

SETTING THE **STAGE**  
FOR NEW  
**DIRECTIONS**

12/13

September 30, 2013

Honourable Dave Chomiak  
Minister charged with the administration of The Gaming Control Act  
Room 343, Legislative Building  
450 Broadway  
Winnipeg, MB R3C 0V8

Dear Minister Chomiak:

I am honoured to present you with the Manitoba Gaming Control Commission's annual report for the fiscal year ended March 31, 2013.

Respectfully,

A handwritten signature in black ink, appearing to be 'DD', written in a cursive style.

**Darlene Dziewit**  
CHAIRPERSON

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## Message from the Chairperson

I acknowledge that the traditional intent of an annual report is to review and report on an agency's results for the year just ended. Certainly, the core of this report documents the Manitoba Gaming Control Commission's (MGCC) operational, financial and public interest activities and achievements for the 2012/13 fiscal year.

# Message

However, in addition to meeting our regulatory responsibilities for gaming, significant attention and effort by the board, management and staff was focused on our new direction: preparing to integrate liquor regulation with our longstanding mandate to ensure the honesty and integrity of gaming in Manitoba.

As you will see on page 9, the Province of Manitoba announced early in 2012/13 that the Manitoba Liquor Control Commission's (MLCC) Regulatory Services Division would amalgamate with the MGCC. Speaking volumes of the professionalism and flexibility of the MGCC's and MLCC's Regulatory Services Division's management and staff, work began immediately to lay the foundation for a new regulatory agency: the Liquor and Gaming Authority of Manitoba (LGA). I would like to express my thanks on behalf of my board colleagues to the management and staff of both organizations for their dedication to maintaining the consistent and excellent service that Manitobans expect of us as we work toward amalgamation.

We will streamline services, reduce red tape and enhance public safety and social responsibility by bringing together the complementary regulatory responsibilities for liquor and gaming. Government-led public consultations were held in the fall of 2012 to ensure that individuals, citizen groups, municipalities, the hospitality industry and other

organizations would be heard as our new regulatory framework is developed. Many varying views were presented during the consultations; however, the common message was for us to create a modern and progressive regulatory environment that takes a balanced and measured approach. As we become the stewards of the new LGA, our board will continue to value accountability, transparency and public input and will maintain our emphasis on innovation, balance and service excellence in responding to the practical needs of Manitoba's citizens, charities, businesses and communities.

It is our board's privilege to serve Manitobans and we look forward to continuing to assure public confidence as our role expands to include both liquor and gaming regulation.



Darlene Dziewit  
CHAIRPERSON

## Remarks from the **Executive Director**

Since 2008, the Manitoba Gaming Control Commission (MGCC) has been guided by the strategic themes of leadership, effectiveness and communication to ensure the honesty and integrity of thousands of gaming events, employees, equipment, supplies, suppliers and operators. Throughout this period, we have focused on client education, training and support, as key tools, to enable and confirm the integrity of gaming.

# marks

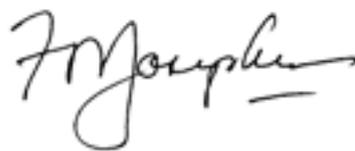
Further, we have pushed the boundaries of traditional regulation through innovative social responsibility and research initiatives. We have also emphasized collaboration with partners and stakeholders to achieve our strategic goals. One example of these efforts is how we are collaborating to streamline the registration process for gaming suppliers through the development of a common platform across provincial Canadian gaming regulatory agencies (see page 17). We believe that this multi-jurisdictional effort has the potential to increase regulatory efficiency and effectiveness, reduce the regulatory burden for the gaming industry and continue the high standard of consumer protection that government and citizens expect. Our accountability to Manitobans underlies all of our activities.

As our current strategic planning cycle comes to an end in 2013, it is significant that we are looking toward a new horizon as an organization. In 2012/13, management and staff of the MGCC and Manitoba Liquor Control Commission's (MLCC) Regulatory Services Division began to work collaboratively to research and examine other Canadian jurisdictions' regulatory legislation and best practices, to support the development of new legislation and regulation, and to integrate liquor and gaming regulatory services. We anticipate that legislation to create the Liquor and Gaming Authority of Manitoba (LGA) will be tabled and enacted by the Manitoba Legislative Assembly during the 2013/14 fiscal year and are excited by this prospect. The amalgamation of the MGCC and MLCC's Regulatory Services Division will position the LGA as the regulator of liquor and gaming in Manitoba.

Subsequent to the enactment of the legislation to create the LGA, our next steps will be to operationalize strategies as directed by our board and to translate these into work plans to guide our staff. Practical considerations for our day-to-day operations will be addressed and staff will begin to be included more directly in the integration of the MGCC and MLCC's Regulatory Services Division in the coming year.

Our goal as the LGA is to develop into a "one-stop shop" for Manitoba businesses, charities and citizens seeking liquor and gaming licences and permits. As we work through the transition to full integration of liquor and gaming regulation, our stakeholders can rest assured that we intend to meet our clients' service expectations throughout our transition to a "single-window" service delivery model for liquor and gaming licences and permits.

Looking forward, I am confident that the initial work towards amalgamating the MGCC and MLCC's Regulatory Services Division has created a strong base for us to move forward in streamlining our services to become the LGA.



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

# About the Manitoba Gaming Control Commission

The Manitoba Gaming Control Commission (MGCC) derives its authority and responsibilities from The Gaming Control Act (The Act) and Regulation, as permitted by the Criminal Code (Canada). Under this federal legislation, each province establishes its own regulatory and operating structure within the prohibitions and permissions defined in Sections 206 and 207. As the primary gambling regulatory body in Manitoba, the MGCC ensures the honesty and integrity of gaming events, employees, suppliers, operators and equipment. The MGCC is also a leader in less traditional regulatory endeavours, including research, public education and oversight of operators' responsible gambling policies.

## Our Vision

To regulate and control gaming activity in Manitoba by protecting the public interest, being proactive and responsive to Manitoba's evolving gaming environment and working in consultation with our clients, stakeholders and partners to establish fair, balanced and responsible gambling practices.

## Our Mission

To ensure that gaming activity is conducted honestly, with integrity and in the public interest. We achieve this by strengthening our knowledge base, implementing best practices, building strong communication channels, and using a balanced approach to deliver services and policy advice to effectively and responsively regulate and control gaming activities in our province for the benefit of all Manitobans.

## Our Core Values

The MGCC is committed to delivering our services and programs based on the following core values and standards of conduct:

- INTEGRITY and RESPECT are the fundamental cornerstones of our vision and mission, and will form the basis for all our actions and decisions.
- By seeking a BALANCED PERSPECTIVE, we reflect the complexity of Manitoba's gaming environment.
- By ensuring ACCOUNTABILITY, we protect the public interest.
- We are ADAPTIVE by anticipating and responding to current and emerging issues in the gaming environment that impact the honesty and integrity of gaming activity in Manitoba.
- We are INDEPENDENT of gaming operations and work to ensure PUBLIC CONFIDENCE in the integrity of all gaming activities within the province of Manitoba.

## Structure and Responsibilities

The MGCC is guided by a Board of Commissioners that reports to the Minister charged with the administration of The Gaming Control Act (Minister). Operational activities are carried out by 53 full-time and three part-time employees, led by an Executive Director.

