- streamlined the categories of liquor licences from 12 to three;
- shifted from prescriptive legislation to enabling legislation – augmented by regulations and the flexibility of administrative terms and conditions;
- established order-making powers for the executive director to address and remedy deficiencies and breaches;
- speeds licensing and compliance processes;
- clarifies and strengthens policing powers;
- improves the public notice and citizen input processes for liquor service applications and community concerns;

- formalizes the LGA's responsibilities for public education and research; and,
- creates the foundation necessary to bring liquor and gaming regulatory responsibilities under one roof to deliver integrated, single-window services.

Reforms of this scope and complexity are never easy nor are they spontaneous. They require hard work, perseverance, time and patience to craft, implement and become accustomed to a new world.

On behalf of the board, I extend sincere thanks to the LGA's management and staff, for your collaborative efforts to successfully navigate through our first year. I also want to express our admiration for your skills and expertise that ensured the LGA continues to maintain the high standard of customer service originally established by your legacy agencies.

To Manitobans, I want to say that the LGA is neither pro- nor anti-liquor or gaming. We strive to be neutral about the products and services we regulate. We seek to provide a high standard of service through a balanced and independent approach grounded in risk-based assessment practices

for applications, approvals, monitoring and compliance assurance. Our vision is to work as a unified organization and provide excellent service to all Manitobans and the liquor and gaming industries through integrated, adaptive and innovative regulatory services. We look forward to continuing to be of service to Manitobans, their communities and businesses.



Darlene Dziewit
CHAIR

MESSAGE FROM THE EXECUTIVE DIRECTOR & CEO

Generally, the aim of an annual report is to chronicle an organization's financial activities and position for the fiscal year, and to narrate its corporate and operational accomplishments during that period. Yet, the story told by this report began well before April 1, 2014 and was still evolving on March 31, 2015.

As Ms. Dziejewicz noted in her comments, work to integrate the regulatory services for liquor and gaming really began in April of 2012. The subsequent years, including our first operating year, included a series of consultations and deliberations, research and analysis to enact the proposed regulatory regime and create the Liquor and Gaming Authority of Manitoba (LGA) to:

- 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; and,

- provide information and advice to the minister responsible for liquor and gaming control about activities respecting liquor and gaming.

While April 1, 2014 marked the LGA's first official day of operations, work to transition sale and service licences for liquor, approve new licensees such as Liquor Marts, wine stores, beer vendors and liquor vendors, and integrate licences had just begun. Compliance approaches were also beginning to shift due to an increased emphasis on risk management and new order-making powers to speed problem-solving. Separating the regulation of liquor sales, service and manufacturing from

the distribution and marketing network leveled the field for liquor retailers, brought about consistent regulation and removed perceptions of conflict of interest.

Throughout the year, our management and staff focused on communication to inform and educate our stakeholders and Manitobans about the new regulatory regime. In many ways, it was the people of the LGA who were the greatest ambassadors to usher in the changes to modernize and begin integrating the regulation of liquor and gaming in Manitoba. For that, I applaud all of the LGA's employees for their hard work and dedication to maintain services to our clients during a year of major change. Thank you.

Looking outward, the efforts of our first year have seen positive relationships built and strengthened with citizens, grassroots groups and businesses. The early establishment of a business advisory committee with representation from the Manitoba Hotel Association, Manitoba Restaurant and Foodservices Association and Restaurants Canada opened communication and enables ongoing consultation with this sector.

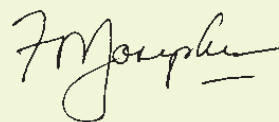
Our relationship with Mothers Against Drunk Driving (MADD) led to the Manitoba chapter's input on social responsibility messaging

and our public education campaign highlighting Canada's low-risk drinking guidelines. Further, a recommendation by MADD Canada resulted in a Manitoba pilot of Ontario's "Last Drink Program" which partners the LGA with Manitoba's police services to follow up with liquor service licensees on reports of drinking and driving. I also note that a meeting scheduled for the early part of fiscal 2015/16 with representatives of Winnipeg's Point Douglas neighbourhood will begin a dialogue to seek ways our regulatory mandate can support the interests of the community and its residents.

Opportunities for citizen and community input and information are also critical to modern regulatory administration. Enhancements to public notice advisories, the single focus on regulation, and options to involve municipalities and citizens in public concerns about noise and traffic congestion, speak to the breadth of the LGA's influence.

The LGA will further evolve during the coming year. Management and staff will carry on with our efforts to identify functional efficiencies to streamline liquor and gaming regulatory services. A key aim is to consolidate our head office operations into a single location in Winnipeg while continuing to

deliver consistent licensing and compliance services throughout the province. We will also further our obligations to foster social responsibility and bolster public safety. Manitobans and those we regulate may be assured that our management team and staff will continue to build our capacity and resources to fairly and consistently regulate liquor and gaming in the public interest.



F.J.O. (Rick) Josephson
EXECUTIVE DIRECTOR & 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* and authorized by the *Criminal Code (Canada)*. Proclaimed on April 1, 2014, this act brings together the regulatory services in Manitoba for liquor and gaming into a single entity to serve our stakeholder groups including charitable organizations, the hospitality and gaming industries, Manitobans employed in those industries, citizens and communities.

Our Mandate

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

We may also implement initiatives to encourage responsible consumption of liquor and responsible participation in gaming.

We may also seek public input and conduct research on matters related to liquor and gaming.

Our Mission

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

Our Values

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

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

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

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

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

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

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.

