

**EVOLVING:  
EFFECTIVELY AND RESPONSIVELY**

**10/11**

**Manitoba Gaming  
Control Commission**  
ANNUAL REPORT

September 30, 2011

Honourable David 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 annual report of the Manitoba Gaming Control Commission for the fiscal year ended March 31, 2011.

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

The new fiscal year began with the proclamation of amendments to The Gaming Control Act that authorized the addition of lottery ticket retailers to Manitoba's regulatory regime. Including this registrant category extends the legislative imperatives of honesty, integrity and public interest that have long been applied to gaming industry employees, operators, suppliers and equipment. I am pleased to report that 865 lottery ticket retailers were registered as of March 31, 2011.

The overarching aim of this new legislation was to bring an additional layer of public confidence to the sale and redemption of ticket lotteries, including scratch, spiel, regional and national games, which are played by 62% of Manitobans each year. To achieve this, effective April 1, 2010, the Manitoba Gaming Control Commission (MGCC) began to assess and confirm retailers' eligibility for registration, issue terms and conditions to maintain good standing and permit inspection and monitoring. Having established this foundation, in the event of a public complaint, the MGCC is able to seek remedy, mediate and make remedial orders in lesser grievances, and to investigate and lay charges should criminal activity be suspected.

Also beginning in 2010/11, the MGCC began to confirm the technical integrity of ticket verification terminals used directly by players to check their tickets. Again, the MGCC is empowered with the responsibility to conduct investigations, mediate disputes and direct remedy in the event of a concern or complaint. Further, and in keeping with the MGCC's interpretation of its public interest mandate, the responsible gambling policy requirements established in 2005 now extend to the Western Canada Lottery Corporation. This measure brings consistency to Manitoba's commitment to responsible gambling oversight by requiring training and education programs aimed at employees, retailers, players and the general public.

While the inclusion of lottery ticket retailers was the primary focus of the legislative changes, several other reforms also came into effect to:

- Give the MGCC latitude to address regulatory contraventions via progressive discipline, including education, mediation and dispute resolution, as appropriate to individual circumstances;
- Introduce criteria to authorize privately-owned premises as venues for charitable gaming events; and
- Amend the Executive Director's responsibilities to clarify order-making authority, to define the time periods for remedy and to authorize powers of immediate suspension in instances of public jeopardy.

The April 1<sup>st</sup> proclamation marked the conclusion of a lengthy process of research, deliberation, recommendation and implementation; the influence of the amendments will reach far into the future. In contemplating and approaching legislative and regulatory revisions, my colleagues and I, in concert with the MGCC's management and staff, are ever mindful of the need to seek, identify, understand and balance the interests of our myriad stakeholders to build and strengthen the province's regulatory framework. It is an honour and a privilege to serve Manitobans in this capacity.



**Darlene Dziewit**  
CHAIRPERSON

# REMARKS FROM THE EXECUTIVE DIRECTOR

As the Manitoba Gaming Control Commission's (MGCC) Executive Director, I have often spoken of the need for practical regulation: seeking to be judicious in the standards we set to assure the honesty and integrity of those we regulate and on behalf of those we are charged to protect.

Whether an applicant is seeking a licence to conduct a charitable raffle, or registration as a casino employee, a video lottery terminal (VLT) siteholder, or a supplier of gaming equipment, the MGCC structures its application criteria to assess each applicant's eligibility to meet our legislated imperatives of honesty and integrity. In assessing licence and registration applications and setting the standards, terms and conditions to monitor and maintain compliance, the MGCC is always mindful of the need to gather appropriate and relevant information and to balance its regulatory requirements with consumer and entrepreneurial interests.