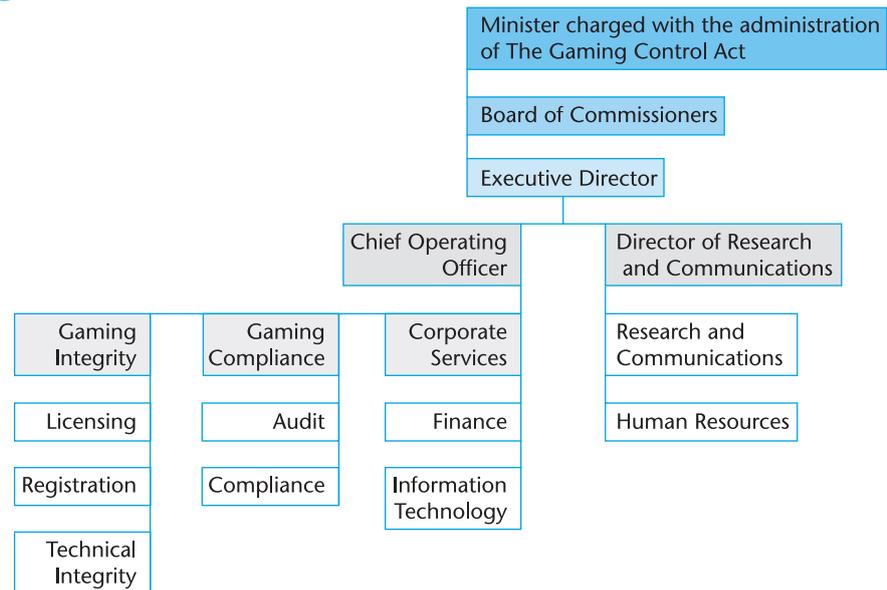
To ensure that gaming activity is conducted honestly, with integrity and in the public interest, the MGCC:

- Licenses charitable gaming events, including bingo, breakopen tickets, raffles, sports draft lotteries and Texas Hold'em poker tournaments;
- Registers First Nations casino operators, Manitoba Lotteries Corporation and First Nations casino employees, gaming suppliers, gaming equipment, video lottery terminal (VLT) siteholders and lottery ticket retailers;
- Investigates and makes orders related to gaming patron disputes;
- Inspects and audits gaming activities;
- Ensures all gaming has technical integrity;
- Monitors and enforces compliance with gaming-related legislation;
- Performs responsible gambling education and oversees operator programs;
- Conducts independent and joint research projects; and
- Provides policy advice to the Minister.

The MGCC's corporate priorities are linked to the 2008-2013 Strategic Plan's overarching objectives of leadership, effectiveness and communication. Corporate performance results are detailed beginning on page 10 in accordance with our four strategic goals:

- #1 Legislative mandate;
- #2 Service excellence;
- #3 Human resources advancement; and
- #4 Financial accountability.

## Organizational Structure



## Finances and Resources

The MGCC funds its own activities from service-based licence and registration fees, as authorized by The Act and established via regulation; the MGCC does not receive revenue from the Provincial Consolidated Revenue Fund. The Act also permits the MGCC 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 of Commissioners, reviewed by the Minister and approved by the Minister of Finance and Treasury Board. Complete financial statements for the year ended March 31, 2013 are presented in this report beginning on page 27. The MGCC's annual reports are tabled in the Manitoba Legislative Assembly and are published in print and at [www.mgcc.mb.ca](http://www.mgcc.mb.ca).

## Appeals and Disputes

The Act directs the Board of Commissioners to conduct hearings and make rulings on appeals of the Executive Director's decisions and orders on matters including licences, registrations, technical integrity approvals and patron disputes. In this quasi-judicial role, a quorum of commissioners considers all evidence presented by both parties before making a ruling. These hearings are open to the public, although a hearing, or portions of a hearing, may be closed in instances where financial, private or proprietary information is being presented. Decisions are publicly available. Appeals of the Board of Commissioners' decisions may be made to the Court of Queen's Bench under Section 45(2) of The Act. The MGCC conducted and concluded one hearing in 2012/13.

## Interagency Cooperation

The MGCC cooperates with municipal, provincial, federal and international agencies and jurisdictions to meet its legislative mandate. Working closely with these organizations allows the MGCC to benefit from others' experiences, share its own expertise and undertake collaborative initiatives related to gaming regulation. Agencies include:

- Aboriginal Financial Officers Association (Manitoba)
- Addictions Foundation of Manitoba
- ASIS International
- Assembly of Manitoba Chiefs
- Association of Certified Forensic Investigators of Canada
- Association of Certified Fraud Examiners
- Association of Law Enforcement Intelligence Units
- Association of Manitoba Municipalities
- Brandon Police Service
- Canada Revenue Agency
- Canadian Association of Gaming Regulatory Agencies and member agencies
- Canadian Consortium for Gambling Research and member organizations
- Canadian Partnership for Responsible Gambling and member organizations
- Citizenship and Immigration Canada
- Council on Licensure, Enforcement and Regulation
- Criminal Intelligence Service (Canada and Manitoba)
- First Nations gaming commissions
- Gaming Laboratories International
- General Council of Winnipeg Community Centres
- Indigenous Gaming Regulators
- International Association of Gaming Regulators and member agencies
- International Masters of Gaming Law
- Manitoba Association of Chiefs of Police
- Manitoba Consumer Protection Office
- Manitoba Council of Administrative Tribunals
- Manitoba Criminal Justice Association
- Manitoba Department of Justice
- Manitoba Liquor Control Commission
- Manitoba Lotteries Corporation
- Manitoba Protective Officers Association
- Manitoba Public Insurance Corporation
- Manitoba Securities Commission
- Midwest Gaming Investigators and Regulators
- North American Gaming Regulators Association and member agencies
- Royal Canadian Mounted Police
- Western Canada Lottery Corporation
- Winnipeg Police Service

The amalgamation of the MGCC and Manitoba Liquor Control Commission's complementary regulatory responsibilities presents a unique opportunity to review and modernize Manitoba's liquor and gaming regulatory legislation.

## Amalgamating Regulatory Responsibilities: Liquor and Gaming Authority of Manitoba

In the April 17, 2012 provincial budget, the Province of Manitoba announced that the Manitoba Liquor Control Commission's regulatory responsibilities would be amalgamated with those of the MGCC to form a new regulatory agency, the Liquor and Gaming Authority of Manitoba (LGA). At the same time, the Province of Manitoba announced that the Manitoba Liquor Control Commission's operational responsibilities would be transferred to the Manitoba Lotteries Corporation to form a new operator, the Manitoba Liquor and Lotteries Corporation.

Following the provincial announcement, stakeholder consultations were held to develop high-level recommendations for structure, processes and practices for the two new entities. The current state of liquor and gaming operations and regulations were reviewed to develop an amalgamation roadmap to cut red tape, modernize services and build on opportunities to promote social responsibility, all while ensuring continued service delivery. A report summarizing this process and the recommendations is publicly available via [www.mgcc.mb.ca](http://www.mgcc.mb.ca).

Public consultations were also held to invite all Manitobans to provide their views and opinions on reducing red tape, enhancing consumer choice, and ensuring public safety and social responsibility through the creation of the LGA. In fall 2012, the public consultation committee heard 43 presentations at public meetings across Manitoba,

received 45 written submissions, held 11 private meetings with various stakeholders and received responses to an online survey. Manitobans' input was greatly appreciated and is being used to shape the new regulatory agency. Detailed information about the public consultations is available via [www.mgcc.mb.ca](http://www.mgcc.mb.ca).

The amalgamation of the MGCC and Manitoba Liquor Control Commission's complementary regulatory responsibilities presents a unique opportunity to review and modernize Manitoba's liquor and gaming regulatory legislation to reflect Manitobans' diverse and evolving social norms, consumer expectations and business practices. New legislation to create the LGA is anticipated to be introduced in 2013/14 and it is expected that the LGA will be charged with:

- Issuing licences and permits for the provision of alcohol and lottery schemes;
- Ensuring the honesty and integrity of games and gaming providers;
- Ensuring compliance with liquor- and gaming-related legislation, regulation and policy;
- Educating Manitobans about the responsible consumption of alcohol and responsible gambling; and
- Conducting alcohol and gaming research and providing information and advice to the Minister with respect to liquor and gaming.



# Corporate Performance Results

2012/13 marked the final year of the MGCC's five-year strategic plan, which has guided the organization's activities and accomplishments since 2008. As in previous years, corporate priorities are linked to the strategy's overarching objectives of leadership, effectiveness and communication. Priorities are operationalized through annual unit and departmental work plans and reported on through the lenses of legislative mandate, service excellence, human resources advancement and financial accountability. The corporate plan and resulting accomplishments are outlined here. Unit and departmental results are reported in the operational overview beginning on page 14.

## GOAL #1

### Legislative Mandate

Regulate and control gaming activity in Manitoba with the aims of ensuring that it is conducted honestly, with integrity and in the public interest.

#### Priorities

- Develop and deliver programs and initiatives to ensure gaming providers meet our compliance and enforcement mandate.
- Develop and deliver innovative and proactive gaming integrity and compliance initiatives to effectively regulate and control gaming activity.
- Advance our public interest mandate beyond our traditional regulatory activities of licensing, registration and enforcement, with a focus on social policy implications, research and responsible gambling initiatives.
- Develop and implement a governance model that supports the MGCC's mandate and provides clarity to our roles and accountability.