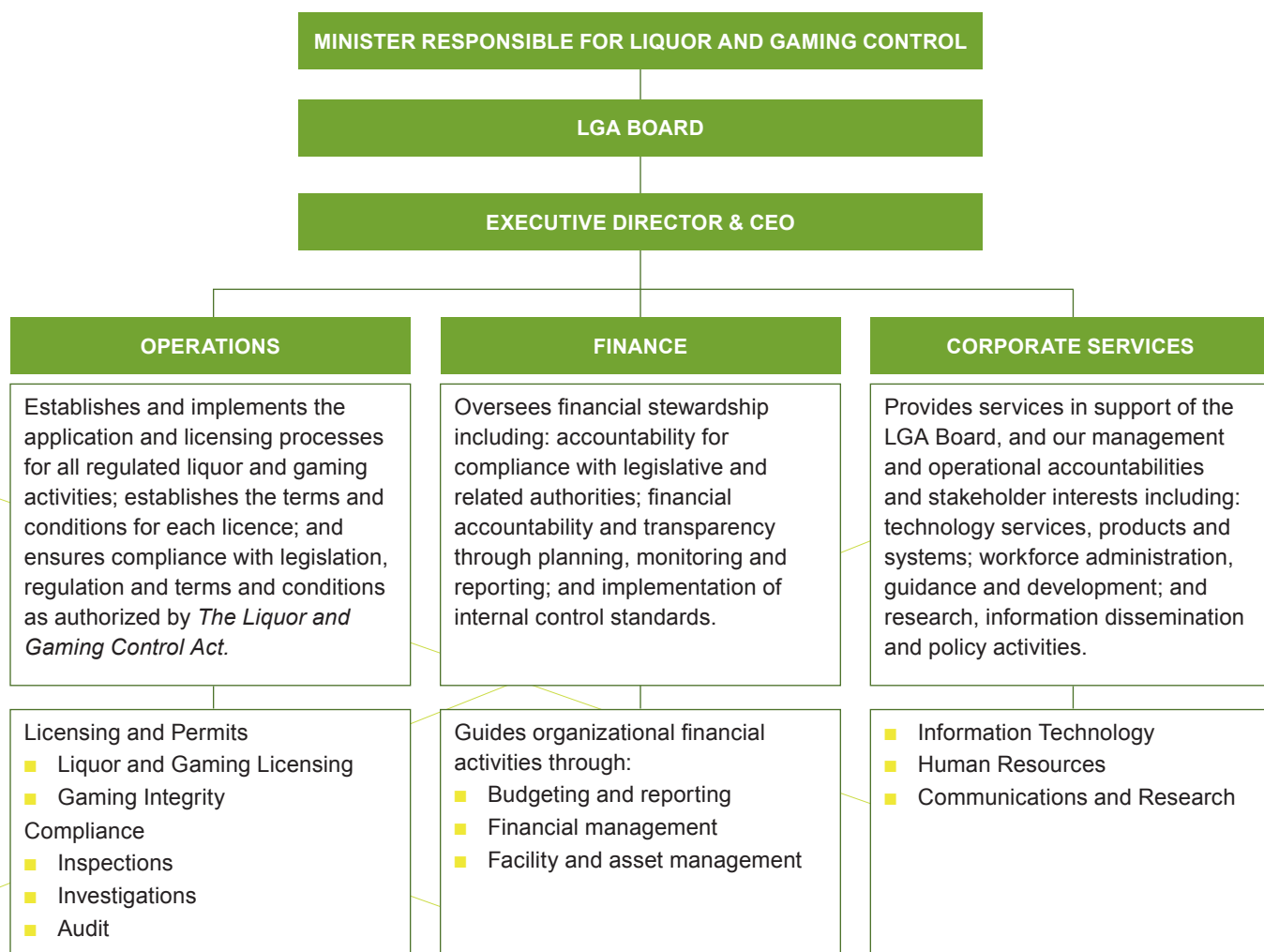
Financial Stewardship – Confirm and demonstrate fiscal responsibility, financial accountability and sustainability through the appropriate management of financial and capital assets and resources.

Service Excellence – Provide excellent service to our clients through fair, balanced and socially responsible policies and programs.

Structure

The LGA is led by a minimum seven member board (LGA Board) that is appointed by the Lieutenant Governor in Council and reports to the minister responsible for liquor and gaming control.

The licensing, compliance and corporate services that we offer are provided by 103 full-time employees, three casual employees and eight auxiliary inspectors who are guided by an executive director who is appointed in accordance with *The Liquor and Gaming Control Act*.



Finances and Resources

In accordance with *The Liquor and Gaming Control Act*, the LGA may be funded by:

- fees we receive under this act (e.g. licence and permit fees);
- amounts appropriated by the Legislature for us; and
- amounts that we, with the approval of the Treasury Board, direct Manitoba Liquor and Lotteries Corporation to pay to us.

The Liquor and Gaming Control Act also permits us to establish our own bank account and operating line of credit. Our operational objectives and budget estimates are detailed in our annual business plan, which is approved by the LGA Board, reviewed by the minister responsible for liquor and gaming control, and approved by the minister of finance and the Treasury Board. The Office of the Auditor General Manitoba is appointed as our annual auditor. Complete financial statements, including comprehensive notes, for the year ended March 31, 2015, are presented in this report beginning on page 24. In accordance with *The Liquor and Gaming Control Act*, our annual reports are tabled in the Manitoba Legislative Assembly by the minister responsible for liquor and gaming control and are also published in print and available on our website, LGAmanitoba.ca.

Public Education

In November 2014, we launched our first public education campaign. Aimed at young adults, the messaging focuses on Canada's low-risk drinking guidelines and encourages responsible liquor consumption to reduce short- and long-term health risks.



The proof is in the pour.

BEER OR COOLER:
12 OZ./341 ML
@ 5% ALCOHOL CONTENT

WINE:
5 OZ./142 ML
@ 12% ALCOHOL CONTENT

HARD LIQUOR:
1.5 OZ./43 ML
@ 40% ALCOHOL CONTENT

How much do you know about
Canada's Low-Risk Drinking Guidelines?

Find out at: KnowMyLimits.ca

LGA Liquor and Gaming Authority of Manitoba

Always drink responsibly.

Hearings

We work to ensure that our clients understand and comply with liquor and gaming regulations in Manitoba. Our executive director has the authority to make decisions and issue orders requiring clients to correct deficiencies and to meet specific conditions in keeping with legislative and regulatory requirements. The business or individual named in such an order has the right to appeal. Appeal hearings are open to the public, although the LGA Board may order that a hearing or any part of it may be closed to the public under certain circumstances defined under *The Liquor and Gaming Control Act*. During 2014/15, the LGA Board conducted two appeal hearings.

Related Authorities Reporting

The Freedom of Information and Protection of Privacy Act provides a right of access to records held by public bodies and regulates how public bodies manage personal information. We received and responded to seven requests during 2014/15.

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. There were no submissions related to the LGA filed under this act during 2014/15.



Eliminated the Liquor Licensing Board to speed and authorize licensing, complaint and hearing processes via administrative approval and order-making powers by the executive director.

2014/15: FOCUSED ON STAKEHOLDERS

Our core purpose is the concept of regulation in the public interest. As a public body, we are charged to understand, balance and navigate the perspectives of distinct groups, individuals and interests to best serve the well-being of all. The modernization of Manitoba's liquor laws and their integration with the regulatory framework for gaming activities was grounded in a commitment to respond to the diversity of viewpoints and requests shared by our stakeholders. The prescriptive foundation of the former liquor control act was replaced by enabling legislation that empowers flexibility through regulations and licence terms and conditions. In turn, this allows us to be more responsive to special events, entrepreneurial proposals, evolving consumer preferences, citizen input, public safety concerns and modern expectations for the regulation of the service, sale and manufacturing of liquor, as well as its integration with gaming regulation.

Our narrative for our first year operating as a regulator for both liquor and gaming highlights specific reforms and their relevance to our key stakeholders and their aims: charitable organizations, citizens and communities, hospitality industry, municipalities, regulatory consistency, police services, public safety and social responsibility.

