

Guided by our  
**core values**

**11/12**

Manitoba Gaming Control Commission  
ANNUAL REPORT

September 30, 2012

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, 2012.

Respectfully,

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

**Darlene Dziewit**  
CHAIRPERSON

# Table of Contents

- Message from the Chairperson..... 2
- Remarks from the Executive Director ..... 4
- About the Manitoba Gaming Control Commission ..... 6
- Corporate Performance Results ..... 9
- Operational Overview ..... 13
- Financial Statements ..... 24

# Message from the Chairperson

As illustrated on the cover of this year's annual report, 2011/12 marked year four of the Manitoba Gaming Control Commission's (MGCC) five year strategic plan. Adages about time flying seem particularly apt when reflecting upon plans made, goals established and priorities addressed.

Following several years of legislative change and new regulatory measures to include lottery ticket retailers, strengthen dispute resolution and refine the Executive Director's order-making authority, this year saw alterations to policies and procedures to further our strategic priorities of leadership, effectiveness and communications. In particular, the MGCC continued to focus on organizational stability in anticipation of workforce transition, stakeholder education and training as an important aspect of progressive regulation, and enhancements to online services and information.

Overall, the corporate performance results, operational narrative and financial statements presented in this report reveal another productive and successful year including implementation of the new Canadian Public Sector Accounting Standards and an unqualified audit opinion from the Office of the Auditor General of Manitoba.

In contemplating development of a new strategic plan in the coming year, I am mindful that it is the role of public sector boards to cultivate short and long-term success consistent with the legislated mandate through strategic governance practices and accountabilities. Building on the achievements of prior years and plans, my colleagues and I look forward to addressing business risks, opportunities and emerging issues as we prepare to refocus the MGCC's strategic direction to guide the organization through to 2018.

Throughout this process and as we refine our vision and mission for gaming regulation in the province, Manitobans may be assured that we will be ever aware and attentive of our overarching obligations to ensure that gaming activity is conducted honestly, with integrity and in the public interest.



**Darlene Dziewit**  
CHAIRPERSON

## Remarks from the Executive Director

It is the nature and purpose of annual reports to tell the story of the big picture and to focus on the highlights at year end, March 31. Looking back at 2011/12, staff conducted over 2,200 inspections to confirm gaming events and activities were conducted honestly; our auditors reviewed financial records accounting for nearly \$190 million in gross gaming revenue; our registration department assessed and confirmed the integrity of over 4,000 gaming industry employees and suppliers; and we marked year four of our five-year strategic plan. This is the big picture and it is told in this report's narrative and financial statements.

Our achievements are also measured daily through our relationships and work with Manitoba business owners, charitable and religious organizations, veterans' groups, First Nations communities, players, the general public and gaming industry representatives. Each day these interactions result in fundraising for community benefit, registrations for industry employees and technical assessments that ensure the integrity of games.

It is when we look more closely at this picture, from community, personal and business perspectives, that we come to appreciate the paradox of regulation. Our legislation must be: strong to withstand challenge and scrutiny; flexible to respond to evolving needs and expectations; and practical, so it works day to day for those we regulate and serve. I give you an example.

Our dispute resolution mechanism was expanded in 2010, to enable a quicker, grass roots approach to problem solving in the field. So, in March 2012, when there was a dispute at a community bingo over the number of winners in a single game, an inspector was empowered to step in and work directly with the complainants and the organization to mediate the dispute and conclude a settlement that satisfied everyone. The value of the prize in question was less than \$600.00 – but the value of the integrity of the game and fairness to the players was, as the commercial says, priceless.

My purpose in recounting this story is to emphasize that The Gaming Control Act creates a strong regulatory framework that allows the Manitoba Gaming Control Commission managers and staff to develop and apply flexible regulatory measures, like terms, conditions and procedures, to address and respond to the practical needs of our clients, stakeholders and partners. We look forward to continuing with this approach in 2013/14 and into the future.



**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 sanctioned by the Criminal Code (Canada). Under this federal legislation, each province establishes its own regulatory and operating system within the prohibitions and permissions defined by Sections 206 and 207, as enabled by legislation and determined by provincial policy. The MGCC regulates most charitable gaming events and all casino operations, gaming suppliers, VLT operations and lottery ticket retailers in Manitoba. It is also a leader in less traditional regulatory initiatives, including independent and collaborative 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 responsibly 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:

- HONESTY, 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 the 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 the primary gambling regulatory body in Manitoba and is guided by a Board of Commissioners that reports to the Minister charged with the administration of The Gaming Control Act (the Minister). Operational activities are carried out by 55 employees, led by an Executive Director.

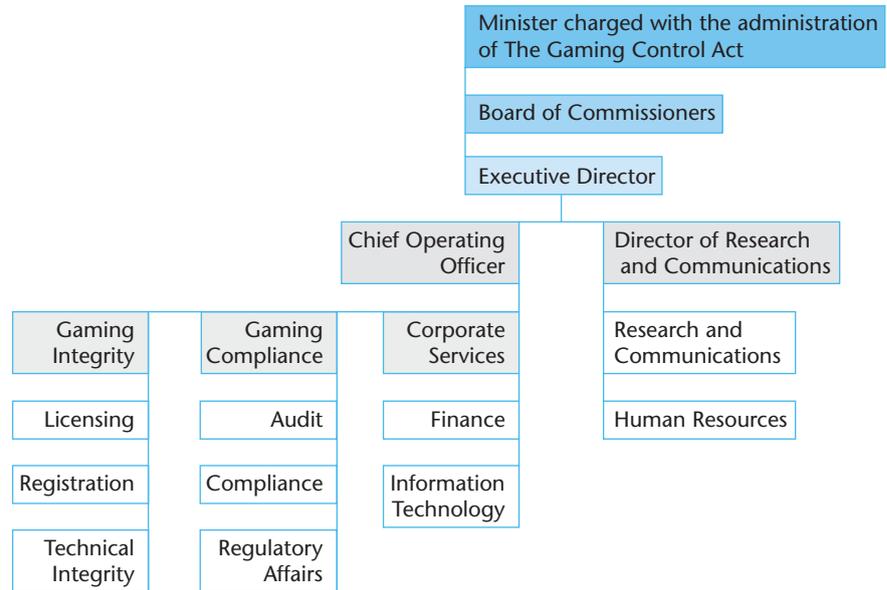
To ensure that gaming activities are conducted honestly, with integrity and in the public interest, the MGCC:

- Licenses charitable gaming activities, 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, 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;
- Conducts independent and joint research projects;
- Performs responsible gambling education and oversees operator programs; and
- Provides policy advice to the Minister.