The implementation of the new lottery ticket retailer registrant category early in the fiscal year underscored the need to explain why the MGCC asks personal, financial and business questions of individuals and organizations seeking to work and do business in Manitoba's gaming industry. For example, the MGCC requires registration applicants to provide personal details, including gender and birth date. While some might perceive this to be excessive, this information is in fact required to validate the applicant's identity for criminal and credit histories. This is also a protection for the applicant, as it avoids confusion with others who have the same name, which is not uncommon. Our interest in bankruptcy, fraud and criminal charges establishes uniform measures to confirm an applicant's identity, assess integrity and detect aliases and former names, which may be undeclared in an attempt to conceal criminal records documented under those names.

Overall, this information establishes accurate and consistent standards by which each applicant is independently assessed and registered; any flags or anomalies receive additional scrutiny. Overwhelmingly, registration applicants fully demonstrate the requirements of honesty and integrity and are appropriately registered. However, consistent information must be gathered from all applicants to identify and exclude the few who do not.

My reasons for focusing on the MGCC's investigation and compliance standards and measures in this year's remarks are twofold. The first is to highlight to our registrants and licence holders the importance of consistent and equitable criteria, assessment protocols and compliance measures. The second is to remind our external and internal stakeholders of the importance of communicating about new and longstanding regulatory initiatives.

Since the MGCC's establishment in the late 1990s, our work has involved interaction and collaboration with diverse groups and individuals, including volunteer-led charitable organizations, multinational companies, financial institutions, First Nations and municipal governments, and small business operators. Those we serve, including players, the public, and our registrants and licence holders, may be assured that the MGCC's management and staff will continue to follow a path of cooperation and partnership to achieve the MGCC's legislated aims of honesty and integrity.



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

# ABOUT THE MANITOBA GAMING CONTROL COMMISSION

The MGCC derives its authority and responsibilities from The Gaming Control Act and Regulation, as sanctioned by the Criminal Code (Canada). Under this federal legislation, each province establishes its own regulatory and operating regime within the prohibitions and permissions defined by Sections 206 and 207 and as determined by provincial policy and authorized by legislation. In Manitoba, the MGCC regulates most charitable gaming events and all casino operations, VLT operations and lottery ticket retailers. The MGCC is also a leader in less traditional regulatory initiatives, including independent and collaborative research, public education, and oversight of operators' responsible gaming policies.

## 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 gaming practices.

## 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

We are 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 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 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 53 full-time and two part-time employees, led by the Executive Director.

With the mandate of ensuring that gaming is conducted honestly, with integrity and in the public interest, the MGCC:

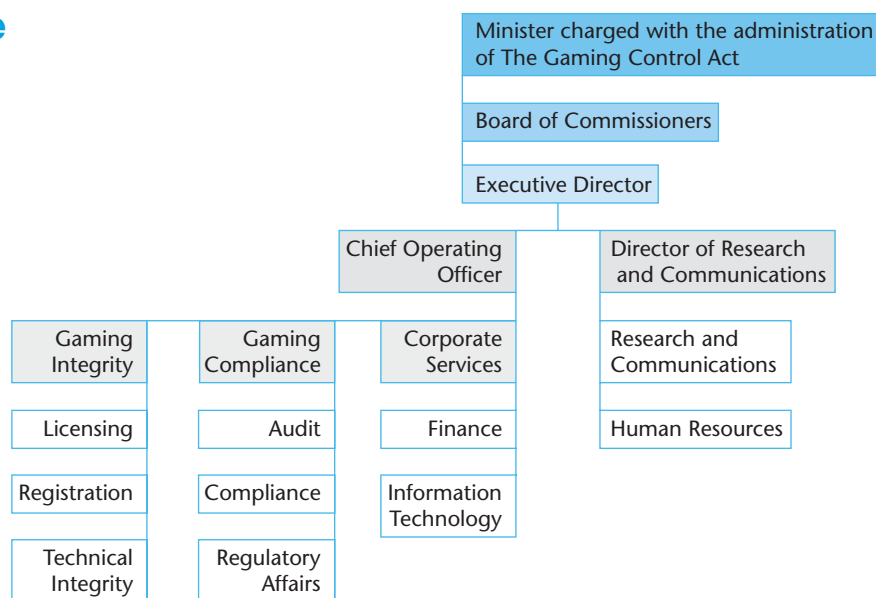
- Licenses charitable gaming activities, including bingo, breakopen tickets, raffles, sports draft lotteries and Texas Hold'em poker tournaments;
- Registers First Nations casino operators, Manitoba Lotteries Corporation and First Nations casino employees, gaming suppliers, gaming equipment, VLT siteholders 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.