#### Results

- The Office of the Auditor General of Manitoba confirmed the MGCC's compliance with legislative provisions and related authorities pertaining to financial reporting, budgeting and planning, safeguarding of assets, spending, borrowing, investing, revenue raising, board remuneration and expenses.
- Governance practices were guided by a governance calendar to direct planning, oversight and accountability functions throughout the year. This included a review of operational accomplishments linked to the achievement of strategic goals, quarterly financial reviews, and governance training and development to further support implementation of legislative amendments.
- Assessed, confirmed, monitored and enforced the honesty and integrity of gaming events, employees, suppliers, operators and equipment in accordance with legislative and regulatory authority, licensing and registration terms and conditions, and operational and unit standards.
- Coordinated the Public Consultations on Liquor and Gaming Regulation on behalf of the Government of Manitoba's Liquor and Gaming Regulatory Consultation Committee, to allow Manitobans to provide their input on the amalgamation of Manitoba's liquor and gaming regulatory functions.
- Received and responded to ten Freedom of Information and Protection of Privacy Act (FIPPA) requests in accordance with FIPPA legislation.
- There were no reports or investigations under the Public Interest Disclosure (Whistleblower Protection) Act.

## GOAL #2

### Service Excellence

Provide excellent service to our clients by championing fair, balanced and responsible gambling policy and inspiring public confidence in the integrity of gaming.

#### Priorities

- Develop and deliver innovative, streamlined and consistent gaming integrity and compliance programs and products to assure the integrity, fairness and accountability of gaming activity in Manitoba.
- Develop and deliver corporate and administrative services, including finance, information technology (IT), human resources, research, communications and planning services.
- Develop and implement strategies to build strong relations with internal and external clients and stakeholders through clear and consistent communication.
- Document and formalize unit and department policies and procedures to ensure consistency, fairness and accountability, and to support knowledge transfer within the context of succession planning.

#### Results

- Provided client-focused regulatory services, including formal application, assessment and approval processes comprehensive audit and inspection programs; proactive and responsive investigations, client training and support; and interagency collaboration. This led to the following:
  - 1,192 charitable organizations in Manitoba held 2,104 licensed gaming events, which generated gross revenue of \$81.3 million, a 10.5% increase over the previous year;
  - 4,418 current registrations in multiple registrant classes, including gaming employees, suppliers and operators;
  - 401 technical integrity approvals and amendments and 55 interim approvals;
  - 2,330 on-site gaming inspections to assess and confirm compliance with legislative, regulatory and administrative requirements. This represented an increase of 2.5% in inspections over the previous year;
  - 296 client training and development programs to support audit reporting and compliance;
  - 2,324 audit reviews of charitable gaming financial reports; and
  - 100% compliance with First Nations gaming commission, First Nations VLT siteholder and municipal licensing authority reporting requirements.
- Assessed, refined and augmented corporate and unit policies, procedures and standards to improve and guide client service, strengthen relationships with partners and stakeholders, and increase awareness and understanding of the benefits of a strong and practical regulatory environment.
- Enhanced [www.mgcc.mb.ca](http://www.mgcc.mb.ca) and online service tools, including improvements to licence holder, registrant, operational and corporate information.
- Provided IT, finance and administration, research, communications and human resources services to support and enable operational units and departments to deliver client services throughout Manitoba.

## GOAL #3

### Human Resources Advancement

Maximize performance and productivity by encouraging and supporting a positive and professional work environment.

#### Priorities

- Create and manage comprehensive human resources services to support the MGCC's strategic and operational goals.
- Establish processes and initiatives that support and encourage staff innovation, accountability and empowerment.
- Develop and implement a formal succession/transition plan that identifies and develops talent through professional development and knowledge transfer initiatives.

#### Results

- Delivered comprehensive human resources services, including performance management and coaching; corporate and individual training and development; recruitment and retention; workplace health and safety; and labour/management relations.
- Advanced organizational sustainability and stability to encourage employee development in preparation for long-service employee retirements. This was facilitated through strategic human resources-focused initiatives including specialized training and development and employee-directed learning plans.
- Employees participated in 2,039 hours of professional development training and education on a diverse range of topics, including gaming licensing, emerging gaming trends and technologies, management and leadership, change management, financial accounting, Microsoft Office 2010, writing skills and first aid. The MGCC also supported employees to achieve and maintain professional and academic designations.
- Initiated preparations for the upcoming amalgamation of Manitoba's liquor and gaming regulatory functions to ensure a smooth transition for employees and human resources systems and processes.

## GOAL #4

### Financial Accountability

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

#### Priorities

- Ensure financial accountability and transparency through corporate and operational planning, monitoring and reporting activities.
- Maintain internal control standards in keeping with established financial policies and procedures.
- Oversee financial, corporate and human resources to maximize operations and enhance client services.
- Develop a new financial model to address corporate financial sustainability, including reallocation of current resources in accordance with environmental trends and identification of options for new financial resources.

#### Results

- The Office of the Auditor General of Manitoba issued an unqualified audit opinion for the MGCC's 2012/13 financial audit.
- The Audit Committee conducted quarterly financial reviews and approvals in accordance with the governance calendar.
- The 2011/12 annual report, including audited financial statements, was tabled in the Legislative Assembly in December 2012 and is published at [www.mgcc.mb.ca](http://www.mgcc.mb.ca).
- Presented the 2013/14 business plan to the Board of Commissioners and Treasury Board for approval. Board of Commissioners' approval was granted in February 2013 and Treasury Board approval was pending at March 31, 2013.
- Maximized revenue and financial sustainability through daily review and management of investment funds. Corporate and departmental balance sheets were prepared and analyzed monthly.
- Senior management expense policies were reviewed as part of the Auditor General of Manitoba's examination of these policies in provincial agencies, boards and commissions, and the MGCC's policies were strengthened in response to the review's recommendations.

# Operational Overview

## Gaming Integrity

### Licensing • Registration • Technical Integrity

The Gaming Integrity Unit sets the stage for gaming in Manitoba to be conducted with honesty and integrity by establishing the standards by which charitable organizations, gaming employees, gaming operators, VLT siteholders, lottery ticket retailers, gaming suppliers, and gaming devices and equipment are licensed, registered and approved. The unit's three departments each set terms and conditions in keeping with The Act and apply a risk-based approach to review applications and approve those that meet the standards. This risk-based approach improves service efficiency and effectiveness by allowing departments to focus their time and resources on the most high-risk and complex applications.

### LICENSING

In 2012/13, the Licensing Department worked with charitable and religious organizations to authorize the conduct and management of over 2,100 fundraising events throughout Manitoba. With charitable aims as diverse as youth sports teams, seniors' transport and community construction projects, over 1,100 licence holders raised funds for their endeavours by holding raffle, bingo, breakopen tickets, Texas Hold'em poker and Monte Carlo events. Over 200 of these licence holders were first-time applicants, an 18% increase over the previous year.

The honesty and integrity of each fundraising event is assessed through a comprehensive application and approval process, based on Criminal Code (Canada) eligibility. Department staff follow established review protocols to assess applicant eligibility, scrutinize proposed operations and financial plans, verify prizes and certify intended use of proceeds. Once these measures are satisfied, a licence is issued with terms and conditions that guide the event's preparation, conduct and accountability reporting. The Licensing Department decentralized decision-making authority so that straightforward or low-risk applications can be approved by department staff, while more complex or unprecedented schemes escalate to managerial review.

In January 2013, the department took its first step in moving towards paperless processing when it launched an online fillable community raffle application that can be emailed directly to the department.