The MGCC's corporate priorities are linked to the 2008-2013 Strategic Plan's overarching themes of leadership, effectiveness and communication. Corporate performance results for these accountabilities are detailed beginning on page 9 in accordance with four strategic themes:

- 1 Legislative mandate
- 2 Service excellence
- 3 Human resources advancement
- 4 Financial accountability

## Organizational Structure



## Finances and Resources

The MGCC funds its own activities from service-based license 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 permits the MGCC to establish its own bank account and operating line of credit. The annual business plan, which details operational objectives and budget estimates, 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, 2012 are presented in this report beginning on page 24. The MGCC's annual reports are tabled in the Manitoba Legislative Assembly and are published in print and on our website at [www.mgcc.mb.ca/aboutmgcc\\_annual\\_reports.html](http://www.mgcc.mb.ca/aboutmgcc_annual_reports.html).

## 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 its quasi-judicial role, a quorum of Commissioners considers all evidence presented by both parties before making a ruling. The MGCC's 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 available to the public. 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 two hearings in 2011/12.

## Interagency Cooperation

The MGCC works closely with municipal, provincial, federal and international agencies and jurisdictions to meet its legislative mandate. Liaising with these agencies permits the MGCC to benefit from others' experiences and to share its own expertise. The MGCC cooperates frequently with numerous agencies to share information and undertake initiatives related to gaming regulation. These organizations include:

- Aboriginal Financial Officers Association (Manitoba)
- Addictions Foundation of Manitoba
- Alberta Gambling Research Institute
- ASIS International
- Assembly of Manitoba Chiefs
- Association of Certified Forensic Investigators
- 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
- Canadian Centre on Substance Abuse
- Canadian Consortium for Gambling Research
- Canadian Partnership for Responsible Gambling
- Citizenship and Immigration Canada
- Council on Licensure, Enforcement and Regulation
- Criminal Intelligence Service (Canada and Manitoba)
- First Nations gaming commissions
- Gambling Awareness Nova Scotia
- Gaming Laboratories International
- General Council of Winnipeg Community Centres
- Indigenous Gaming Regulators
- International Association of Gaming Regulators
- International Masters of Gaming Law
- Manitoba Association of Chiefs of Police
- Manitoba Consumer Protection Office
- Manitoba Council of Administrative Tribunals
- 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 jurisdictions/agencies
- Ontario Problem Gambling Research Centre
- Royal Canadian Mounted Police
- Western Canada Lottery Corporation
- Winnipeg Police Service

---

### CANADIAN GAMING INDUSTRY APPLAUDS MANITOBA'S REGULATOR

In April 2011, MGCC's Executive Director & CEO, Rick Josephson, was honoured with the Industry Leadership and Outstanding Contribution award by the Canadian Gaming Industry. As noted during the Canadian Gaming Summit in Vancouver, this award is a rare honour for a regulator and emphasizes the industry's high regard and respect for Mr. Josephson and his accomplishments. Under his direction, the MGCC has advanced from an agency primarily focused on charitable gaming to become an organization responsible for the regulation of all gaming activities in Manitoba. Throughout this evolution, the MGCC has expanded its legislated oversight for traditional regulatory responsibilities and integrated new accountabilities for investigations, responsible gambling and public education.

# Corporate Performance Results 2011/12

2011/12 marked the fourth year of the MGCC's five-year strategic plan, implemented in 2008 to guide us through to 2013. As in previous years, our corporate priorities are linked to the strategy's overarching themes of leadership, effectiveness and communication. These are carried out through annual unit and departmental work plans and reported through the areas of legislative mandate, service excellence, human resources advancement and financial accountability. The corporate plan and resulting accomplishments are outlined here. Unit and department results are incorporated within this report's operational narrative beginning on page 13.

## GOAL #1

### Legislative Mandate

Regulate and control gaming activity in the province 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 activities.
- 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 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 with independent audit advice, 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 and equipment in accordance with legislative and regulatory authority, licensing and registration terms and conditions, and operational and unit standards.
- The MGCC received and responded to five Freedom of Information and Protection of Privacy Act (FIPPA) requests. All requests were completed 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 the province.
- Develop and deliver corporate and administrative services, including finance, information technology, 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 resulted in the following:
  - 1,058 Manitoba charitable organizations held 1,860 charitable licences, which generated gross revenue of \$73.6 million, a 5.1% decrease over the previous year;
  - 4,097 registrations in multiple registrant classes, including individuals, suppliers and operators;
  - 452 technical integrity approvals and amendments and 12 interim approvals;
  - 2,274 on-site gaming inspections to assess and confirm compliance with legislative, regulatory and administrative requirements. This represented an increase of 3.1% in inspections over the previous year;
  - 451 client training and development programs to support audit reporting and compliance;
- 2,631 audit reviews of charitable gaming financial reports; and
- 100% compliance with First Nations gaming commission 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 the MGCC's website and online service tools, including improvements to licence holder, registrant, operational and corporate information.
- Provided information technology, 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, including collective bargaining.
- Finalized a four-year collective agreement between the Manitoba Government and General Employees' Union and the MGCC for the period March 27, 2010 to March 31, 2014.
- Fully integrated human resources services within the business planning, implementation and reporting cycle.
- Advanced organizational sustainability and stability to encourage employee development in anticipation of long-service employee retirements. This was facilitated through strategic human resources-focused initiatives including development of position-based competencies, specialized training and development, and employee-directed learning plans.
- Employees participated in 2,776 hours of professional development training and education on a diverse range of topics, including: building a respectful workplace; writing for impact and results; pre-retirement planning; access to information and privacy protection; leadership; and financial accounting. The MGCC also supported employees to achieve and maintain professional and academic designations.