By far, the majority of the new legislative provisions focuses on the modernization of liquor regulation; changes to the regulatory framework for gaming clarified language and modernized descriptions of events and activities. *The Gaming Control Act* was proclaimed in 1997, 40 years after *The Liquor Control Act*, and it had been twice amended, in 2005 and 2010, to respond to evolving gaming regulatory needs. Moreover, *The Gaming Control Act* was drafted as enabling legislation while *The Liquor Control Act* was drafted as prescriptive legislation during Manitoba's post-prohibition period.



Introduced unique hospitality venue (UHV), a new licensing option for entrepreneurial proposals that don't fit into traditional liquor licence classes. Winnipeg's historic Metropolitan Theatre was extensively renovated and rejuvenated by Canad Inns to create the "unique" Metropolitan Entertainment Centre which is licensed under this new option.

Public Safety and Police Services

Our new legislation strengthens police powers and licensee obligations to address community safety concerns specific to liquor sales, service and consumption. We believe these powers are complementary to the public safety provisions in Manitoba's *Safer Communities and Neighbourhoods Act* and further underscore the importance of a practical legislative framework to support public and individual safety.

- The expectation that licensees must not allow disorderly people to be on the premises or in the immediate vicinity has been clarified. This supports a licensee's right to refuse service and to eject a person while also requiring the licensee to assume some responsibility for disruptive and disorderly behaviour near their premises.
- In support of social responsibility and public safety aims, *The Liquor and Gaming Control Act* creates a duty for private hosts and licensees to prevent chronic incidents of intoxication and disturbances. New provisions respond to citizen concerns about party houses and related disorderly behaviour while balancing these issues with society's respect for personal autonomy, choice and responsibility. These new and/or updated sections are intended to help police address chronic problems with party houses.
- The longstanding prohibited place order provision, which prohibits the possession or consumption of liquor at a specified premises for up to one year, was strengthened by the establishment of criteria for such orders. *The Liquor and Gaming Control Act* establishes the primary basis for such an order as an ongoing pattern of threatened public safety and neighbourhood disruption, including intoxication, violent conduct and disturbances. To establish the conditions of these orders requires sustained co-operative efforts between police services and the LGA.
- At the request of police, *The Liquor and Gaming Control Act* directly addresses gang colours in premises where liquor licences and social occasion permits are in effect by setting out circumstances which police may consider in assessing the risk of violence. Known gang membership, association or wearing gang colours as well as threats, previous violent crimes and the person's conduct in the premises or in the immediate vicinity of the premises, may be part of the consideration.



Liquor licence categories were reduced from 12 to three: service, sale and manufacture. This has streamlined service categories to reflect business models, meet customer service expectations and enable appropriate inspection protocols to ensure public safety and social responsibility.

- Enforcement powers may now be granted to other agencies' inspectors based on *The Liquor and Gaming Control Act's* specific provisions, the inspector's territorial jurisdiction and the duration of the appointment. This allows representatives from other agencies to enforce provisions of *The Liquor and Gaming Control Act*, including liquor consumption in provincial parks during the camping season.
- The sales prohibition for non-potable intoxicating substances has been moved from regulation into *The Liquor and Gaming Control Act* to strengthen policing powers. The longstanding prohibition and possession of non-potable intoxicating substances as a beverage was maintained as a public health measure.



The flexibility of terms and conditions allowed us to respond to licensing proposals from community facilities seeking new and more flexible service options at the MTS Centre, Investor's Group Field, the Keystone Centre in Brandon, the Morris Multiplex, the Russell Regional Multiplex, and the PCU Centre in Portage la Prairie.

Citizens and Communities

The decision to integrate the regulatory services for liquor with gaming created a unique opportunity to review and modernize Manitoba's liquor and gaming regulatory framework to better reflect Manitobans' diverse and evolving social norms, consumer expectations and business practices.

- Public notice postings for new liquor service and retail beer vendor applications have long been required at the proposed premises and in local print publications. To improve access to public notices, we also now publish them online on our website (LGAManitoba.ca/public-notices-and-information).
- Citizen objections to licence applications are now reviewed and approved or denied administratively rather than at a formal board hearing. This approach speeds the review process and provides flexibility to use consultation and mediation to address concerns. The administrative decision may be appealed to the LGA Board.
- *The Liquor and Gaming Control Act* also formalizes a dispute resolution mechanism for citizen complaints about licensed premises. A complaint may be made by a patron, citizen or municipality. These new provisions allow us to investigate and mediate a complaint with the aim of resolving the problem. This mechanism is intended to deal with citizen complaints (e.g., noise, congestion or traffic) in circumstances when the licensee is otherwise in compliance with their licence. Complaints related to licence compliance continue to be dealt with as a disciplinary matter.

Regulatory Consistency

Integrating the regulatory services for liquor and gaming included bringing uniformity to the regulation of two products that society views as requiring control and independent oversight. The splitting of regulatory responsibilities from operational functions leveled the playing field for retail liquor sales and endorsed public expectations that people under 18 years of age should be prohibited from playing video lottery terminals (VLTs), slot machines, table games and lottery games.

- Liquor Marts and specialty wine stores in Manitoba are now licensed. As such, inspection measures which have long applied to liquor and beer vendors now include all retail premises.
- 18 years of age or older is confirmed legislatively as the legal age for casino and VLT play. *The Liquor and Gaming Control Act* establishes an age prohibition for commercial gaming, which was long based in policy, to match the legislated prohibitions for liquor sales and service.
- Minors may still participate in charitable fundraising events which are viewed as community focused and support local facilities and events.
- The maximum administrative monetary penalty for contraventions of *The Liquor and Gaming Control Act* is \$100,000. This maintains the maximum penalty that was in effect under *The Gaming Control Act*, and increases by five-fold the maximum penalty of the former liquor control act from \$20,000 to \$100,000.
- Local option provisions for liquor and gaming are now consistent and linked to Manitoba's municipal election cycle. Existing municipal local option prohibitions and restrictions were transitioned and maintained.

Social Responsibility

Manitobans are generally accepting of liquor and gaming as part of a social occasion, entertainment option or hospitality event. They are increasingly sensitive to health impacts and intolerant of over consumption, access by minors, and drinking and driving. During public consultations in 2012, Manitobans revealed expectations for legislation and regulation that balance consumer choice and business flexibility within a framework of public safety and social responsibility. While updating Manitoba's liquor laws, we were able to respond to consumer demands for sales and service options while underscoring the importance of responsibility in the sale, service and consumption of liquor. Awareness, information and education are key components within the basis of social responsibility and also within our compliance program which matches assessed risk with inspection frequency.

- To build research capacity at the graduate level at Manitoba universities, we established a scholarship for liquor research as a complement to the longstanding scholarship for gambling research.
- Public service notice powers have been expanded to include posting information that is relevant to broader societal issues including human trafficking, domestic violence and the dangers of drinking and driving.

Learn more about our low-risk drinking guideline campaign at knowmylimits.ca.