The following chart presents key licensing results:

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## LICENSING OVERVIEW

AS OF MARCH 31, 2013

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Active charitable gaming licences	2,104
Licence applications reviewed and approved	1,752
Charitable licence holders	1,192
- 238 ongoing events: 96 bingo, 57 breakopen tickets, 57 raffle, 22 Texas Hold'em poker tournaments and six media bingo	
- 1,514 limited series of single events: 1,411 raffle, 46 bingo, 26 Texas Hold'em poker tournaments, 13 breakopen tickets and 18 others, including Calcutta auction and Monte Carlo events	
Licence amendments	776
First-time applicants	221

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Like all MGCC departments, the Licensing Department continually strives to improve client service. In January 2013, the department took its first step in moving towards paperless processing when it launched an online fillable community raffle application that can be emailed directly to the department. Community raffles, which are raffles anticipating ticket sales of less than \$5,000, comprise 63% of licensing applications, so streamlining this application process was a priority for the department. The online form was designed to be user-friendly, while still ensuring that data would be captured accurately for the five common types of community raffles. Since the launch, approximately 45% of community raffle applications have been received via email using this form.

The Licensing Department continually reviews the terms and conditions for charitable gaming licensing to ensure that they meet charities' evolving needs. Effective January 1, 2013, the MGCC's Board of Commissioners responded to calls for increased fundraising opportunities by eliminating Raffle Term and Condition 4.02, thereby removing previous restrictions on the number of major raffles held annually by any organization and the value of the prize(s) offered. This change provides the potential to improve profitability and flexibility in raffle events.

## REGISTRATION

The Registration Department establishes comprehensive standards and procedures for each registrant class, including gaming employees, suppliers of gaming services and products, gaming operators, VLT siteholders and lottery ticket retailers. These standards and procedures guide the registration process from application submission to background investigations and approval. They also set the terms and conditions for the ongoing requirements to maintain good standing. The department monitors compliance with the terms and conditions attached to each registration to confirm that the standards required of registrants are met and maintained.

Department staff apply a risk-based approach to processing and issuing all gaming registrations. Risk is initially assessed by the type of registration application. For example, when examining gaming employees, any potential risk comes from the individual applicant and issues such as criminal charges, financial collections and failure to declare a criminal charge or bankruptcy are considered identifiers. The registration of business entities is more complex and requires more resources, as potential risk originates from the corporate applicant as well as from the individuals involved in the business. These applicants generally undergo the most rigorous investigations, as the department must ensure that a company is financially sound, has reputable leaders and has established a positive history with other jurisdictions in the gaming industry. Classifying applicants by risk allows the department to investigate all applicants scrupulously, while focusing additional resources on individual and business applicants identified for elevated risk.

In 2012/13, the department assessed and monitored the honesty and integrity of approximately 3,000 gaming employees; conducted 37 supplier annual updates and seven full due diligence investigations; issued 78 full and conditional VLT siteholder registrations; and granted 92 lottery ticket retailer registrations. The chart below outlines additional key registration results:

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### REGISTRATION OVERVIEW

AS OF MARCH 31, 2013

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Manitoba Lotteries Corporation new applicant employee registrations	337
Manitoba Lotteries Corporation active employees	2,003
Aseneskak Casino new applicant employee registrations	68
Aseneskak Casino active employees	128
South Beach Casino new applicant employee registrations	184
South Beach Casino active employees	255
Current gaming suppliers	53
Current VLT siteholder registrations	508
Current lottery ticket retailer registrations	882

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On April 1, 2012, the Registration Department began issuing three-year employee registrations to increase efficiency in the renewal process, a change that has been well-received by the gaming industry. Even though renewals are less frequent, internal checks continue to be conducted annually and as required, to confirm registrants' continued compliance with established standards and to flag higher-risk registrants who require more comprehensive interim investigation.

Given the breadth of registrant classes, the department continually seeks opportunities to streamline services. In 2012/13, department staff began to collaborate with other Canadian gaming regulatory agencies to develop a common supplier registration process. The interagency committee began by identifying 12 common suppliers that pose minimal risk to the industry; all 12 have licences throughout the world and have maintained their registrations in good-standing for several years with each participating agency. The committee then proceeded to a pilot project, where one supplier's registration was successfully renewed by a group of six jurisdictions, and is now working towards additional common renewals. This collaborative effort will not only improve consistency and reduce redundant registration processes for gaming suppliers, but will also strengthen the MGCC's relationships with other Canadian regulators.

## **TECHNICAL INTEGRITY**

Technical integrity (TI) must be confirmed before any gaming scheme or equipment is offered to the public for play. Whether it is bingo paper for a community hall game, a casino's blackjack table, a new VLT model or an entirely new gaming scheme, all gaming equipment and schemes in Manitoba must meet the standards and successfully pass the tests established and applied by this department. While TI may be an obscure term to the layperson, to a regulator, it signifies that the scheme or equipment performs in a manner that is fair, safe, secure, honest and capable of being audited.

TI terms and conditions permit the MGCC to monitor the status of gaming events and equipment, to maintain historical data and to support the conduct of investigations arising from operational concerns or public complaints. In 2012/13, the TI Department continued to keep pace with new and emerging technologies by further developing and revising its standards, terms and conditions, and quality assurance tests associated with various gaming schemes. The department's Gaming/Non-Gaming Equipment Classification List was also updated to reflect new product introductions; this list is available at [www.mgcc.mb.ca](http://www.mgcc.mb.ca).

Department staff confirm ongoing compliance with TI standards through regular inspections, now conducted on a regular schedule as part of the MGCC's integrated casino inspection process. In 2012/13, 22 inspections were conducted on a variety of lottery schemes, including slot machines, VLTs, table games and central systems. The following chart presents other key results for this department:

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## TECHNICAL INTEGRITY OVERVIEW

AS OF MARCH 31, 2013

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### Approvals and Amendments

Central systems and hardware	2
Electronic gaming machine models	7
Electronic gaming machine software and hardware	264
Slot machine progressive configurations and hardware	71
Table games and associated equipment	29
Table game rules of play	10
Bingo paper and products	4
Bingo rules of play and house programs	3
Showdowns and ballot draws	4
Breakopen tickets	7

### Interim Approvals

Central systems	5
Electronic gaming machine software and hardware	36
Table games and associated equipment	10
Bingo and breakopen products	4

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In 2012/13, the TI Department focused on three special projects that modernized Manitoba's gaming environment. The first project continued work begun in the previous year with the Manitoba Lotteries Corporation towards the full-scale replacement of its VLT central system and all VLTs in Manitoba. Department staff worked with Gaming Laboratories International and VLT manufacturers to establish a new technical standard for VLTs and to put in place appropriate controls to ensure that this standard is met and maintained as VLTs are replaced.

Electronic 50/50 systems, which use sophisticated wireless handheld devices and kiosks for printing tickets and processing payments, have become increasingly popular across North America. Given this popularity, the second special project saw department staff cooperate with gaming regulators, operators and manufacturers to support Gaming Laboratories International in developing a new technical standard for electronically-conducted raffles. Staff also continued working with manufacturers of the 50/50 systems and with licence holders to ensure technical compliance during these raffles.

The final project consisted of issuing TI approval for Manitoba Lotteries Corporation's new PlayNow.com website, which offers online casino games and sports betting. Since the website was a direct extension of the system already operating in British Columbia, aligning Manitoba's technical requirements with British Columbia's was a key step for the success of this project. Department staff worked closely with British Columbia's Gaming Policy and Enforcement Branch to adopt the latter's standards for Internet gaming, with minor changes made to tailor the standards for Manitoba. TI approval was granted in January 2013 for the Manitoba launch of PlayNow.com.

## GAMING COMPLIANCE

### Audit • Compliance

The Gaming Compliance Unit tests and assesses compliance with The Act and the terms and conditions and standards for charitable organizations, registrants, technical integrity approvals and other licensing authorities. While the unit has an escalating array of review, inspection, investigation and enforcement powers to detect and correct non-compliance, its departments emphasize education, training and support as crucial tools for helping clients achieve and maintain compliance. The Gaming Compliance Unit offered nearly 300 training sessions in 2012/13 on a wide range of topics, including bingo program changes, electronic financial reporting and First Nations gaming commissions operations.

The Regulatory Affairs Department historically provided regulatory advice and guidance, and developed and refined training and inspection programs to support the operational functions of the Gaming Compliance Unit. In 2012/13, the Regulatory Affairs Department was incorporated within the Compliance Department in recognition of their longstanding cooperation and to create efficiencies in preparation for the upcoming amalgamation of Manitoba's liquor and gaming regulatory functions.

### AUDIT

In 2012/13, the Audit Department reviewed and assessed financial reports and supporting documentation from over 2,300 charitable gaming events, as well as over 250 reports from First Nations and municipal licensing authorities. These reviews provide assurance that reporting and record-keeping practices have integrity and transparency and comply with legislation, regulation and audit standards.