## 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

- Effective April 1, 2011 the MGCC transitioned from Canadian Generally Accepted Accounting Principles for profit oriented enterprises to Canadian Public Sector Accounting Standards. The new financial and accounting model for government organizations was implemented to reflect the financial standards changes set by the Canadian Institute of Chartered Accountants.
- The Office of the Auditor General of Manitoba issued an unqualified audit opinion for the MGCC's 2011/12 financial audit.
- The Audit Committee conducted quarterly financial reviews and approvals in accordance with the governance calendar and in consultation with external independent audit advice.
- The 2010/11 annual report, including audited financial statements, was tabled in the Legislative Assembly in fall 2011 and is published on the MGCC website at [www.mgcc.mb.ca/aboutmgcc\\_annual\\_reports.html](http://www.mgcc.mb.ca/aboutmgcc_annual_reports.html).
- Presented the 2012/13 business plan to the Board of Commissioners and Treasury Board for approval. Board approval was granted in February 2012 and Treasury Board approval was pending at March 31, 2012.
- Maximized revenue and financial sustainability through daily review and management of investment funds.
- Prepared and analyzed monthly corporate and departmental balance sheets with annotated notes to ensure continuous financial management and accountability.

# Operational Overview

## Gaming Integrity

### Licensing • Registration • Technical Integrity

As required by The Act, the Gaming Integrity Unit assesses and verifies the eligibility of charitable organizations, gaming employees, VLT siteholders, lottery ticket retailers, gaming suppliers and operators, and the technical integrity of gaming schemes and equipment. Each department within this unit establishes terms and conditions monitored by the Compliance and Audit Departments of the Gaming Compliance Unit and approves the applications that meet those standards.

### LICENSING

The Licensing Department authorizes the conduct and management of fundraising events by charitable and religious organizations. An event's honesty and integrity is assessed through a comprehensive application and review process. Established application standards and review procedures permit department members to consistently assess applicant eligibility, analyze proposed operations, verify prizes and certify intended use of proceeds. Upon a successful application review, a licence is issued with terms and conditions governing the event's preparation, conduct and accountability reporting.

In 2011/12, the department licensed 1,860 single, limited series and ongoing events throughout Manitoba. Over 1,000 charities held raffle, bingo, Texas Hold'em poker tournament, Calcutta auction, breakopen ticket, Monte Carlo and sports draft lottery events to raise funds to support their endeavours. The following chart documents key licensing results for the year.

# Licensing

## LICENSING OVERVIEW

AS OF MARCH 31, 2012

Active charitable gaming licences	1,860
Licence applications reviewed and approved	1,476
Charitable licence holders	1,058
- 201 ongoing events: 95 bingo, 46 breakopen, 26 raffle, 25 Texas Hold'em poker tournaments and nine media bingo	
- 1,275 limited series or single events: 1,165 raffle, 41 bingo, 33 Texas Hold'em poker tournaments, 17 breakopen, three media bingo and 16 others, including Calcutta auction, Monte Carlo and sports draft events	
Licence amendments	871
First-time applicants	187

Following several years with significant increases in the number of raffle licences issued, 2011/12 saw a flattening out of raffle licences issued. This indicates that the impact of some municipalities' decisions in 2006 to not issue raffle licences for events with prizes valued under \$3,000 has been absorbed by the MGCC.

As the number of raffle applications stabilized, members of the department began to assess procedures and applications to improve turnaround time. With 74% of raffle applications meeting the criteria for a community licence, priority was given to the community raffle application. Work began on creating online fillable forms to allow for more accurate data capture and effective processing. Current processing time for a community raffle licence averages ten days, with 34% of licences issued within seven days.

In January 2011, as a follow-up to the 2010/11 Raffle Terms and Conditions amendments, the MGCC began authorizing online ticket ordering, permitting charities to take advantage of online efficiencies while working within the Criminal Code (Canada). To date, the ability to order tickets online has been well received by Manitoba charities. As with all initiatives, the MGCC will continue to review the terms and conditions to ensure their effectiveness.

## REGISTRATION

The Registration Department registers all gaming employees, suppliers of gaming products and services, gaming operators, Video Lottery Terminal (VLT) siteholders and Western Canada Lottery Corporation lottery ticket retailers. To accomplish this, the registrant standards for honesty and integrity are established, assessed and confirmed. Department members are authorized to conduct investigations, including criminal record, credit history and financial background checks on individual and business applicants. Ongoing checks are performed routinely or upon receipt of information which may call into question the registrant's continuing suitability.

The department continues to seek registration process efficiencies and improve service. For example, to reduce red tape and streamline the administration of renewals, employee registrations are now issued for a three-year period. Investigation updates are conducted internally, on a yearly basis and as required, to ensure registrant compliance with established standards.

As well, investigations are conducted on all suppliers of gaming products and services. This year the Registration Department began a review of the policies governing supplier investigations, the tools used to conduct them and the application process. Video-conferencing interviews and risk-based assessments to renew long-term suppliers in good standing were considered as a means to streamline the supplier registration process. This review continues into the 2012/13 fiscal year.

In 2011/12, the department assessed and confirmed the integrity of approximately 2,700 gaming employees, conducted 29 supplier annual updates and six full due diligence investigations, issued 97 full and conditional VLT siteholder registrations, and granted 129 full lottery ticket retailer registrations. The chart below outlines additional key registration results for the year.

### REGISTRATION OVERVIEW

AS OF MARCH 31, 2012

Manitoba Lotteries Corporation new applicant employee registrations	281
Manitoba Lotteries Corporation employee renewals	1,835
Asenskak Casino new applicant employee registrations	82
Asenskak Casino employee renewals	84
South Beach Casino new applicant employee registrations	174
South Beach Casino employee renewals	217
Current gaming suppliers	55
Current VLT siteholder registrations	518
Current lottery ticket retailer registrations	851

Registration

## TECHNICAL INTEGRITY

Technical integrity (TI) is an important regulatory concept used to confirm that gaming events and equipment perform in a way that is fair, honest, safe, secure and capable of being audited. The TI Department registers and approves gaming devices in Manitoba, in addition to approving gaming supplies and the manner in which lottery schemes are conducted in the province. By way of example, TI standards are applied and confirmed for bingo paper, charitable events, slot machines, casino table games and VLTs before they are offered to the public for play. TI terms and conditions permit the MGCC to monitor the status of gaming events and equipment, access and maintain historical data and support the conduct of investigations.