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 is self-funding from service-based licence and registration fees, as authorized by The Gaming Control Act and established via regulation. The MGCC does not receive revenue from the Provincial Consolidated Revenue Fund. The Gaming Control 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, 2011, are presented in this report beginning on page 29. Our 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 Gaming Control Act directs the Board of Commissioners to conduct hearings and make rulings on appeals of the Executive Director's decisions and orders. In this 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 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 Gaming Control Act. The MGCC conducted one hearing in late 2010/11; the outcome was pending at March 31, 2011.

## Interagency Cooperation

Liaising with external organizations permits the MGCC to benefit from others' experience and to share its own expertise. The MGCC cooperates frequently with numerous agencies locally and worldwide to share information and undertake initiatives related to gaming regulation. These organizations include:

- Aboriginal Financial Officers Association (Manitoba)
- Addictions Foundation of Manitoba
- Alberta Gaming Research Institute
- Assembly of Manitoba Chiefs
- ASIS International
- 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 Centre on Substance Abuse
- Canadian Consortium for Gambling Research
- Canadian Gaming Regulators Association and member jurisdictions/agencies
- Canadian Partnership for Responsible Gambling
- 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
- Internet Gambling Taskforce
- 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
- Technical Systems Testing, A GLI Company
- Western Canada Lottery Corporation
- Winnipeg Police Service

### PEERS HONOUR EXCELLENCE

During 2010/11, the members of the North American Gaming Regulators Association (NAGRA) presented the MGCC's Chief Operating Officer, Dale Fuga, with its Excellence in Gaming Regulation Award. Nominated and selected by peers in other regulatory jurisdictions from across the continent, this honour recognizes his contributions and influence on gaming regulation throughout North America.

NAGRA is a non-profit association of gaming regulators that provides a forum for the mutual exchange of regulatory information and techniques through training, education, networking and collaborative endeavours.

# CORPORATE PERFORMANCE RESULTS 2010/11

The MGCC continues to target priorities and implement services to reach the goals articulated in the Board of Commissioners' Strategic Plan 2008-2013. Our corporate priorities are linked to this strategy's overarching themes of leadership, effectiveness and communication, and operationalized through annual unit and departmental goals and work plans. The corporate plan and resulting accomplishment 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 innovative and proactive gaming integrity and compliance initiatives to effectively regulate and control gaming activities.
- Develop and deliver programs and initiatives to ensure gaming providers meet our compliance and enforcement mandate.
- Advance our public interest mandate beyond our traditional regulatory activities of licensing, registration and enforcement to 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 in our roles and accountability.

### Results

- The Gaming Control Amendment Act was proclaimed on April 1, 2010, bringing independent, third-party oversight to all 865 lottery ticket retail operations. All commercial gaming activities, including casino and VLT operations, are now captured within the MGCC's broad regulatory mandate.
- The Office of the Auditor General of Manitoba confirmed compliance with legislative provisions and related authorities.
- Assessed, confirmed, monitored and enforced the honesty and integrity of gaming events, employees, suppliers and equipment in accordance with legislative and regulatory mandates, licensing and registration terms and conditions, and operational and unit standards.
- An evaluation of the MGCC's public education campaign to encourage limit-setting revealed 81% of Manitobans report always setting a limit when gambling, up from 51% in 2004. Spending and money access limits are the most popular responsible gambling strategies.
- Governance practices and capacity were strengthened via:
  - A formalized governance calendar to guide planning, oversight and accountability functions throughout the year;
  - A review of operational accomplishments linked to the achievement of strategic goals;
  - Independent audit advice;
  - Formal governance training; and
  - Training and materials development to support the Board of Commissioners' hearing process and the implementation of legislative amendments.