The Audit Department uses a risk-based approach to allocate time and resources, and applies various levels of review depending on the type of organization and its compliance history. At all levels of review, department staff examine 100% of reports received to ensure that they are complete, accurate, and recorded and reported according to terms and conditions and audit standards. Reviewing all reports improves the probability of detecting non-compliance and helps identify training opportunities that would support organizations in achieving and maintaining compliance.

The chart in this section presents key audit results. All municipal, First Nations gaming commission and First Nations VLT siteholder financial reports were submitted as required within the fiscal year, as they have been every year since reporting was made mandatory. As in previous years, cases involving incomplete or incorrect data were addressed and remedied as quickly as possible, with most irregularities resolved through communication and training with clients. The department's success at using education, training and support to promote effective and consistent record-keeping and reporting is reflected in the decreasing number of referrals to the Compliance Department over the past five years. The number of referrals made for investigation decreased from 17 in 2008/09 to 9 in 2012/13.

### AUDIT OVERVIEW

AS OF MARCH 31, 2013

Charitable event financial reports	2,324
Municipal licensing authority reports	196
First Nations gaming commission annual reports	34
First Nations VLT siteholder annual reports	37

The Audit Department takes advantage of IT advancements to continually improve client services. In 2012/13, ten of the 86 audit training sessions delivered were provided online using web conferencing software. This technology allows staff to offer cost-effective training for remote clients immediately, as needs are identified. Feedback from online training participants has been very positive to date and the department is continuing to expand its use of this technology.

This department also focuses on using technology to simplify financial reporting. An electronic reporting tool allows licence holders to submit their financial reports via a Microsoft Excel spreadsheet that is imported directly into the MGCC's Gaming Management System. Use of this efficient tool has increased every year since it was introduced in 2007; nearly 40% of licence holders now use it for their reporting. In April 2012, a new electronic reporting tool was introduced to First Nations VLT siteholders and approximately 30% of siteholders used the tool to submit their reports in 2012/13.

### Charitable Gaming 2012/13 (\$millions)

EVENT TYPE	LICENSED EVENTS		GROSS REVENUE		PRIZES PAID		TOTAL EXPENSES		NET PROFIT	
	12/13	11/12	12/13	11/12	12/13	11/12	12/13	11/12	12/13	11/12
Bingo	219	229	\$36.6	\$38.2	\$28.7	\$30.0	\$3.9	\$4.0	\$4.0	\$4.2
Breakopen tickets	167	179	3.8	4.0	2.8	2.9	0.3	0.3	0.7	0.8
Raffle	381	320	36.4	26.3	15.9	11.7	7.0	5.4	13.5	9.2
Texas Hold'em	43	54	1.0	1.1	0.7	0.8	0.2	0.2	0.1	0.1
Media Bingo	15	18	3.4	3.9	1.3	2.6	0.7	0.8	1.4	0.5
Other	10	10	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
<b>Totals:</b>	<b>835</b>	<b>810</b>	<b>\$81.3</b>	<b>\$73.6</b>	<b>\$49.5</b>	<b>\$48.1</b>	<b>\$12.1</b>	<b>\$10.7</b>	<b>\$19.7</b>	<b>\$14.8</b>

In addition, 1,269 licences were issued to organizations which, due to reporting thresholds, were not required to submit financial reports or licence fees (102 bingo, 24 breakopen tickets, 1,128 raffle, 2 media bingo, 5 Texas Hold'em poker tournaments and 8 other) and are therefore not reflected in the chart above.

Charitable gaming gross revenues were up over \$7.5 million compared to the previous year and the net profits for Manitoba charities were the highest they have been since the MGCC was established in 1997. Analyses suggest that this increase is a result of innovations on the part of charitable organizations, such as offering new price points for raffle purchases, holding 50/50 draws as a component of major raffles and using the popular new electronic 50/50 systems described on page 18. These results are encouraging for charities, yet they may fluctuate going forward as the market becomes more accustomed to these new offerings.

## COMPLIANCE

The Compliance Department monitors all gaming schemes in Manitoba to confirm adherence with regulatory requirements and licensing and registration terms and conditions. Department staff regularly inspect charitable organizations, VLT siteholders, lottery ticket retailers, First Nations gaming commissions, municipal licensing authorities, and First Nations and Manitoba Lotteries Corporation casinos. For example, a bingo inspection could include examining nightly event sheets, bank statements, cancelled cheques, deposit books and winners lists, ensuring bingo balls are displayed prior to play, and making sure that procedures for awarding prizes are followed. Department staff also work in conjunction with local law enforcement bodies to investigate unlicensed gaming.

In 2012/13, the Compliance Department completed 2,308 inspections, which are further detailed in the chart in this section. Department staff also investigated 288 stakeholder disputes, complaints and irregularities arising from inspections. Most disputes, complaints and irregularities are dealt with by department staff in keeping with the MGCC's dispute resolution practices and escalating corrective measures. In 2012/13, inspections and investigations led to 232 verbal warnings, 13 written warnings and one order. Twelve complaints required mediation by the MGCC and five were referred to police.

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## COMPLIANCE INSPECTIONS OVERVIEW

AS OF MARCH 31, 2013

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Casinos	101
Lottery ticket retailers	925
VLT siteholders	608
First Nations gaming commissions	21
Municipal licensing authorities	159
Charitable gaming events	
Bingo/Breakopen products	220
Raffles	242
Texas Hold'em poker tournaments	27
Other	5

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The Compliance Department continued to emphasize training as a means of preventing non-compliance and decreasing patron disputes and complaints. Years of implementing this philosophy have strengthened lines of communication with stakeholders and led to high overall rates of compliance across Manitoba. In 2012/13, department staff held 210 training sessions for representatives from charitable organizations and First Nations. Similar to the Audit Department, the Compliance Department is beginning to use technological advancements to improve training and this year used web conferencing software to deliver a successful training session on Internet gaming investigations for local law enforcement bodies.

The Compliance Department also continued to liaise with various gaming jurisdictions and federal and provincial agencies throughout North America to stay current with evolving regulatory trends and best practices. For example, department staff collaborated with Manitoba's Department of Entrepreneurship, Training and Trade on an initiative to reduce red tape in application and inspection processes for lottery ticket retailers.

## RESEARCH AND COMMUNICATIONS

### Research • Communications • Human Resources

This unit provides an array of communications, research and human resources functions to support corporate and operational activities. In 2012/13, the unit focused on building capacity for the upcoming amalgamation of Manitoba's liquor and gaming regulatory functions, including the integration of accountabilities for liquor into its longstanding public education, research and policy responsibilities.

### RESEARCH

The Research Department conducts independent and collaborative projects that meet rigorous academic standards for ethics, validity and reliability. Although it is unusual for a gaming regulator to conduct research, doing so builds a strong foundation of empirical evidence to inform the MGCC's operational, policy advisory and public interest activities.

In 2012/13, department staff focused on building research capacity through collaborative initiatives. Staff worked with the Addictions Foundation of Manitoba and Manitoba's Department of Healthy Living, Seniors and Consumer Affairs to have the Canadian Problem Gambling Index (CPGI) included in the Manitoba component of Statistics Canada's 2013 and 2014 Canadian Community Health Survey. Including the CPGI questions in this survey will allow researchers to use the resulting data to answer important questions about problem gambling prevalence and correlates in Manitoba. The department also participated in two collaborative projects with the Canadian Consortium for Gambling Research. The first project involved staging a workshop in April 2012 on methodologies and ethics for research with indigenous populations, as part of an annual series of knowledge exchange workshops. The second project involved launching a multi-year initiative to develop and validate an instrument for measuring gambling participation.

Planning began in early 2013 for the fourth installment of the MGCC's *Manitobans and Gambling* research series, now named *Liquor and Gambling in Manitoba*. This research series, conducted every three years, has been key for informing the development and evaluation of responsible gambling initiatives, including the MGCC's public education campaigns. The integration of the MGCC's responsibilities with the regulatory responsibilities for liquor presents a unique opportunity to conduct concomitant research in these related fields. Data collection is planned for spring 2013 and the results will be used to inform liquor and gambling policy and social responsibility initiatives following the upcoming amalgamation.