Assurance that TI standards and terms and conditions are maintained requires close cooperation with representatives from Manitoba Lotteries Corporation (MLC), First Nations casino operators, equipment suppliers, independent testing laboratories and other MGCC departments. Compliance with TI approvals and terms and conditions is confirmed through regular inspections. In 2011/12, 27 inspections were conducted on a variety of lottery schemes including slot machines, table games and central monitoring systems.

The TI Department continued to further develop and revise the standards, terms and conditions and quality assurance tests associated with different gaming schemes. The Gaming Equipment Classification List, posted at [www.mgcc.mb.ca/forms/gaming\\_non\\_gaming\\_list.pdf](http://www.mgcc.mb.ca/forms/gaming_non_gaming_list.pdf), was again updated to reflect new products in Manitoba. The department also continued to monitor Internet gaming development in other jurisdictions.

The influence of changing and emerging technology has driven the need to create, review and upgrade administrative and operational procedures. Members of this department worked collaboratively with the MGCC's Information Technology Department to continue to modify, design and implement changes to add TI functions to the MGCC's internal Gaming Management System to streamline and improve processes.

In 2011/12, the TI Department began working with MLC to approve and monitor the initial stages of the full-scale replacement of the current VLT central system and VLTs. This work is expected to be completed in the next fiscal year. The chart below presents other key TI results for 2011/12.

---

## TECHNICAL INTEGRITY OVERVIEW

AS OF MARCH 31, 2012

### Technical Integrity Approvals and Amendments

New slot machine models	7
Software and hardware associated with gaming devices and VLTs	312
Slot progressive configurations and hardware	94
Table games and associated equipment	30
Table game rules of play and tournament rules and regulations	3
Bingo paper and products	2
Bingo rules of play and house programs	2
Breakopen tickets	2

### Interim Technical Integrity Approvals

Electronic equipment	3
Table games	0
Table game equipment	8
Bingo and breakopen products	1

---

## Gaming Compliance

### Audit • Compliance • Regulatory Affairs

Education, inspection, investigation and enforcement frame the foundation of the Gaming Compliance Unit. The Audit, Compliance and Regulatory Affairs Departments test and assess compliance with The Act and the terms and conditions for licence holders, registrants, technical integrity approvals and other licensing authorities. In 2011/12, unit members performed over 2,200 inspections and 20 full investigations, audited over 2,400 reports, and provided over 450 training sessions to registrants, licence holders and other stakeholders.

### AUDIT

The Audit Department is responsible for reviewing and assessing financial reports and supporting documentation to provide reasonable assurance that reporting and record-keeping practices comply with audit standards, legislation and regulation. To accomplish this, the members of the department work with licensed organizations, First Nations VLT siteholders, First Nations gaming commissions and other licensing authorities to receive, review and analyze their financial reports and supporting documentation. The review ensures the reports and documents are complete, accurate, and recorded and reported according to the terms and conditions of the licence.

As in the previous year, cases involving incomplete or incorrect data were addressed and remedied as soon as possible and a total of 12 referrals were made to the Compliance Department. For the fifth straight year, all municipal, First Nations gaming commission and First Nations VLT siteholder reports were submitted within the fiscal year. The following chart provides key audit results for the year.

The Audit Department continually seeks to improve customer service with particular focus on expanding the use of information technology. To this end, the electronic reporting tool (ERT) enables charitable licence holders to submit financial reports on Excel spreadsheets. One-third of licence holders use ERT; a 24.3% increase from last year. In addition, work on the MGCC's internal Gaming Management System platform to receive, enter, and review the financial reports from the municipalities and First Nations gaming commissions was completed and implemented. The First Nations VLT siteholder platform for this service was in its final stages of completion at March 31, 2012.

Members of the department strive to build stronger relationships with clients and provide education, training and support services to promote effective and consistent record keeping and reporting. As such, in 2011/12, 146 audit training sessions were delivered with the majority focused on financial report training and ERT. As well, amendments to the First Nations VLT Siteholder Registration Terms and Conditions were recommended to:

- guide and improve preparation and submission of complete, accurate and timely reports;
- avoid follow-up delays; and
- improve turnaround times.

A training program was developed and piloted with select First Nations in 2011/12. The program has been further refined and is scheduled for a full launch in 2012/13.

### AUDIT OVERVIEW

AS OF MARCH 31, 2012

Charitable event financial reports	2,420
Municipal licensing authority reports	143
First Nations gaming commission reports	31
First Nations VLT Siteholder reports	37

## Charitable Gaming 2011/12 (\$millions)

EVENT TYPE	LICENSED EVENTS		GROSS REVENUE		PRIZES PAID		TOTAL EXPENSES		NET PROFIT	
	11/12	10/11	11/12	10/11	11/12	10/11	11/12	10/11	11/12	10/11
Bingo	229	243	\$38.2	\$40.3	\$30.0	\$31.4	\$4.0	\$4.3	\$4.2	\$4.6
Breakopen	179	191	4.0	4.2	2.9	2.9	0.3	0.3	0.8	1.0
Raffle	320	305	26.3	28.0	11.7	12.1	5.4	5.5	9.2	10.4
Texas Hold'em	54	68	1.1	1.4	0.8	1.0	0.2	0.2	0.1	0.2
Media Bingo	18	17	3.9	3.9	2.6	1.7	0.8	0.6	0.5	1.6
Other	10	10	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
<b>Totals:</b>	<b>810</b>	<b>834</b>	<b>\$73.6</b>	<b>\$77.9</b>	<b>\$48.1</b>	<b>\$49.2</b>	<b>\$10.7</b>	<b>\$10.9</b>	<b>\$14.8</b>	<b>\$17.8</b>

In addition, 1050 licences were issued to organizations which, due to reporting thresholds, were not required to submit financial reports or license fees (105 bingo, 26 breakopen, 907 raffle, 2 media bingo, 4 Texas Hold'em and 6 other) and are therefore not reflected in the chart above.

# streamlined

### TEXAS HOLD'EM – STREAMLINED REPORTING REQUIREMENTS

When the MGCC started licensing Texas Hold'em poker tournaments in 2007, all licence holders were required to report to the MGCC regardless of the anticipated gross revenue. This requirement was established to allow the MGCC to closely monitor all new charity tournaments. In the intervening years, organizations became experienced in the conduct and management of this scheme, and as such, in June 2011 the MGCC discontinued the reporting requirement for licence holders with anticipated gross revenue of \$5,000 or less. This change reduced red tape while allowing consistent reporting across all charitable events.