- Underage enforcement measures are supported by a new provision that allows inspectors to seize identification from a person who appears to be a minor if the inspector believes that the identification has been altered or does not belong to the person.
- Social responsibility training continues to be required for service licensees and was extended to retail liquor licensees. The Serving It Safe and the Problem Gambling Assistance Program will be revised and refined based on the new legislation, retail premises' training needs and to be consistent with our single regulator model.
- With a focus on public health and responsible liquor consumption, we launched our first public education campaign in the fall of 2014 to educate Manitobans aged 18 to 24 years about Canada's low-risk drinking guidelines. Based on scientific research, these guidelines are aimed at reducing immediate injury, harm and long-term health risks by limiting consumption based on daily and weekly limits for men and women.
- Research and public education mandates are now confirmed legislatively in *The Liquor and Gaming Control Act*. In preparation for its new responsibilities, the Liquor and Gambling in Manitoba survey was conducted in 2013 to gather information about liquor and gaming knowledge and behaviours among adult Manitobans. Previous studies on gambling behaviours occurred every three years beginning in 2004. Questions about liquor were added to this survey for the first time in anticipation of the creation of the LGA.

Liquor and Gaming in Manitoba? Survey says...

We asked 1,200 adults from across the province about their use of liquor and participation in gaming activities. The results show that levels of liquor consumption and gaming participation have remained stable since they were last measured. Nearly 80% of Manitobans reported that they drank liquor and gambled in the past year. Other highlights include:

- Pre-planning transportation was the most common responsible drinking strategy. Nearly 70% of Manitobans always call a cab or have a designated driver when they are drinking.
- Setting a spending limit was the most common responsible gambling strategy. Over 60% of Manitobans always set spending limits when they gamble.

Learn more about our social responsibility efforts at LGManitoba.ca/social-responsibility.

Municipalities

Acknowledging municipalities' role in addressing and resolving citizen and neighbourhood concerns, *The Liquor and Gaming Control Act* sets out dispute resolution processes to address and help resolve complaints that are linked to zoning and municipal issues.

- *The Liquor and Gaming Control Act* enacts the longstanding practice that licences can only be issued upon confirmation of municipal zoning approval and confirms that compliance with municipal by-laws continues to be a licence condition.
- Municipalities' rights to make complaints and participate in hearings about noise, congestion and traffic are now included in *The Liquor and Gaming Control Act*.
- We also may seek relevant information related to licensing and compliance from a municipality and invite a municipality to participate in mediation in response to citizen complaints.

Social Events and Charitable Organizations

- The minimum gross revenue reporting threshold for raffle events has been increased to \$10,000. By increasing the reporting threshold exemption from \$5,000, we have streamlined the application process and eliminated reporting requirements for smaller community fundraising activities.
- Charitable organizations may now receive donations of liquor purchased through Manitoba Liquor and Lotteries Corporation to sell or auction for charitable purposes. This was previously illegal.
- Applications for social occasion permits and fundraising raffles were combined into a single application to streamline approvals for these two regulated activities that have long gone hand in hand in Manitoba.
- Bottle and product limits for social occasions were eliminated to allow hosts to select quantities and products in keeping with their guests' tastes and inspectors to focus on safe service measures including age control, responsible service and consumption.
- Well known Canadian bands, Blue Rodeo and Spirit of the West, performed at a benefit concert at Assiniboine Park's Lyric Theatre in September 2014. Licensing was authorized by extending the dining room licence at the Qualico Family Centre, enabling 10,000 fans the option of regulated liquor service while enjoying the show.



Holiday sale and service restrictions were eliminated to reflect Manitoba's cultural diversity and respond to consumer choice. Operators can set their own hours within the established standards. Remembrance Day is the only exception with only legions and veterans clubs able to serve liquor beginning at noon. Other licensees may open for sale and service at 1:00 p.m.

Learn more about the advertising guidelines at LGAmanitoba.ca/licence-permit-holders/liquor-advertising.

Hospitality Industry

Modernization, flexibility and red tape reduction were the focus of the hospitality industry sector's interest during the 2012 consultations, legislative hearings and implementation of *The Liquor and Gaming Control Act*. In 2013, we established the Hospitality Industry Advisory Committee, with representation from the Manitoba Hotel Association, Manitoba Restaurant and Foodservices Association and Restaurants Canada, to establish a forum for input and open discussion. From our perspective, this committee is a positive and practical consultative resource to inform policy development, modernize service options and find ways to reduce red tape. Many of the reforms highlighted below were accomplished in cooperation with the Hospitality Industry Advisory Committee and the organizations they represent.

- As a foundational aim, *The Liquor and Gaming Control Act* established a flexible and modern framework to ensure public safety and social responsibility. To accomplish this, expectations for licence categories, accountability, public safety and responsible service expectations were set in legislation while modern expectations for liquor sales and service operations, such as operating hours, advertising, regulatory fees and food service requirements were more appropriately set in regulation. Further, we are able to attach terms and conditions to licences and permits to allow greater flexibility for sales and service, where appropriate.

- Longstanding perceptions of an uneven playing field for retail licensees were alleviated with the introduction of independent and consistent regulation and oversight for all retail licensees including Liquor Marts, specialty wine stores, beer vendors and liquor vendors.
- New advertising guidelines for liquor service, sales and manufacturing replaced the prescriptive advertising limitations that had been set in legislation in the 1950s. We believe that self-monitoring by licensees is an effective way to manage advertising, marketing and promotions within a modern regulatory framework. The Canadian Code of Advertising Standards establishes a national structure that includes prohibitions against advertising to minors, depictions of unlawful or dangerous behaviour (high-risk drinking), respecting standards of public decency and disguised advertising techniques. To help licensees and distributors, we published a guide for liquor advertising and marketing practices, based on the Canadian Code of Advertising Standards, to guide self-regulation with a modern focus on social responsibility and public safety.



Standardized hours for liquor licensees:

- **Service licensees** – 9:00 a.m. to 2:00 a.m., seven days a week
- **Liquor Marts, liquor vendors and specialty wine stores** – 8:00 a.m. to midnight, seven days a week
- **Beer vendors** – 8:00 a.m. to 2:30 a.m., seven days a week



We have sped up the liquor licensing application process by directly conducting Criminal Record Searches (CRS) through the Canadian Police Information Centre. Previously, applicants were required to provide their own CRS. This reduces application time and applicant costs and brings consistency to liquor and gaming regulation.