## GOAL #2

### Service Excellence

Provide excellent service to our clients by championing fair, balanced and responsible gaming 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 measures, 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:
  - 1,785 active charitable licences held by 1,130 charitable organizations, which generated gross revenue of \$77.9 million, a 4.2% decrease over the previous year;
  - 4,143 registrations in multiple registrant classes, including individuals, suppliers and operators;
  - 399 technical integrity approvals and amendments and 50 interim approvals;
  - 2,481 audit reviews of charitable gaming financial reports; and
  - 100% compliance with gaming commission and licensing authority reporting requirements.
- Assessed, refined and augmented corporate and unit policies, procedures and standards to improve and guide client service, knowledge transfer and consistency.
- Strengthened relationships with partners and stakeholders and increased awareness and understanding of the benefits of a strong regulatory environment via:
  - Financial reporting best practices presentation at the Aboriginal Financial Officers Association annual general meeting;
  - The delivery of 440 formal client training programs;
  - 26% increase in on-site compliance inspections and a 20% decrease in complaints and investigations;
  - Continued enhancements to the MGCC website and online service tools, including improvements to licence holder, registrant, operational and corporate information; and
  - Founding member of the Canadian Consortium for Gambling Research to further collaborative research with provincial and national partners.
- Provided information technology, finance and administration, research, communications and human resources services to support and enable operations and client service delivery.

## GOAL #3

### Human Resources Advancement

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

#### Priorities

- Create and manage a comprehensive human resources service 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

- Appointed a full-time manager to develop and deliver comprehensive human resources services, including performance management; training and development; recruitment and retention; implementation of position-based competencies; workplace health and safety; and labour/management relations, including collective bargaining.
- Advanced personal and professional development via MGCC's first Learn@Work Week series, which included presentations on employee assistance, work resources and emerging technologies.
- Developed and implemented a formal learning plan strategy aimed at current position and future-focused career development, to support professional advancement and succession planning.
- Employees participated in 2,975 hours of professional development training and education on a diverse range of topics, including leadership, freedom of information and privacy protection, fraud examination, investigation skills, 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 service.
- 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 a clear audit opinion for the MGCC's 2010/11 financial audit. Financial management and reporting practices are based on Generally Accepted Accounting Principles and Canadian Institute of Chartered Accountants standards.
- Implemented a new financial and accounting model to converge with new Public Sector Accounting Standards effective April 1, 2011.
- Audit Committee conducted quarterly financial reviews and approvals with an external independent audit advisor.
- Tabled the 2009/10 annual report, including audited financial statements, in the Legislative Assembly in fall 2011. Published the report on the MGCC website at [www.mgcc.mb.ca/aboutmgcc\\_annual\\_reports.html](http://www.mgcc.mb.ca/aboutmgcc_annual_reports.html).
- Presented the 2011/12 business plan to the Board of Commissioners and Treasury Board for approval. Board approval was granted in February 2011 and Treasury Board approval was granted in March 2011.
- 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

In 2010/11, the members of the Gaming Integrity Unit sanctioned the operation of charitable events with total gross revenues of nearly \$78 million; verified the integrity of 4,143 registrants, including gaming suppliers, commercial business operators and industry employees; and issued over 400 technical integrity approvals for gaming schemes and equipment. While each department in this unit has a distinct focus, their common goal is to ensure that gaming activity is conducted with honesty, integrity and in the public interest.