## COMPLIANCE

The Compliance Department monitors all gaming schemes in Manitoba, investigates unlicensed gaming schemes in conjunction with local law enforcement bodies, and responds to all stakeholder disputes, complaints and referrals as required by The Act. More specifically, the department confirms adherence with regulatory requirements and licensing and registration terms and conditions. Regular inspections are conducted on charitable organizations, VLT siteholders, lottery ticket retailers, First Nations gaming commissions, and First Nations and Manitoba Lotteries Corporation casinos.

Compliance inspectors examine on-site equipment and products and assess compliance with licensing and registration terms and conditions. In 2011/12, 2,274 inspections were completed and 244 complaints were investigated and resolved in response to stakeholder concerns. As an example, investigations were conducted on unlicensed gaming, theft, bingo prize disputes between players and organizations, and raffle procedures. The majority of these investigations were resolved by staff, in keeping with the MGCC's dispute resolution practices; five were referred to police.

Compliance inspectors were reassigned regions of the province to improve customer service, enable cross-training and knowledge building, and foster a well-balanced inspection process. Year over year, the department's inspections increased 3.1% due in part to the efficiencies gained from the regional assignments.

As a means of improving compliance and ensuring stakeholder engagement, the MGCC held consultations with First Nations stakeholders and developed two new training approaches. The first approach brought together First Nations representatives for discussions and training on best practices related to gaming commission operations in their communities. The second approach focused on one-on-one and online training concerning VLT reporting and record-keeping requirements. The training program was completed in 2011/12 and testing on the new Internet reporting system is scheduled for 2012/13. Both approaches were positively received by participants. Overall, 305 compliance training sessions were delivered during the year.

---

## COMPLIANCE INSPECTIONS OVERVIEW

AS OF MARCH 31, 2012

---

Lottery ticket retailers	944
VLT siteholders	628
Bingo/Breakopen	284
Raffles	249
Casinos	109
First Nations gaming commissions	33
Texas Hold'em poker tournaments	27

---

R

---

## LOTTERY TICKET RETAILER REDEMPTION INSPECTION PROGRAM

In January 2012, changes were made to the Lottery Ticket Retailer Terms and Conditions as recommended by the Compliance Department. As a result of a 12-month review of lottery ticket retailer inspections and investigations, the terms and conditions were revised to specify procedures for the sale and redemption of lottery ticket products as a safeguard for retailers and consumers with a focus on these four elements:

- ☑ Confirm the player has signed their lottery ticket.
- ☑ Check the lottery ticket on the terminal.
- ☑ Return the lottery ticket and the validation slip to the player.
- ☑ Pay the correct prize amount to the player.

# responsibility

### REGULATORY AFFAIRS

The scope of responsibility for this department includes regulatory advice and guidance, development and refinement of inspection programs, research and implementation of training and professional development initiatives, and liaison with provincial, national and international agencies.

The Regulatory Affairs Department develops policies and procedures to guide and support the operational functions of the Compliance Department and other MGCC departments to assess and confirm compliance with legislation, regulation, and terms and conditions. As such, this department is at the forefront of specialized training and new programs to meet the MGCC's legislative mandate and operational goals. Development of new investigative guidelines bolstered consistency in the review and assessment of anomalies identified through inspection, referral, and patron disputes and complaints. Formal training for investigators on these procedures began in 2011/12 and will continue into 2012/13.

The Regulatory Affairs Department continues to establish and foster working relationships with various gaming jurisdictions and federal and provincial agencies throughout North America. In doing so, the MGCC stays current on gaming trends, seeks best practices to improve operations and shares the MGCC's experience and expertise with other regulatory jurisdictions.

## Research and Communications

### Research • Communications • Human Resources

Research, Communications and Human Resources are contained within one complementary unit. The members of this unit are responsible for research, communications, public relations, responsible gaming, policy advice and human resources. This dynamic is demonstrated by the development of research-based advisory and public education materials, enhanced intranet communication with MGCC employees and expanded web-based information services for stakeholders.

### RESEARCH

In 2011/12, the department focused on building a strong foundation for future research. One of this year's key achievements was establishing a standing ethics panel, described in the box below, to review the MGCC's research initiatives.

The final cycle of data collection for the Manitoba Longitudinal Study of Young Adults (MLSya) concluded in December 2011. It achieved an impressive sample size of 518 young adult Manitobans tracked over a five-year span. The final dataset contains a wealth of high-quality data that could be used to examine many issues affecting young adults in Manitoba. Access to the dataset is available through the MLSya Data Access Program at [www.mgcc.mb.ca/mlsya.html](http://www.mgcc.mb.ca/mlsya.html).

The MGCC also laid groundwork for future research with its partners in the Canadian Consortium for Gambling Research (CCGR). In 2011/12, the MGCC chaired the CCGR as it established a Charter to formalize its goals and structure. It launched a website at [www.ccgr.ca](http://www.ccgr.ca), and two new collaborative research initiatives:

1. Developing and validating an instrument to measure gambling participation.
2. Staging a workshop series to create opportunities for researchers to exchange knowledge about best practices in research methodologies.

MGCC's complete research agenda and status report is available at [www.mgcc.mb.ca](http://www.mgcc.mb.ca).

# Ethics

---

### MGCC-ESTABLISHED ETHICS REVIEW PANEL

The MGCC strives to meet academic best practices, including all standards of ethical conduct for research involving people. However, as a government agency, research is not eligible for formal review by university research ethics boards. For this reason, in 2011, the MGCC assembled a standing ethics review panel of three well-respected academics to review its research plans and provide advice on ethical standards and implications. This review process will enhance the credibility of the MGCC's research and simplify collaborative opportunities with university researchers. Most importantly, it is consistent with the MGCC's unwavering commitment to conduct ethical research with Manitobans.

## COMMUNICATIONS

The department provides communications and policy advisory support to the Minister, Board of Commissioners, and MGCC management and staff on a diverse range of operational matters and emerging issues. With a continued focus on internal and external information,

accomplishments during the year included updates to [www.mgcc.mb.ca](http://www.mgcc.mb.ca) and the intranet, public education and collaborative social responsibility work with the Addictions Foundation of Manitoba (AFM) and Manitoba Lotteries Corporation (MLC).