- Marketing and advertising practices have evolved since the mid-20th century. Outdated promotional prohibitions have been removed allowing liquor manufacturers and their agents to give or discount items and gifts, other than liquor, to liquor service licensees.
- Exclusive product marketing agreements which were long prohibited under the previous legislation were eliminated. Overarching principles for marketing and promotions are now outlined in regulation. A licensee must notify us of such an agreement and provide any details of the agreement upon our request. Further, at the request of Manitoba's beer vendors and suppliers, we worked collaboratively with these sectors to develop guidelines for all Manitoba beer retailers, including Liquor Marts.
- The food to liquor ratio for dining rooms was eliminated to allow greater service flexibility for customers and the businesses they patronize.
- Kitchen and hot food service requirements have been eliminated for live entertainment venues, formerly licensed as cabarets. Food service is still required but it may be catered or prepared off-site. This change responds to evolving consumer tastes and new food preferences including sushi, salads and wraps.
- A family friendly licence option for Manitoba hotels was introduced to allow beverage rooms to operate as dining rooms before 9:00 p.m. This option has been very popular with hotels operating in smaller communities. During 2014/15, we authorized 30 hotels, 26 of which are located in rural Manitoba, to accommodate family and community oriented events.
- Hotels are no longer required to apply for a hotel registration certificate.
- In response to evolving consumer tastes and the popularity of personal services, businesses that offer hairstyling, nail or skin care services regulated under *The Apprenticeship and Certification Act* are eligible to apply for a liquor service licence.
- Retail establishments may now operate at authorized temporary locations. This allows businesses to sell their products at wine festivals and trade shows or while their permanent premises are under renovation.
- Customers can now enjoy a glass of wine while waiting in line for a table at Manitoba restaurants. This option for service licensees has been positively received by the industry as an extra boost to customer service.
- Seeking to support entrepreneurial interests with more flexible licensing opportunities, we introduced a UHV licence. This service option responds to exceptional, new and distinct business proposals that cannot be accommodated within other licence categories. UHV licensing enables licensing based on geography, for example, a sports, hospitality and entertainment district identified by a municipality or by class, for example a casino or tasting room.

LICENSING AND COMPLIANCE

At the heart of our regulatory mandate is the obligation to protect and fulfill Manitobans' expectations for the authorized controlled and monitored sale, service and manufacturing of liquor and the operation of commercial and charitable gaming including the industry's employees, equipment, suppliers and activities. With twin accountabilities to authorize and monitor, the Licensing Division and Compliance Division each establish and oversee operating accountabilities for Manitoba's hospitality industry, retail operators, casinos and VLT operations, charitable gaming, liquor manufacturers, gaming suppliers, and gaming industry employees, equipment and services.

Licensing Division

Whether reviewing an application for a charitable bingo, dining room liquor service licence, permit for liquor service and raffle at a social, new gaming equipment, employment in the gaming industry, or liquor and gaming at a community multiplex, our licensing, permit and gaming integrity staff assess the eligibility and honesty of each applicant and application. The work undertaken and accomplished within this division establishes the regulatory foundation for the safe and controlled availability of liquor and gaming in Manitoba.

Depending on the type and scope of the licence application, assessment criteria may include scrutiny of proposed operations and business plans, age control measures, verification of prizes and the intended use of proceeds, confirming safe service provisions, business principals, technical integrity of the proposed game and premises blueprints. Using risk models to test and assess each applicant's and application's credibility, our staff may undertake additional inquiries and investigations to confirm the applicant's eligibility and satisfy licensing requirements. We also take into account municipal restrictions and by-laws, community input and citizen concerns when performing the licensing process.

Our continued effort to decentralize decision-making authority via administrative approvals increases our efficiency and minimizes processing times; accelerating the application process for individuals, charitable organizations and businesses.

Liquor Licensing

Manitoba's hospitality industry directly employs approximately 40,000 people and generates approximately \$2 billion in annual sales, representing 3.3% of the province's gross domestic product. One of the key aims of legislative amendment when merging the provincial regulatory services for liquor and gaming was to reduce red tape. This has resulted in streamlining the services we provide to the hospitality industry and modernizing the regulation of liquor service in dining rooms and lounges, beverage rooms, entertainment facilities, customer/member service operations and unique hospitality venues. Further uniformity was brought to the regulation of retail sales with consistent licensing and oversight introduced to now include specialty wine stores, beer and liquor vendors and Liquor Marts.

As of April 1, 2014, the existing 13 categories of liquor licences were reduced to three: sales, service and manufacturing. Described in *The Liquor and Gaming Control Act*, these licence categories lay the foundation for licence classes established via regulation and to administratively authorize flexible terms and conditions to respond to community and business proposals. The following describes the scope of liquor licences authorized during 2014/15.

LIQUOR LICENCES ISSUED

(APRIL 1, 2014 TO MARCH 31, 2015)

Service licences	1,686
Sales licences	395
Manufacturing licences	5

Included in the above are new liquor licences that we issued to 175 businesses in Manitoba.

Social Occasion Permits

Each year, Manitobans celebrate across the province with family and friends at socials, enjoy festivals, concerts and community events, and mark special occasions. In 2014/15, 8,707 of these types of events were authorized to sell and serve liquor under social occasion permits. We authorized 3,648 no sale permits to allow hosts to serve liquor at weddings, anniversaries and other special events. During the same period, 5,059 sale permits were issued to allow hosts to sell and serve liquor at their special events such as socials and fundraisers.



Customer and member service licences are now issued to sports facilities, transportation services (e.g., airlines), military canteens, private clubs and personal service providers (e.g., hair or nail salons) resulting in the elimination of several licence categories.

Gaming Licensing

The Licensing Division is also responsible for the regulation of Manitoba's commercial and charitable gaming sectors – including over 1,700 charitable organizations, 2,800 employees and hundreds of small and large businesses including lottery ticket retailers, VLT sites and casinos. In 2014/15, charitable organizations raised just over \$18 million in Manitoba through a variety of events including raffles, bingos and Texas hold'em poker tournaments.

CHARITABLE GAMING LICENCES ISSUED

(APRIL 1, 2014 TO MARCH 31, 2015)

New applications and renewals	2,042
Active charitable gaming licences (at March 31, 2015)	2,449

COMMERCIAL GAMING LICENCES ISSUED

(APRIL 1, 2014 TO MARCH 31, 2015)

Gaming industry employee licences

Annual reviews and renewals	2,268
New licences	772
Active gaming industry employee licences (at March 31, 2015)	2,805

Gaming supplier and gaming service provider licences

Annual reviews and renewals	41
New applications processed	5
New licences	1
Active gaming suppliers and service providers (at March 31, 2015)	47

Lottery ticket retailer licences (at March 31, 2015)	914
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VLT siteholder licences (at March 31, 2015)	501
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Gaming Integrity

In the context of our regulatory mandate, integrity means that a gaming scheme or equipment performs in a manner that is fair, safe, secure, honest and capable of being audited. Before any gaming event or equipment can be offered in Manitoba, we must confirm gaming integrity. As our world evolves, new and emerging technologies demand the continued development and revision of standards, terms and conditions, and quality assurance technology testing and inspections for gaming equipment including slot machines, table games, and central systems.