## LICENSING

In 2010/11, the members of this department worked with charitable and religious organizations to authorize the conduct and management of nearly 1,800 single, limited series and ongoing events throughout Manitoba. With charitable aims as diverse as youth sports teams, seniors' transport and community construction projects, 1,130 charities raised funds through raffle, bingo, Texas Hold'em, Calcutta auction, breakopen ticket, Monte Carlo and sports draft lottery events.

In 2010, the MGCC's Manitobans and Gambling III report revealed that 71% of adult Manitobans participated in licensed gaming events in the past year. Although the groundwork required for these events is largely invisible to this significant proportion of Manitobans, the foundation for assuring the events' honesty and integrity is based on a comprehensive application and approval process. Established application standards and review procedures allow department members to confirm applicant eligibility, scrutinize proposed operations, 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 following chart provides key licensing results for the year.

### LICENSING OVERVIEW

AS OF MARCH 31, 2011

- 1,785 active charitable gaming licences
- 1,461 licence applications reviewed and approved for 1,130 different charitable organizations. Events included:
  - 271 ongoing events: 126 bingo, 100 breakopen, 27 Texas Hold'em, 12 raffle and six media bingo
  - 1,190 limited series or single events: 1,069 raffle, 44 bingo, 41 Texas Hold'em, 18 breakopen and 18 others (including Monte Carlo and sports draft lottery)
- 268 first-time applicants
- 806 licence amendments processed

## FOCUS ON RAFFLES

In 2010/11, the members of the Licensing Department continued to see significant increases in the number of raffle applications, with nearly three quarters of the department's 2,600 public inquiries seeking information and guidance on raffle events. This trend began in 2006, when some municipalities began to stop issuing raffle licences for events with prizes valued under \$3,000. At that time, the MGCC created a new community raffle category that offers a simplified licensing regime for raffles with anticipated revenues of under \$5,000.

Applicant interest in this new category continued to gain momentum throughout the year, with 73% of all raffle licence holders meeting the criteria for this new category. As a result, the department experienced a 145% increase in raffle applications over 2009/10 and posted a long-term increase of nearly 600% over the previous six years. Striving to maintain client service standards while responding to this increased demand, Licensing Department staff refined application assessment procedures to streamline workflow and speed turnaround time. This resulted in an average 13 day processing time for community raffle approvals. In response to requests from Manitoba charities, the Licensing Department also began to publish details about approved raffles to assist charities in planning their events and marketing. These reports, which include licence timeframes, prize values and geographic locations, are updated regularly and available at: [www.mgcc.mb.ca/charitable\\_raffle\\_information.html](http://www.mgcc.mb.ca/charitable_raffle_information.html).

Also in response to stakeholder requests, the MGCC authorized amendments to its Raffle Terms and Conditions to permit charitable organizations to accept online raffle ticket orders. Charities anticipate this change will reduce expenses and increase charitable revenues. In considering and approving the amendments, the MGCC was mindful of the Criminal Code (Canada) provisions that prohibit the conduct of a lottery scheme on or over a computer, and of the public's increasing comfort with Internet transactions. The resulting amendments to the terms and conditions allow charities to take advantage of online efficiencies while working within the Criminal Code (Canada). The amendments are as follows:

- Online ticket orders may be submitted with credit card information; the financial transactions must be processed at a later time as an administrative procedure.
- Online ordering cannot be the sole method of ordering tickets.
- Orders may be confirmed by email, but tickets must be mailed to purchasers.
- Orders can only be placed using Internet servers with IP addresses located within Manitoba.
- Draws must be made with ticket stubs; selection via computerized random number generators is not permitted.

## BLUETOOTH® TECHNOLOGY POWERS WHEAT KINGS' 50/50 FUNDRAISER

When the City of Brandon hosted the Canadian Hockey League's Memorial Cup in May 2010, the event marked a couple of firsts – the first time this national event was hosted in Manitoba, and the first time a Manitoba charity conducted a 50/50 raffle using an electronic ticketing system.