## CALCULATING THE COST OF PLAY

The MGCC, AFM and MLC published the VLT Cost of Play Calculator Wheel as part of ongoing efforts to promote responsible gambling as mandated by The Act. The two-part calculator wheel allows players to estimate the average cost of playing VLTs per week, month and year. A smartphone app with similar calculating functions is scheduled for release in 2012/13. An interactive version of the calculator wheel is available on [www.GetGamblingFacts.ca](http://www.GetGamblingFacts.ca).



---

## MGCC EMPLOYMENT EQUITY REPRESENTATION

2010 TO 2012

---

	ABORIGINAL	VISIBLE MINORITY	PERSONS WITH DISABILITIES
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%

---

### HUMAN RESOURCES

The 2011/12 year marked the first full year of on-site human resources services provided by a full-time human resources manager. This move facilitated a full integration of human resources management into strategic business operations, in addition to longstanding human resources functions.

The MGCC, like many employers, continues to prepare for the retirement of long-service employees while maintaining organizational stability and sustainability. During the year, the MGCC focused on workforce transition through

knowledge transfer, professional development, mentoring and supporting employee interest in career advancement. As an example, employees continued to be provided with the opportunity to create and follow through on personal learning plans for current and future-focused professional development.

A four-year collective agreement was finalized between the Manitoba Government and General Employees' Union and the MGCC on September 28, 2011 for the period of March 27, 2010 to March 31, 2014.

## Corporate Services

### Information Technology • Finance

The Information Technology (IT) and Finance Departments provide core administrative and management functions and technological resources to support and enable corporate and operational activities. These departments plan, record and report financial transactions promptly and accurately and provide reliable and secure computer and communication networks.

### INFORMATION TECHNOLOGY

The IT Department continued to provide secure, stable and reliable computer and communications services required by the MGCC staff to execute legislative and operational mandates. Workstations and network hardware and software were maintained to enable on-site, remote and mobile access to users' desktops, applications and email. Behind the scenes, hardware, software and server upgrades continued to keep all systems current. New storage capacity was added to the network, allowing for expanded archiving of critical data and enhanced backup procedures. Older server units were replaced with virtual systems to reduce costs and energy consumption.

The MGCC is committed to utilizing new Internet technologies to provide staff and stakeholders with enhanced communications tools, including ongoing upgrades to Windows 7 on all desktop computers. The IT Department continues to pursue new developments in face-to-face video conferencing and online training to streamline access to resources and reduce travel and related expenses.

The department achieved stable network operations which resulted in 99% uptime for computer systems. The application developers continued to expand MGCC's custom built internal Gaming Management System with the rollout of improvements and enhancements for all departments. Internal and external communications were continuously enhanced through revisions and additions to the corporate website and intranet.

Ever mindful of the importance of network and data security systems, the MGCC's IT services were managed in accordance with the Province of Manitoba's standards to protect MGCC's data and computer network. A new Internet-filtering system was installed, resulting in security improvements to the network and enhanced protection for employees from external Internet threats.

### FINANCE

The Act directs the MGCC's mandate on matters pertaining to administration, finance and property. Within the MGCC's annual business planning, implementation and reporting cycle, the Finance Department is responsible for all aspects of financial management, including managing, analyzing and reporting all financial transactions.

On April 1, 2011 the Canadian Institute of Chartered Accounting (CICA) handbook was replaced with the International Financial Reporting Standards (IFRS) handbook. Working with the Office of the Auditor General (OAG), the MGCC self-identified as an "Other Government Organization" (OGO). As an OGO, the MGCC has adopted Canadian Public Sector Accounting Standards (PSAS) as developed by the Public Sector Accounting Board (PSAB). The application of these new standards brings consistency to the preparation, reporting, review and understanding of financial information prepared by public and private sector entities. To facilitate a smooth transition, the MGCC worked closely with the OAG of Manitoba to ensure the necessary accounting changes and statement presentation details were clarified and ready for implementation. The changes are primarily in the presentation of the financial information and disclosures in the notes. Specifically, the Balance Sheet has now been replaced with the Statement of Financial Position. The Statement of Operations and Surplus remains relatively unchanged with the exception of all revenues being grouped together.

Monthly financial statements and variance analyses were prepared and submitted to management for review. Quarterly financial statements and variances were prepared and submitted to the Board of Commissioners for review, which was advised by an independent auditor. Following its annual financial attest audit in early 2012/13, the OAG issued an unqualified audit opinion for the year ended March 31, 2012. The annual financial statements are published in this report beginning on page 24.

Within the realms of administration and property, this department is also responsible for landlord liaison, maintenance, and improvements and enhancements to security and access for the MGCC's main office in Winnipeg and satellite offices in Brandon, Portage la Prairie and The Pas.

# Financial Statements

FOR THE YEAR ENDED MARCH 31, 2012

Management Report .....	25
Auditor's Report .....	26
Management's Certification of Compliance .....	27
Schedule of Legislative and Related Authorities .....	28
Auditors' Report on Compliance.....	29
Statement of Financial Position.....	30
Statement of Operations and Accumulated Surplus .....	31
Statement of Change in Net Financial Assets .....	32
Statement of Cash Flows .....	33
Notes to Financial Statements .....	34

# Management Report

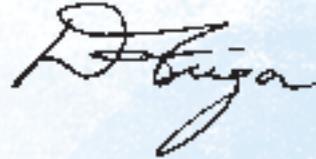
The Management of the Manitoba Gaming Control Commission (MGCC) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

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

June 27, 2012



## 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 as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, 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 audits. 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 in our audits 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, 2012, March 31, 2011 and April 1, 2010, and the results of its operations, changes in net financial assets and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

### **Basis of Accounting**

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes the basis of accounting. For the year ending March 31, 2012, the Manitoba Gaming Control Commission adopted Canadian public sector accounting standards. This resulted in significant changes to the presentation of the financial statements as compared to the prior year. These standards were applied retrospectively by management to the comparative information in these financial statements.