GAMING INTEGRITY APPROVALS

(APRIL 1, 2014 TO MARCH 31, 2015)

Central system and games	169
Electronic gaming machine models	2
Electronic gaming machine software and hardware	211
Progressive slot machine configurations and hardware	96
Slot machine tournament	1
Table games, associated equipment and rules of play	16
Bingo paper	47
Breakopen tickets	4
Showdowns and ballot draws	6

LICENSED CHARITABLE GAMING OVERVIEW

(APRIL 1, 2014 TO MARCH 31, 2015), (*IN \$ MILLIONS)

EVENT TYPE	LICENSED EVENTS		GROSS REVENUE*		PRIZES PAID*		TOTAL EXPENSES*		NET PROFIT*	
	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14
Bingo	224	221	33.03	35.20	26.41	27.89	3.65	3.77	2.97	3.54
Breakopen ticket	119	161	2.99	3.50	2.18	2.52	0.23	0.27	0.58	0.71
Raffle	346	425	34.72	39.59	14.81	18.64	6.75	8.35	13.16	12.60
Texas hold'em poker tournament	30	40	0.87	0.90	0.61	0.63	0.13	0.14	0.13	0.13
Media bingo	13	15	3.83	4.40	1.72	2.78	0.74	0.90	1.37	0.72
Other	9	7	0.14	0.07	0.11	0.04	0.01	0.01	0.02	0.02
Totals	741	869	75.58	83.66	45.84	52.50	11.51	13.44	18.23	17.72

In addition, 1,708 licences were issued this year to organizations which, due to reporting thresholds, were not required to submit financial reports or licence fees (105 bingo, 83 breakopen ticket, 1,500 raffle, 11 Texas hold'em poker tournament, two media bingo and seven other) and are therefore not reflected in the table above.

Compliance Division

Licensees must maintain good standing with us to continue to sell, serve and manufacture liquor; work in the gaming industry; operate gaming activities; provide gaming equipment and services; or manage and conduct gaming in accordance with the *Criminal Code (Canada)*. The standards applied and confirmed during the application approval process become foundational requirements to maintain licensing. Testing and assessing adherence to the legislation, regulations and terms and conditions is core to ensuring licensees are meeting their regulatory obligations.

Licensee compliance is monitored by the Gaming Compliance Division based on a risk-assessment inspection and audit model which considers the licensee's history, their scope of sale and service, charitable events they operate, their revenues, as well as their location and capacity. Our compliance efforts continue to focus on education and training to address and remedy deficiencies, monitor age control measures, build responsible service practices, confirm charitable revenue disbursements and ensure the safety and security of patrons and the premises. Inspectors focus on progressive discipline to address breaches, beginning with information and training, cautions and written warnings, through to escalation to management and, rarely, referral to the executive director as prescribed in *The Liquor and Gaming Control Act*.

LIQUOR INSPECTIONS

(APRIL 1, 2014 TO MARCH 31, 2015)

Manufacturing	1
Sales	
Sacramental wine vendor	5
Specialty wine store	5
Liquor Mart and liquor vendor	960
Retail beer vendor	1,517

Service

Unique hospitality venue	21
Entertainment facility	432
Customer/member service	1,149
Beverage room	2,396
Dining room/lounge	2,446
Dining room	2,852

Permits

Social occasion premises/events	2,102
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Total licence and permit inspections 13,886

GAMING INSPECTIONS

(APRIL 1, 2014 TO MARCH 31, 2015)

Charitable gaming	705
First Nation gaming commissions	68
Municipal licensing authority	211
Lottery ticket retailer	1,195
VLT site	744
casino	94
Total gaming inspections	3,017

Audit Reviews

The Audit Department reviews charitable, municipal and First Nations gaming event and activity reports to assure record-keeping and financial management practices comply with legislation, regulation and audit standards.

AUDIT REVIEWS

(APRIL 1, 2014 TO MARCH 31, 2015)

Charitable event reports	2,246
Municipal licensing authority reports	176
First Nations VLT siteholder reports	114
First Nations gaming commissions annual reports	35
Total financial report reviews	2,571



Compliance orders may be made under *The Liquor and Gaming Control Act* to address and resolve non-compliance. These orders, issued by the executive director may direct that action be taken or stopped; impose, rescind or amend terms and conditions; impose an administrative monetary penalty; or suspend or cancel any licence, permit or approval. Though rarely issued, such orders were authorized as a regulatory practice for gaming in 1997 as a practical and effective method to quickly address and resolve non-compliance issues. The LGA Board conducts appeals of the executive director's administrative orders. Further appeal on matters of jurisdiction may be made to the Court of Queen's Bench.

Education and Training

Our Compliance Division delivers educational seminars and collateral materials to support social occasions and charitable events, local government record keeping and reporting, Safe Grad events, responsible sales and service, police services and businesses. During 2014/15, compliance inspectors delivered 443 training sessions about liquor and gaming legislation and regulation. As well, our Audit Department delivered 86 training sessions to charitable organizations, First Nations and local governments in support of their records management and financial reporting.

Safe Grad

We continued to support young Manitobans and their families at Safe Grad events throughout the province. In 2014/15, 37 high schools held these events with 9,774 wrist bands issued to celebrants. We work with each school's graduation committee to provide training and guidance to support responsible service and consumption, event security and safe transportation home.

Last Drink Program

We are partnering with the Winnipeg Police Service, Brandon Police Service and the Royal Canadian Mounted Police to pilot the Last Drink Program across Manitoba. Launched in late 2014, this program is modeled after a licensee-focused program sponsored by the Alcohol and Gaming Commission of Ontario and promoted by MADD Canada. Police services gather information from impaired driver arrest reports, including information on the location at which the driver reports consuming liquor. If the location is licensed, the police notify us and a liquor inspector follows up to alert the licensee to the incident and to reinforce awareness of their responsibilities. This program has been well received by licensees who have welcomed this feedback as important to ensuring the safety of their patrons and general public.

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 & CEO



Richard Green
CHIEF FINANCIAL OFFICER

June 26, 2015



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, 2015 and the statements of operations and surplus (deficit), change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Liquor and Gaming Authority of Manitoba as at March 31, 2015, 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 26, 2015
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, 2015, 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 & CEO



Richard Green
CHIEF FINANCIAL OFFICER

June 26, 2015

SCHEDULE OF LEGISLATIVE AND RELATED AUTHORITIES

Orders in Council

415/2014	Appointment of OAG as auditor of LGA	125/2015	Appointment of Executive Director
421/2014	Appointments to Board	341/1997	Working capital advances

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

Subsections

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

Licensing and Appeals Regulation (63/2014)

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

Miscellaneous Liquor Provisions Regulation (64/2014)

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

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



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, 2015, 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, 2015.