Although it is unusual for a gaming regulator to conduct research, doing so builds a strong foundation of empirical evidence to inform the MGCC's operational, policy advisory and public interest activities.

### GRADUATE STUDENTSHIP PROGRAM

The MGCC launched its graduate studentship program five years ago to build research capacity and improve knowledge about gambling. As the first gambling-related scholarship program in Manitoba, the program has successfully awarded over \$25,000 to masters and doctoral students pursuing research in the field of gambling studies. Recipients have noted that funding programs such as this one offer strong motivation to engage in gambling research as part of a graduate program.

### GRADUATE STUDENTSHIP RECIPIENTS

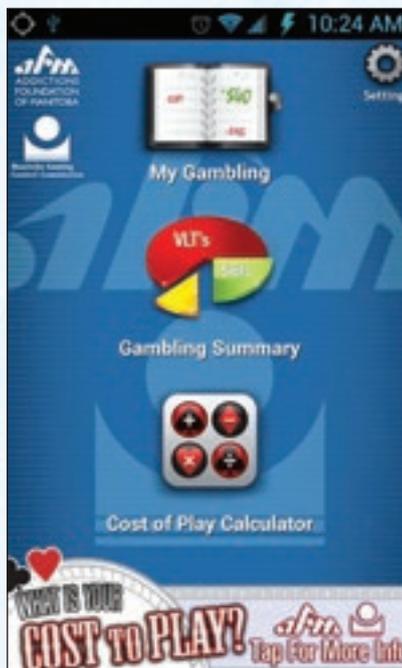
AS OF MARCH 31, 2013

Year	Student	Program	
2010 Complete	Navin Bahl	Master of Science (Marketing)	It's Not a Game: A Netnographic Analysis of an Online Poker Community
2011 Complete	Damien Dowd	Master of Arts (Psychology)	An Evaluation of the Pathological Gambling Pathways Model Using the National Epidemiological Survey on Alcohol and Related Conditions
2011 In progress	Chad Graves	Master of Arts (Psychology)	Problem Gambling: The Mediating Role of Impulsivity and Cognitive Bias
2012 In progress	Ryan Nicholson	Doctor of Philosophy (Clinical Psychology)	Substance Use as a Moderator in the Relationship between Social Anxiety Disorder and Pathological Gambling

## COMMUNICATIONS

The Communications Department supports the Minister, Board of Commissioners and MGCC management and staff by providing communications services and policy advice on a diverse range of operational matters and emerging issues. Much of the department's work in 2012/13 focused on facilitating preparations for the upcoming amalgamation, including providing policy advice on liquor and gaming issues, supporting the development of new legislation and coordinating the Public Consultations on Liquor and Gaming Regulation described on page 10.

Responsible gambling education and policy oversight is a key focus for this department. In October 2012, the MGCC collaborated with the Addictions Foundation of Manitoba to launch the Gambling Log application for Android phones. The application followed the VLT Cost of Play Calculator Wheel as a continuation of joint efforts to help Manitobans make informed decisions about their gambling. The Gambling Log application is an interactive smart phone tool that allows individuals to estimate their average cost of gambling and then track their personal spending over time. A link to download the application is available at [www.mgcc.mb.ca](http://www.mgcc.mb.ca), which also provides links to the Addictions Foundation of Manitoba's Problem Gambling Helpline and Get Gambling Facts player information website.



In 2012/13, the MGCC collaborated with the Addictions Foundation of Manitoba to launch an application for Android phones to help individuals track their personal spending towards gambling.

## HUMAN RESOURCES

The Human Resources Department lays the foundation for a strong and sustainable workforce by providing human resources services to the Board of Commissioners, management and staff in the areas of recruitment, pay and benefits, labour relations, and policy development and advice. The department continues to prepare for the retirement of many long-service employees by focusing on workforce transition initiatives, including facilitating career development training, acting status and mentoring opportunities for employees interested in advancement.

Laying the foundation for the upcoming amalgamation was this department's major focus in 2012/13. This work included developing a transitional organizational structure and beginning to recruit for new positions required to meet the needs of the new, larger organization. Recognizing the importance of engaging stakeholders for a successful transition, the department focused on communication and collaboration in all of its preparations. For example, the department established two Labour Management Committees to address ongoing amalgamation needs and began to work in partnership with the Manitoba Government and General Employees' Union to develop a new job evaluation method for the LGA. To support the amalgamation process, the department coordinated change management training for all MGCC and Manitoba Liquor Control Commission's Regulatory Services Division staff to ensure that all employees would have the shared knowledge and tools to approach the transition with confidence.

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## EMPLOYMENT EQUITY REPRESENTATION

2010 TO 2013

	Aboriginal	Visible minority	Persons with disabilities
MGCC – As of March 31, 2013	13.0%	5.6%	9.3%
MGCC – As of March 31, 2012	14.3%	3.6%	10.7%
MGCC – As of March 31, 2011	12.3%	3.5%	8.8%
MGCC – As of March 31, 2010	10.8%	6.0%	10.0%
Manitoba Civil Service Commission Targets	14.0%	8.0%	7.0%

## CORPORATE SERVICES

### Finance • Information Technology

This unit enables corporate and operational activities by providing core administrative and management functions and technological resources. While the Finance Department plans, records and reports financial transactions promptly and accurately, the IT Department provides reliable and secure computer and communication networks.

### FINANCE

The Finance Department is charged with implementing and managing the MGCC's mandate on matters pertaining to administration, finance and property, as directed by The Act. Within the MGCC's annual business planning, implementation and reporting cycle, the department is responsible for all aspects of financial management, including financial reporting and analysis, budgeting and planning, safeguarding of assets, investing and cash flow management. The department also oversees landlord liaison, maintenance and improvements for the MGCC's main office in Winnipeg and satellite offices in Brandon, Portage la Prairie and The Pas.

In 2012/13, in keeping with the department's goal of ensuring financial accountability and transparency, monthly financial statements were prepared and submitted to management for review. Quarterly financial statements and variance analyses were prepared and submitted for approval by the Board of Commissioners. In preparation for the upcoming amalgamation of Manitoba's liquor and gaming regulatory functions, department staff also began developing the corporate infrastructure to support financial and property management for the new agency.

Following its annual financial audit in early 2013/14, the Office of the Auditor General issued a clear audit opinion for the year ended March 31, 2013. In addition, the Office of the Auditor General issued a clear opinion concerning the MGCC's compliance with legislative and related authorities under Part 10 of The Act. The MGCC's annual financial statements are published in this report beginning on page 27.

### INFORMATION TECHNOLOGY

The IT Department enables all corporate and operational activities by providing and maintaining telecommunications and workstations, network and server hardware and software to enable on-site, remote and mobile access to users' files, applications and email. Ever mindful of the importance of protecting network and data security, department staff manage IT resources with high standards to ensure stable and reliable network operations. The department achieved 99% uptime for computer systems in 2012/13.

Although most IT improvements take place seamlessly and go unnoticed by users, the MGCC's hardware, software and servers are regularly updated behind the scenes to keep the MGCC's systems current. In 2012/13, department staff continued to replace older server units with virtual systems that reduce cost and energy consumption. Staff also modernized the MGCC's computer infrastructure by upgrading to Microsoft Office 2010 and transitioning all computers from Windows XP to Windows 7. The department's application developers continued to future-proof the MGCC's custom-built Gaming Management System for evolving regulatory needs by introducing ongoing improvements and enhancements for all departments. Regular updates were also made to [www.mgcc.mb.ca](http://www.mgcc.mb.ca) and the employee intranet to enable effective internal and external communication. Finally, the IT Department installed new web conferencing software to facilitate communication with remote clients and stakeholders; both the Audit Department and Compliance Department began to use this technology for training.

Planning for the upcoming amalgamation was a key focus for the IT Department in 2012/13. The Gaming Management System underwent major hardware and software upgrades in preparation for the development and incorporation of liquor regulatory modules and significant planning is underway for the relocation of all servers and systems, a new email structure and a new website.

# Financial Statements

For the year ended March 31, 2013

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# Management Report

The Management of the Manitoba Gaming Control Commission (MGCC) 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 Manitoba's Office of the Auditor General (OAG), whose opinion is included herein. The OAG has access to the Board of Commissioners, with or without Management present, to discuss the results of their audit and the quality of financial reporting at the MGCC.