Office of the Auditor General  
June 27, 2012  
Winnipeg, Manitoba

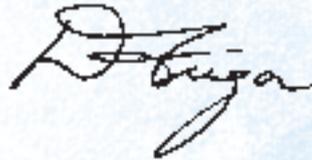
# Management's Certification of Compliance

To: Board of Commissioners of the Manitoba Gaming Control Commission

We hereby confirm that for the year ended March 31, 2012, 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

June 27, 2012

# Schedule of Legislative and Related Authorities

## ORDERS IN COUNCIL

- 10/2003 Appointment of OAG as auditor of MGCC
- 339/2010 Appointments to Board
- 320/2007 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, 2012, 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, 2012.

Office of the Auditor General

Winnipeg, Manitoba  
June 27, 2012

# Statement of Financial Position

FOR THE YEAR ENDED MARCH 31	ACTUAL 2012	ACTUAL 2011	APRIL 1, 2010 <sup>1</sup>
<b>FINANCIAL ASSETS</b>		Restated (Note 2)	
Cash and cash equivalents	\$ 2,653,267	\$ 2,107,628	\$ 1,600,251
Accounts receivable (Note 4)	31,891	32,211	30,429
Long term investment (Note 5)	146,079	146,079	146,079
	<b>2,831,237</b>	<b>2,285,918</b>	<b>1,776,759</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities (Note 6)	572,333	537,444	523,259
Employee future benefits – severance (Note 7)	729,505	637,812	565,743
Employee future benefits – sick leave (Note 7)	69,968	69,968	69,968
Employee future benefits – pension (Note 7)	39,125	28,511	34,900
Total employee future benefits	838,598	736,291	670,611
	<b>1,410,931</b>	<b>1,273,735</b>	<b>1,193,870</b>
Net financial assets	<b>1,420,306</b>	<b>1,012,183</b>	<b>582,889</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible capital assets (Note 8)	299,063	316,042	350,193
Prepaid expenses	35,533	33,716	31,532
	<b>334,596</b>	<b>349,758</b>	<b>381,725</b>
Accumulated surplus	\$ 1,754,902	\$ 1,361,941	\$ 964,614

On behalf of the Board:



DIRECTOR



DIRECTOR

<sup>1</sup> This is the opening statement of financial position at the date of transition.

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

# Statement of Operations and Accumulated Surplus

FOR THE YEAR ENDED MARCH 31	BUDGET 2012	ACTUAL 2012	ACTUAL 2011
<b>Revenue</b>			Restated (Note 2)
Registration fees	\$ 4,459,800	\$ 4,443,822	\$ 4,409,675
License fees	1,148,500	1,045,376	1,103,886
Other revenue	74,400	59,078	71,129
	5,682,700	5,548,276	5,584,690
<b>Expenses</b>			
Salaries and benefits	4,264,400	3,824,700	3,889,683
Rent	350,300	355,129	343,385
Legal and professional fees	153,700	230,487	137,691
Supplies and services	124,300	122,483	98,757
Transportation	179,200	122,363	127,179
Education, training, conferences	134,900	117,557	112,923
Communications	106,500	110,082	121,584
Amortization	64,900	64,802	72,257
Commission Board	71,800	59,915	46,987
Other expenses	35,700	43,767	30,571
Accommodations	67,300	40,911	42,064
Public education	51,000	33,269	123,046
HR/Systems support	46,900	19,018	28,500
First Nations legal and professional	0	10,832	12,736
	5,650,900	5,155,315	5,187,363
<b>Annual surplus</b>	31,800	392,961	397,327
<b>Accumulated surplus, beginning of year</b>	1,294,200	1,361,941	964,614
<b>Accumulated surplus, end of year</b>	\$ 1,326,000	\$ 1,754,902	\$ 1,361,941

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 2012	ACTUAL 2012	ACTUAL 2011
Annual surplus (deficit)	\$ 31,800	\$ 392,961	\$ 397,327
Acquisition of tangible capital assets	(52,250)	(47,823)	(38,106)
Amortization of tangible capital assets	64,900	64,802	72,257
	12,650	16,979	34,151
Increase in prepaid expenses	0	(1,817)	(2,184)
<b>Increase in net financial assets</b>	44,450	408,123	429,294
<b>Net financial assets, beginning of year</b>	977,850	1,012,183	582,889
<b>Net financial assets, end of year</b>	\$ 1,022,300	\$ 1,420,306	\$ 1,012,183

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

# Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31	2012	2011
<b>Operating transactions</b>		
Annual surplus	\$ 392,961	\$ 397,327
Changes in non-cash items		
Accounts receivable	320	(1,782)
Prepaid expenses	(1,817)	(2,184)
Accounts payable and accrued liabilities	34,889	14,185
Provision for employee severance benefits	91,693	72,069
Provision for employee sick leave benefits	0	0
Provision for employee pension benefits	10,614	(6,389)
Amortization	64,802	72,257
Cash provided by operating transactions	593,462	545,483
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(47,823)	(38,106)
<b>Investing transactions</b>		
	0	0
<b>Financing transactions</b>		
	0	0
Increase (decrease) in cash and cash equivalents	545,639	507,377
<b>Cash and cash equivalents, beginning of year</b>	<b>2,107,628</b>	<b>1,600,251</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,653,267</b>	<b>\$ 2,107,628</b>

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

# Notes to Financial Statements

FOR THE YEAR ENDED MARCH 31, 2012

## 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. Conversion to Public Sector Accounting Standards

Commencing with the 2011/12 fiscal year, the MGCC has adopted Canadian Public Sector Accounting Standards (PSAS). These statements are the first financial statements for which the MGCC has applied the PSAS. These accounting changes have been applied retroactively with restatement of prior periods. The impacts of this change are as follows.

### EMPLOYEE FUTURE BENEFITS

	MARCH 31, 2011	APRIL 1, 2010
Provision for employee severance benefits per previous financial statements	\$ 606,675	\$ 565,743
Provision for employee pension benefits per previous financial statements	28,511	34,900
<b>Add</b>		
March 31, 2011 actuarial gain on severance liability (Note 7)	31,137	–
Provision for employee sick leave benefits (Note 7)	69,968	69,968
	\$ 736,291	\$ 670,611

### ACCUMULATED SURPLUS

	MARCH 31, 2011	APRIL 1, 2010
Surplus per previous financial statements	\$ 1,463,046	\$ 1,034,582
Prior year actuarial gain on severance liability (Note 7)	31,137	–
Provision for employee sick leave benefits (Note 7)	69,968	69,968
Accumulated surplus per PSAS	\$ 1,361,941	\$ 964,614

PSAS allow first-time adopters certain exemptions from the retroactive application of certain standards. The MGCC has applied the following exemption in preparing these financial statements.