Office of the Auditor General

Office of the Auditor General
June 26, 2015
Winnipeg, Manitoba

LIQUOR AND GAMING AUTHORITY OF MANITOBA

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31	ACTUAL 2015	ACTUAL 2014
Financial assets		
Cash and cash equivalents	\$ 4,332,628	\$ 3,196,958
Accounts receivable (Note 5)	340,645	54,466
Long-term investment (Note 6)	146,079	146,079
	4,819,352	3,397,503
Liabilities		
Accounts payable and accrued liabilities (Note 7)	1,348,529	751,906
Deferred revenue (Note 8)	579,666	0
Severance benefits (Note 9)	890,178	830,626
Retirement benefits (Note 9)	94,939	94,909
Non-vested sick leave benefits (Note 9)	153,086	75,653
Total employee future benefits	1,138,203	1,001,188
	3,066,398	1,753,094
Net financial assets	1,752,954	1,644,409
Non-financial assets		
Tangible capital assets (Note 10)	321,193	279,963
Prepaid expenses	62,137	36,825
	383,330	316,788
Accumulated surplus	\$ 2,136,284	\$ 1,961,197

On behalf of the Board:



BOARD MEMBER



BOARD MEMBER

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

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (DEFICIT)

FOR THE YEAR ENDED MARCH 31	BUDGET 2015	ACTUAL 2015	ACTUAL 2014
Revenue			
Licence fees – gaming	\$ 6,058,200	\$ 6,062,160	\$ 5,762,317
Licence fees – liquor	1,605,000	1,755,184	0
MLLC funding transfer	3,500,000	2,500,000	0
Other revenue	36,000	39,550	32,540
Interest earned	31,800	37,300	45,416
	11,231,000	10,394,194	5,840,273
Expenses			
Salaries and benefits	7,753,300	7,513,169	4,321,320
Rent	703,900	611,762	377,994
Transportation	569,800	406,412	145,554
Supplies and services	433,000	385,150	174,373
Legal and professional fees	501,600	304,962	234,921
Communications	228,800	268,072	123,922
Public education	225,000	235,741	0
Education, training, conferences	240,000	211,148	109,082
Amortization	390,800	83,827	68,154
Accommodations	90,300	73,320	49,312
Board	48,000	33,410	121,759
Other expenses	69,800	32,644	21,896
HR/Systems support	43,900	32,218	30,715
Amalgamation expenses (Note 11)	0	21,163	183,370
First Nations legal and professional	0	5,934	64,196
Loss on disposal of tangible capital assets	136,800	175	1,711
	11,435,000	10,219,107	6,028,279
Annual surplus (deficit)	(204,000)	175,087	(188,006)
Accumulated surplus, beginning of year	1,825,400	1,961,197	2,149,203
Accumulated surplus, end of year	\$ 1,621,400	\$ 2,136,284	\$ 1,961,197

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

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31	BUDGET 2015	ACTUAL 2015	ACTUAL 2014
Annual surplus (deficit)	\$ (204,000)	\$ 175,087	\$ (188,006)
Acquisition of tangible capital assets	(2,500,000)	(125,232)	(49,683)
Amortization of tangible capital assets	390,800	83,827	68,154
Loss on disposal of tangible capital assets	136,800	175	1,711
	(1,972,400)	(41,230)	20,182
Increase in prepaid expenses	0	(25,312)	(1,016)
Increase (decrease) in net financial assets	(2,176,400)	108,545	(168,840)
Net financial assets, beginning of year	1,541,800	1,644,409	1,813,249
Net financial assets, end of year	\$ (634,600)	\$ 1,752,954	\$ 1,644,409

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31	2015	2014
Operating transactions		
Annual surplus (deficit)	\$ 175,087	\$ (188,006)
Loss on disposal of tangible capital assets	175	1,711
Changes in non-cash items		
Accounts receivable	(286,179)	(14,727)
Prepaid expenses	(25,312)	(1,016)
Accounts payable and accrued liabilities	596,623	158,001
Deferred revenue	579,666	0
Provision for employee severance benefits	59,552	49,589
Provision for employee sick leave benefits	77,433	12,842
Provision for employee pension benefits	30	41,849
Amortization	83,827	68,154
Cash provided by operating transactions	1,260,902	128,397
Capital transactions		
Cash used to acquire tangible capital assets	(125,232)	(49,683)
Investing transaction	0	0
Financing transaction	0	0
Increase (decrease) in cash and cash equivalents	1,135,670	78,714
Cash and cash equivalents, beginning of year	3,196,958	3,118,244
Cash and cash equivalents, end of year	\$ 4,332,628	\$3,196,958
Supplemental cash flow information		
Interest received	36,869	45,369

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

1. Nature of Operations

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

2. Amalgamation

In April 2012, as part of the provincial budget announcements, the Government of Manitoba announced its intention to merge the regulatory responsibilities for gaming (MGCC) and liquor (Manitoba Liquor Control Commission's Regulatory Services Division), into a single agency. The primary reason for the amalgamation was that the two agencies serve many of the same client groups including the hospitality industry, charities and citizens. As well, each of the agencies regulates adult consumer products that require oversight to ensure public safety and fairness. The 2012 provincial budget also announced that the operational responsibilities held by the Manitoba Liquor Control Commission and Manitoba Lotteries Corporation would be combined into a single operating entity, now Manitoba Liquor and Lotteries Corporation.

Thirty-nine employees were transferred from the Manitoba Liquor Control Commission to the LGA effective April 1, 2014. The regulatory responsibilities that were also transferred consist of licensing and approval for all regulated liquor activities as well as ensuring compliance with applicable terms and conditions, regulations and

legislation. Particulars on the nature of assets and liabilities transferred, and revenues and expenses related to the transferred responsibilities are described in subsequent notes.

A new funding model was established for the LGA. Prior to the amalgamation, Manitoba Liquor Control Commission's Regulatory Services Division's expenses were covered in part by licence and permit fees, with the shortfall covered within the Manitoba Liquor Control Commission's operating budget. The MGCC was entirely self-funded by licence and registration fees. The Act mandates a new model which allows the LGA to be funded by licence and permit fees supplemented by an annual funding transfer from Manitoba Liquor and Lotteries Corporation, subject to Treasury Board approval.

Unionized staff of the LGA is currently represented by two separate legacy agency bargaining units of the Manitoba General Employees' Union. The MGCC's collective agreement ended in March 2014, while the Manitoba Liquor Control Commission's Regulatory Services Division's collective agreement, which ended in March 2013, was extended by formal agreement to March 2014 to lay the foundation for negotiating a new unified agreement. As of March 31, 2015, negotiations were ongoing. The LGA will be responsible for any negotiated retroactive pay subsequent to April 1, 2014.

The financial statements have not been restated to retroactively report the effects of the amalgamation as if the amalgamation took place prior to April 1, 2014. The amalgamation resulted in the MGCC continuing as the LGA from April 1, 2014 and onward. It does not change the history or accountability of the MGCC for the past.

3. 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, 2015. Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. For legacy MGCC employees and former non-unionized Manitoba Liquor Control Commission's Regulatory Services Division employees, the maximum payout is currently 19 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 Manitoba Liquor Control Commission's Regulatory Services Division employees, entitlement is 1 week's pay for each complete year of continuous service, to a maximum of 25 weeks at the employee's weekly salary at the date of retirement. Manitoba Liquor and Lotteries Corporation will maintain the severance liability to March 31, 2014 for all former Manitoba Liquor Control Commission employees who transferred to the LGA.