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



Dale Fuga  
CHIEF OPERATING OFFICER

July 2, 2013



## INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and  
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the accompanying financial statements of the Manitoba Gaming Control Commission, which comprise the statement of financial position as at March 31, 2013 and the statements of operations and 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 Manitoba Gaming Control Commission as at March 31, 2013, 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  
Winnipeg, Manitoba  
July 2, 2013

# Management's Certification of Compliance

To: Board of Commissioners of the Manitoba Gaming Control Commission

We hereby confirm that for the year ended March 31, 2013, the Manitoba Gaming Control Commission has complied with the criteria established by the provisions of The Gaming Control Act, Regulations, Orders in Council and other applicable legislation as outlined in the attached Schedule.



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



Dale Fuga  
CHIEF OPERATING OFFICER

July 2, 2013

# Schedule of Legislative and Related Authorities

## ORDERS IN COUNCIL

10/2003	Appointment of OAG as auditor of MGCC
339/2010	Appointments to Board
334/2012	Appointment of Executive Director
341/1997	Working capital advances

## THE GAMING CONTROL ACT (C.C.S.M. c. G5)

### Subsections

s.3(1)	The Gaming Control Commission	s.55(8)	Investments held in trust
s.5(1)	Annual reports	s.55(9)	Fiscal year
s.6(1)	Executive Director	s.55(10)	Records and accounts
s.12(3)	License Fees	s.55(11)	Annual budget
s.14(5)	Costs - Registration	s.55(12)	Auditor
s.17(1)	Registration Fees	s.55(13)	Disposition of surplus money
s.17(2)	Content of fee regulation	s.56(2)	Powers of Commission respecting property
s.28(4)	Costs – Technical Integrity	s.59(e)	Regulations by Lieutenant Governor in Council – Commission members remuneration
s.55(1)	Banking	s.59(e.1)	Regulations by Lieutenant Governor in Council – Fiscal Year
s.55(2)	General fund	s.60(1)(d)	Regulations by Commission - prescribing of fees
s.55(3)	Deposit of monies	s.60(1)(d.1)	Regulations by Commission - remittance of fees
s.55(4)	Operating expenses		
s.55(5)	Advances for working capital		
s.55(6)	Payment of advances		
s.55(7)	Investments		

## THE GAMING CONTROL REGULATION (41/2005)

Section 12	Payment of annual fee
Section 20(1) to 20(4)	License fees and when payable
Section 21(1) to 21(3)	Registration fees including Schedule (section 21)
Section 22	Payment of fees
Section 23	Reduction on application

## THE GAMING CONTROL REGULATION (41/2005) AMENDMENTS

#112/2008	Registration fee change to Schedule (section 21)
#15/2010	Registration fee change to Schedule (section 21)

## 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



## AUDITORS' REPORT ON COMPLIANCE

To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the Manitoba Gaming Control Commission's compliance for the year ended March 31, 2013, 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 Manitoba Gaming Control Commission. 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 Manitoba Gaming Control Commission has complied, in all significant respects, with the specified legislative and related authorities for the year ended March 31, 2013.

Office of the Auditor General  
Winnipeg, Manitoba  
July 2, 2013

# Statement of Financial Position

FOR THE YEAR ENDED MARCH 31	ACTUAL 2013	ACTUAL 2012
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 3,118,244	\$ 2,648,801
Accounts receivable (Note 4)	39,739	36,357
Long-term investment (Note 5)	146,079	146,079
	<b>3,304,062</b>	<b>2,831,237</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	593,905	572,333
Employee future benefits – severance (Note 7)	781,037	729,505
Employee future benefits – sick leave (Note 7)	62,811	69,968
Employee future benefits – pension (Note 7)	53,060	39,125
Total employee future benefits	896,908	838,598
	<b>1,490,813</b>	<b>1,410,931</b>
Net financial assets	<b>1,813,249</b>	<b>1,420,306</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	300,145	299,063
Prepaid expenses	35,809	35,533
	<b>335,954</b>	<b>334,596</b>
Accumulated surplus	\$ 2,149,203	\$ 1,754,902

On behalf of the Board:



DIRECTOR



DIRECTOR

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

# Statement of Operations and Accumulated Surplus

FOR THE YEAR ENDED MARCH 31	BUDGET 2013	ACTUAL 2013	ACTUAL 2012
<b>Revenue</b>			
Registration fees	\$ 4,604,300	\$ 4,537,263	\$ 4,443,822
Licence fees	1,124,600	1,163,073	1,045,376
Interest earned	37,500	42,087	37,670
Other revenue	34,200	37,939	21,408
	5,800,600	5,780,362	5,548,276
<b>Expenses</b>			
Salaries and benefits	4,205,100	3,936,951	3,824,700
Rent	368,100	375,862	355,129
Amalgamation expenses (Note 9)	0	222,628	0
Legal and professional fees	210,700	157,917	230,487
Transportation	180,300	145,075	122,363
Communications	105,900	108,938	110,082
Education, training, conferences	129,100	108,208	117,557
Supplies and services	108,700	104,899	122,483
Amortization	84,200	66,556	63,411
Accommodations	62,600	44,175	40,911
Commission Board	89,200	41,050	59,915
HR/Systems support	46,900	30,998	19,018
Other expenses	35,800	17,447	43,767
First Nations legal and professional	0	9,170	10,832
Public education	162,500	8,109	33,269
Loss on disposal of tangible capital assets	0	8,078	1,391
	5,789,100	5,386,061	5,155,315
<b>Annual surplus</b>	11,500	394,301	392,961
<b>Accumulated surplus, beginning of year</b>	1,749,400	1,754,902	1,361,941
<b>Accumulated surplus, end of year</b>	\$ 1,760,900	\$ 2,149,203	\$ 1,754,902

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 2013	ACTUAL 2013	ACTUAL 2012
Annual surplus (deficit)	\$ 11,500	\$ 394,301	\$ 392,961
Acquisition of tangible capital assets	(100,250)	(75,716)	(47,823)
Amortization of tangible capital assets	84,200	66,556	63,411
Loss on disposal of tangible capital assets	0	8,078	1,391
	(16,050)	(1,082)	16,979
Increase in prepaid expenses	0	(276)	(1,817)
<b>Increase in net financial assets</b>	(4,550)	392,943	408,123
<b>Net financial assets, beginning of year</b>	1,022,300	1,420,306	1,012,183
<b>Net financial assets, end of year</b>	\$ 1,017,750	\$ 1,813,249	\$ 1,420,306

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

# Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31	2013	2012
<b>Operating transactions</b>		
Annual surplus	\$ 394,301	\$ 392,961
Loss on disposal of tangible capital assets	8,078	1,391
Changes in non-cash items		
Accounts receivable	(3,382)	(506)
Prepaid expenses	(276)	(1,817)
Accounts payable and accrued liabilities	21,572	34,889
Provision for employee severance benefits	51,532	91,693
Provision for employee sick leave benefits	(7,157)	0
Provision for employee pension benefits	13,935	10,614
Amortization	66,556	63,411
Cash provided by operating transactions	545,159	592,636
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(75,716)	(47,823)
<b>Investing transactions</b>		
	0	0
<b>Financing transactions</b>		
	0	0
Increase (decrease) in cash and cash equivalents	469,443	544,813
<b>Cash and cash equivalents, beginning of year</b>	<b>2,648,801</b>	<b>2,103,988</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,118,244</b>	<b>\$ 2,648,801</b>
Supplemental Cash Flow Information		
Interest received	41,812	36,843

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

# Notes to Financial Statements

FOR THE YEAR ENDED MARCH 31, 2013

## 1. Nature of Operations

The Manitoba Gaming Control Commission (MGCC) was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

## 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 (PSAS) established by the Public Sector Accounting Board (PSAB). As of April 1, 2012, the MGCC adopted PS 3450 Financial Instruments, PS 3041 Portfolio Investments, and PS 1201 Financial Statement Presentation. There was no effect on the prior year's financial statement results.

### 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, 2013. 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. 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 MGCC.

(ii) The employees of the MGCC belong to the Province of Manitoba's Superannuation Fund (the Fund), which is a multi-employer joint trustee plan. The 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 Fund determines the required contribution rates.