The MGCC has elected to apply the transitional provision in PSAS for retirement and post employment benefits and to recognize all cumulative actuarial gains and losses at the date of transition to PSAS directly in accumulated surplus. Actuarial gains and losses after the date of transition to PSAS are accounted for in accordance with Sections PS 3250 and PS 3255 and deferred and amortized over the Employee Average Remaining Service Life (EARSLS).

Additionally, certain prior year figures have been reclassified to conform with the new financial statement presentation adopted for 2012.

### 3. Summary of Significant Accounting Policies

#### A. BASIS OF ACCOUNTING

These financial statements are prepared by management in accordance with Canadian PSAS established by the Public Sector Accounting Board (PSAB).

#### 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, 2012. 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 (57 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 license 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.

#### 4. Accounts Receivable

	<b>2012</b>	<b>2011</b>
Charitable licence holders	\$ 6,321	\$ 517
Manitoba Lotteries Corporation	8,200	14,200
First Nations casinos	3,400	4,550
Employee advances	9,819	10,810
Supplier investigations	574	574
Other trades	3,577	1,560
	<b>\$ 31,891</b>	<b>\$ 32,211</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, 2011 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

	<b>2012</b>	<b>2011</b>
Accounts payable and accrued liabilities	\$ 51,418	\$ 39,991
Salaries and benefits payable	73,738	60,009
Accrued vacation pay	410,576	388,881
Other	36,601	48,563
	<b>\$ 572,333</b>	<b>\$ 537,444</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, 2012.

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, 2012. The MGCC's actuarially determined net liability for accounting purposes as at March 31, 2012 was \$683,396 (2011 - \$606,675). An actuarial gain of \$18,432 will be amortized over the expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2012 Actuarial Valuation Report and in the determination of the March 31, 2012 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, 2012 includes the following components:

	2012	2011
Accrued benefit liability	\$ 683,396	\$ 606,675
Unamortized actuarial gains (losses)	46,109	31,137
Severance benefit liability	\$ 729,505	\$ 637,812

The total expenses related to severance benefits at March 31, 2012 include the following components:

	2012	2011
Interest of obligation	\$ 39,434	\$ 39,602
Current period benefit cost	17,573	32,467
	57,007	72,069
Cost of change to allowable service payout	38,146	0
Amortization of actuarial gain over EARSL	(3,460)	0
Total expense related to severance benefit	\$ 91,693	\$ 72,069

## 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 \$174,975. Contributions for the 2011 year were \$183,065.

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, 2012, a reserve of \$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 \$10,614 (2011 - (\$6,389)). Significant long-term actuarial assumptions used in the March 31, 2012 Actuarial Valuation Report and in the determination of the March 31, 2012 present value of the accrued basic pension benefit obligations were:

---

### Annual rate of return

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

---

### Annual salary escalation rates

(i) general increases	
a) salary increase	2.00%
b) productivity component	0.75%
	2.75%

---

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

---

## C. NON-VESTED SICK LEAVE BENEFITS

All employees are credited with sick day credits for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in the most recent collective agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the 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. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

## 8. Tangible Capital Assets

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	39,263	7,317	64,802
Disposals			(15,618)		(15,618)
Closing balance	\$ 58,019	\$ 277,780	\$ 914,557	\$ 22,561	\$ 1,272,917
<b>Net Book Value</b>					<b>\$ 299,063</b>

MARCH 31, 2011

	Equipment	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Total
<b>Cost</b>					
Opening balance	\$ 64,367	\$ 412,482	\$ 1,006,065	\$ 57,318	\$ 1,540,232
Additions	802	8,114	29,190		38,106
Disposals			(38,563)		(38,563)
Closing balance	\$ 65,169	\$ 420,596	\$ 996,692	\$ 57,318	\$ 1,539,775
<b>Accumulated amortization</b>					
Opening balance	\$ 53,709	\$ 244,401	\$ 884,002	\$ 7,927	\$ 1,190,039
Amortization	2,145	17,322	45,473	7,317	72,257
Disposals			(38,563)		(38,563)
Closing balance	\$ 55,854	\$ 261,723	\$ 890,912	\$ 15,244	\$ 1,223,733
<b>Net Book Value</b>					<b>\$316,042</b>

## 9. Commitments

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

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

2013	\$ 291,497
2014	291,497
2015	296,581
2016	311,834

## 10. Budgeted Figures

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

## 11. 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 (2011 - \$2,000,000). As at March 31, 2012, \$2,000,000 (2011 - \$2,000,000) of these advances were unused and available.

## 12. Subsequent Event

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.

## Board of Commissioners 2011/12

**Darlene Dziewit**

CHAIRPERSON

Lorette

**Lucille Cenerini**

VICE-CHAIRPERSON

St. Boniface

**Barbara Bruce**

COMMISSIONER

Winnipeg

**Brenda Johnston**

COMMISSIONER

Peguis First Nation

**Dennis Meeches**

COMMISSIONER

Long Plain First Nation

**Donna Roed**

COMMISSIONER

Winnipeg

**Joseph Stadnyk**

COMMISSIONER

Brandon



## Manitoba Gaming Control Commission

Additional copies of this report may be obtained from:

Manitoba Gaming Control Commission  
800-215 Garry Street  
Winnipeg, Manitoba R3C 3P3

**T:** 204.954.9400, or toll free in Manitoba 1.800.782.0363

**F:** 204.954.9450, or toll free in Manitoba 1.866.999.6688

**E:** [information@mgcc.mb.ca](mailto:information@mgcc.mb.ca)

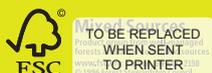
**W:** [www.mgcc.mb.ca](http://www.mgcc.mb.ca)



This report is available on the Manitoba Gaming Control Commission's website at [www.mgcc.mb.ca](http://www.mgcc.mb.ca).

La version française de ce rapport annuel est disponible au site Web de la Commission de régie du jeu du Manitoba au [www.mgcc.mb.ca](http://www.mgcc.mb.ca).

Available in alternate formats, upon request.



TO BE REPLACED  
WHEN SENT  
TO PRINTER