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

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

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

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

D. Tangible Capital Assets

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

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis
Leasehold improvements	Straight-line method over remaining term of lease (21 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 related to the transferred regulatory responsibilities include liquor service, liquor retail and beer vendor licence fees, liquor licence application fees, and occasional permit fees. Retail liquor licence fees were collected for the first time in the year ended March 31, 2015 as mandated by *The Liquor and Gaming Control Act*. These fees are classified as Licence fees – liquor on the Statement of Operations and Accumulated Surplus (Deficit).

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

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

G. Expenses

Expenses related to the transferred regulatory responsibilities include salaries and benefits and transportation 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.

4. 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, 2015 (2014 – \$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, 2015 is:

	2015	2014
Cash and cash equivalents	\$ 4,332,628	\$ 3,196,958
Accounts receivable	340,645	54,466
	\$ 4,673,273	\$ 3,251,424

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, 2015 was:

Current	\$ 77,634
30 to 60 days past billing date	5,400
61 to 90 days past the billing date	2,556
More than 90 days past the billing date	255,055
	\$ 340,645

\$252,381 of the accounts receivable balance relates to the vacation liability for the former Manitoba Liquor Control Commission's Regulatory Services Division employees who transferred to the LGA as of April 1, 2014. This receivable is currently more than 90 days past due and is expected to be collected from Manitoba Liquor and Lotteries Corporation during the 2015/16 fiscal year.

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.

5. Accounts Receivable

	2015	2014
Manitoba Liquor and Lotteries Corporation	\$ 277,567	\$ 25,969
Liquor service/retail beer vendor licensees	3,750	0
First Nations casinos	10,600	7,200
Occasional permits	3,950	0
Gaming event licensees	805	1,832
Interest on short-term investments	5,218	4,787
Other trades	38,755	3,233
Supplier investigations	0	2,452
Employee advances	0	8,993
	\$ 340,645	\$ 54,466

The Manitoba Liquor and Lotteries Corporation receivable includes \$252,381 related to the vacation liability for the former Manitoba Liquor Control Commission's Regulatory Services Division employees who transferred to the LGA as of April 1, 2014.

6. 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, 2014 the Province of Manitoba placed the amount of \$146,079 into an interest-bearing trust account to be held on the LGA's behalf until the cash is required to discharge the related liabilities. Interest earned on this investment in the year was \$1,432 (2014 – \$1,561).

7. Accounts Payable and Accrued Liabilities

	2015	2014
Accounts payable and accrued liabilities	\$ 283,553	\$ 166,187
Salaries and benefits payable	239,348	98,720
Accrued vacation pay	820,852	474,802
Other	4,776	12,197
	\$ 1,348,529	\$ 751,906

Accrued vacation pay now includes the vacation liability for the former Manitoba Liquor Control Commission's Regulatory Services Division employees who transferred to the LGA as of April 1, 2014. The value of this additional liability as at March 31, 2014 was \$252,381.

8. 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	\$ –	\$ 1,461,275	\$ 881,609	\$ 579,666

9. 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, 2015. It should be noted that Manitoba Liquor and Lotteries Corporation will maintain the severance liability earned to March 31, 2014 for all former Regulatory Services Division Manitoba Liquor Control Commission employees who transferred to the LGA. The LGA will continue to accrue the severance liability for the former MGCC employees and will accrue the severance liability for the former Regulatory Services Division Manitoba Liquor Control Commission employees April 1, 2014 and onwards.

For former MGCC employees and former non-unionized Regulatory Services Division Manitoba Liquor Control Commission employees, the maximum payout is currently 19 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 Manitoba Liquor Control Commission employees, entitlement is 1 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, 2015. The LGA's actuarially-determined net liability for accounting purposes as at March 31, 2015 was \$829,464 (2014 – \$747,452). An actuarial loss of \$11,097 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 2015 amounted to \$0 (2014 – \$10,327).

Significant long-term actuarial assumptions used in the March 31, 2015 valuation and in the determination of the March 31, 2015 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, 2015 includes the following components:

	2015	2014
Accrued benefit liability	\$ 829,464	\$ 747,452
Unamortized actuarial gains (losses)	60,714	83,174
Severance benefit liability	\$ 890,178	\$ 830,626

The total expenses related to severance benefits at March 31, 2015 include the following components:

	2015	2014
Interest on obligation	\$ 48,584	\$ 45,426
Current period benefit cost	22,331	24,618
	70,915	70,044
Amortization of actuarial gain over expected average remaining service lifetime	(11,363)	(10,128)
Total expense related to severance benefit	\$ 59,552	\$ 59,916

B. Retirement Benefits

All employees of the LGA, including former Regulatory Services Division Manitoba Liquor Control Commission employees, 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.

The LGA's portion of contributions to the Superannuation Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are \$417,610. Contributions for the 2013/14 year were \$231,567.

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, 2015, a reserve of \$94,939 (2014 – \$94,909) has been established as a pension liability. Due to the nature of the liability, actuarial gains or losses are recognized in operations in the year. Pension costs realized in the year were \$30 (2014 – \$41,849). Significant long-term actuarial assumptions used in the March 31, 2015 valuation and in the determination of the March 31, 2015 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 agreements. Accumulated credits may be used in future years to the extent that the employee’s illness or injury exceeds the current year’s allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plans are included in the financial statements. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement. These assumptions include a 2.225% annual return and a 3.00% annual salary increase.

10. Tangible Capital Assets

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

MARCH 31, 2014	EQUIPMENT	FURNITURE AND FIXTURES	COMPUTER EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Cost					
Opening balance	\$ 54,442	\$ 430,830	\$ 1,040,795	\$ 57,318	\$ 1,583,385
Additions		1,798	47,885		49,683
Disposals			(12,746)		(12,746)
Closing balance	\$ 54,442	\$ 432,628	\$ 1,075,934	\$ 57,318	\$ 1,620,322
Accumulated amortization					
Opening balance	\$ 44,361	\$ 291,892	\$ 917,109	\$ 29,878	\$ 1,283,240
Amortization	2,016	13,949	44,872	7,317	68,154
Disposals			(11,035)		(11,035)
Closing balance	\$ 46,377	\$ 305,841	\$ 950,946	\$ 37,195	\$ 1,340,359
Net Book Value					\$ 279,963

11. Amalgamation Expenses

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

12. Commitments

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

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

2016	\$311,834
2017	\$233,876

13. Budgeted Figures

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

14. 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 (2014 – \$2,000,000). As at March 31, 2015, \$2,000,000 (2014 – \$2,000,000) of these advances were unused and available.

15. 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.

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

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

Available in alternate formats, upon request.





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