The contribution of MGCC to the Fund is recorded as an expense for the year.

(iii) The cost of non-vested sick leave benefits are 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 (45 months)

### E. PREPAID EXPENSES

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

### F. REVENUES

Revenues are recorded on an accrual basis except for licence and supplier registration fees, which are recognized on a cash receipt basis.

### 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 MGCC records its financial assets at cost. Financial assets include cash and cash equivalents, temporary investments and accounts receivable. The MGCC 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 MGCC did not incur any re-measurement gains and losses during the year ended March 31, 2013 (2012 - \$nil).

The MGCC 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 MGCC to credit risk consist principally of cash and cash equivalents and accounts receivable.

The maximum exposure of the MGCC to credit risk at March 31, 2013 is:

	2013	2012
Cash and cash equivalents	\$ 3,118,244	\$ 2,648,801
Accounts receivable	39,739	36,357
	\$ 3,157,983	\$ 2,685,158

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

Accounts receivable: The MGCC 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 MGCC 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, 2013 was:

Current	\$ 22,607
30-60 days past billing date	4,670
61-90 days past the billing date	718
Greater than 90 days past the billing date	11,744
	\$ 39,739

#### LIQUIDITY RISK

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

The MGCC manages liquidity risk by maintaining adequate cash balances. The MGCC prepares and monitors forecasts of cash flows from operations and anticipated investing and financing activities. The MGCC 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 MGCC's income or the fair values of its financial instruments. The significant market risks the MGCC 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 MGCC is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

#### 4. Accounts Receivable

	<b>2013</b>	<b>2012</b>
Charitable licence holders	\$ 5,256	\$ 6,321
Manitoba Lotteries Corporation	9,250	8,200
First Nations casinos	7,100	3,400
Employee advances	8,993	9,819
Supplier investigations	1,489	574
Interest on short-term investments	4,741	4,466
Other trades	2,910	3,577
	<b>\$ 39,739</b>	<b>\$ 36,357</b>

#### 5. Long-Term Investment

The Province of Manitoba had accepted responsibility for the severance pay benefits of \$146,079 accumulated to March 31, 1998 for certain employees. Effective March 31, 2012 the Province of Manitoba placed the amount of \$146,079 into an interest bearing trust account to be held on the MGCC's behalf until the cash is required to discharge the related liabilities.

## 6. Accounts Payable and Accrued Liabilities

	2013	2012
Accounts payable and accrued liabilities	\$ 65,115	\$ 51,418
Salaries and benefits payable	74,118	73,738
Accrued vacation pay	425,998	410,576
Other	28,674	36,601
	<b>\$ 593,905</b>	<b>\$ 572,333</b>

## 7. Employee Future Benefits

### A. SEVERANCE BENEFITS

Effective April 1, 1998, the MGCC commenced recording the estimated liability for accumulated severance pay benefits for its employees. The amount of this estimated liability is determined using the annual actuarial report of severance obligations as at March 31, 2013.

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. 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 MGCC.

An actuarial report was completed for the severance pay liability as of March 31, 2013. The MGCC's actuarially determined net liability for accounting purposes as at March 31, 2013 was \$698,854 (2012 - \$683,396). An actuarial gain of \$41,582 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.

Significant long-term actuarial assumptions used in the March 31, 2013 valuation and in the determination of the March 31, 2013 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, 2013 includes the following components:

	2013	2012
Accrued benefit liability	\$ 698,854	\$ 683,396
Unamortized actuarial gains (losses)	82,183	46,109
Severance benefit liability	<b>\$ 781,037</b>	<b>\$ 729,505</b>

The total expenses related to severance benefits at March 31, 2013 include the following components:

	<b>2013</b>	<b>2012</b>
Interest on obligation	\$ 44,421	\$ 39,434
Current period benefit cost	(16,884)	17,573
	<b>27,537</b>	<b>57,007</b>
Cost of change to allowable service payout	0	38,146
Effect of change in assumptions	29,503	0
Amortization of actuarial gain over expected average remaining service lifetime (EARSL)	(5,508)	(3,460)
Total expense related to severance benefit	\$ 51,532	\$ 91,693

#### B. RETIREMENT BENEFITS

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund (the Fund).

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the MGCC are eligible for pension benefits. Plan members are required to contribute to the 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 MGCC is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the MGCC has no further pension liability.

The MGCC's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are \$193,016. Contributions for the 2012 year were \$174,975.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. Based on the annual actuarial report of pension obligations as at March 31, 2013, a reserve of \$53,060 (2012 - \$39,125) 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 \$13,935 (2012 - \$10,614). Significant long-term actuarial assumptions used in the March 31, 2013 valuation and in the determination of the March 31, 2013 present value of the accrued basic pension benefit obligations were:

<b>Annual rate of return</b>		<b>Annual salary escalation rates</b>	
(i) inflation component	2.00%	(i) general increases	
(ii) real rate of return	4.00%	a) salary increase	2.00%
	6.00%	b) productivity component	0.75%
			2.75%
		(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%.	

### C. NON-VESTED SICK LEAVE BENEFITS

All employees are credited with sick day credits for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in the most recent collective agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan 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 are 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 5.00% annual return and a 3.00% annual salary increase.

### 8. Tangible Capital Assets

MARCH 31, 2013

	Equipment	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Total
<b>Cost</b>					
Opening balance	\$ 68,796	\$ 425,112	\$ 1,020,754	\$ 57,318	\$ 1,571,980
Additions	2,985	7,024	65,707		75,716
Disposals	(17,339)	(1,306)	(45,666)		(64,311)
Closing balance	\$ 54,442	\$ 430,830	\$ 1,040,795	\$ 57,318	\$ 1,583,385
<b>Accumulated amortization</b>					
Opening balance	\$ 58,019	\$ 277,780	\$ 914,557	\$ 22,561	\$ 1,272,917
Amortization	2,265	15,144	41,830	7,317	66,556
Disposals	(15,923)	(1,032)	(39,278)		(56,233)
Closing balance	\$ 44,361	\$ 291,892	\$ 917,109	\$ 29,878	\$ 1,283,240
<b>Net Book Value</b>					<b>\$ 300,145</b>

MARCH 31, 2012

	Equipment	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Total
<b>Cost</b>					
Opening balance	\$ 65,169	\$ 420,596	\$ 996,692	\$ 57,318	\$ 1,539,775
Additions	3,627	4,516	39,680		47,823
Disposals			(15,618)		(15,618)
Closing balance	\$ 68,796	\$ 425,112	\$ 1,020,754	\$ 57,318	\$ 1,571,980
<b>Accumulated amortization</b>					
Opening balance	\$ 55,854	\$ 261,723	\$ 890,912	\$ 15,244	\$ 1,223,733
Amortization	2,165	16,057	37,872	7,317	63,411
Disposals			(14,227)		(14,227)
Closing balance	\$ 58,019	\$ 277,780	\$ 914,557	\$ 22,561	\$ 1,272,917
<b>Net Book Value</b>					<b>\$ 299,063</b>

#### 9. Amalgamation Expenses

In the April 17, 2012 provincial budget, the Province of Manitoba announced the amalgamation of the Manitoba Liquor Control Commission's regulatory responsibilities with those of the MGCC. As a result, the MGCC will be taking over the responsibilities of the Manitoba Liquor Control Commission's regulatory responsibilities. In preparation for the pending amalgamation, the MGCC has incurred significant amalgamation related expenses.

#### 10. Commitments

The MGCC has an operating lease for its premises expiring in 2016.

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

2014	\$ 291,497
2015	296,581
2016	311,834
2017	233,876

#### 11. Budgeted Figures

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

#### 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 MGCC. The aggregate of the outstanding advances is not to exceed \$2,000,000 (2012 - \$2,000,000). As at March 31, 2013, \$2,000,000 (2012 - \$2,000,000) of these advances were unused and available.

#### 13. Related Party Transactions

The MGCC is related in terms of common ownership to all Province of Manitoba created departments, agencies, and Crown corporations. The MGCC enters into transactions with these entities in the normal course of business.

#### 14. Reclassification of Comparative Financial Statements

Certain amounts in the financial statements for the year ended March 31, 2012, presented for comparative purposes, have been reclassified to conform to the presentation adopted in the financial statements for the year ended March 31, 2013.

# Board of Commissioners 2012/13

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