Following our normal due diligence practices, including determining licence eligibility, testing game integrity and registering suppliers, the MGCC licensed the Brandon Wheat Kings Foundation to conduct a series of raffles using the new 50/50 technology developed by a company based in Summerside, Prince Edward Island. Event volunteers sold tickets by carrying handheld electronic devices in place of traditional two-part tickets. As each transaction was completed, a bearer ticket was printed for the purchaser and, via Bluetooth® technology, a second ticket was printed at a central printer for entry into the draw drum. The draw itself was conducted as a traditional, manual draw with the winner pulled from a drum containing all entries.

The event posted payouts of just over \$120,000 over eight draws and was a great success for the Brandon Wheat Kings Foundation, which funds team member scholarships and operations. From the MGCC's perspective, the real-time computerized sales tracking provided an additional layer of accountability to boost game integrity and player protection.

A 50/50 raffle is a percentage-payout raffle where 50% of total sales is paid out as the prize. For many years, these kinds of raffles have been popular charitable fundraisers for Manitoba sports teams, including the Winnipeg Football Club, the Manitoba Moose Yearling Foundation and the Winnipeg Goldeyes Field of Dreams Foundation.



## REGISTRATION

The legislative amendments that brought lottery ticket retailers under the MGCC's regulatory umbrella at the beginning of the fiscal year were implemented primarily by the Registration Department. In addition to the work required in 2010/11 to add 865 lottery ticket retailers to the MGCC's regulatory regime, the members of this department assessed and confirmed the integrity of approximately 2,700 gaming employees; completed three full gaming supplier due diligence investigations and 28 annual supplier updates; issued 77 full and conditional VLT siteholder registrations; and monitored longstanding registrants.

Working within established standards and procedures for each registrant class, department members are tasked to register all:

- Employees of Manitoba Lotteries Corporation, Aseneskak Casino and South Beach Casino;
- VLT siteholders and lottery ticket retailers;
- Suppliers of gaming products and services; and
- Gaming operators.

As with licence applicants, all registration applicants undergo assessment and scrutiny to meet and maintain the standards, terms and conditions required to confirm honesty and integrity. To accomplish this, department members are authorized to conduct investigations on individuals and business applicants seeking registration, including criminal record, credit history and financial history checks. Each registration includes terms and conditions that detail and confirm the MGCC's requirements for maintaining good standing during the term of registration. The following chart provides key registration results for the year.

## REGISTRATION OVERVIEW

AS OF MARCH 31, 2011

Manitoba Lotteries Corporation new applicant employee registrations	288
Manitoba Lotteries Corporation employee renewals	1,850
Aseneskak Casino new applicant employee registrations	73
Aseneskak Casino employee renewals	86
South Beach Casino new applicant employee registrations	190
South Beach Casino employee renewals	204
Gaming suppliers	54
VLT siteholder registrations	530
Lottery ticket retailer registrations	865
Gaming operator registrations	3

In addition to the new responsibilities for lottery retailer oversight, the Registration Department completed due diligence investigations that led to the registration of Spirit Sands Casino Resort Inc. as a new gaming operator in Manitoba. Further, similar investigations were conducted to confirm the honesty and integrity of two gaming service providers contracted to provide management services to the Spirit Sands project. While this project is still in development, these registrations formalize this initiative within Manitoba's regulatory framework.

# control

## NEW REGISTRATION REQUIREMENTS FOR ALL LOTTERY TICKET RETAILERS

Amendments that added oversight for lottery ticket retailers to The Gaming Control Act were proclaimed the first day of the 2010/11 fiscal year. To prepare for the April 1st effective date, the MGCC developed and formalized the comprehensive game integrity and compliance regime required to implement retailer registration and compliance enforcement and to give players an independent avenue for complaints and dispute resolution.

Building upon the legislative foundation, the MGCC prepared registration terms and conditions, retailer application packages, inspection guidelines, public communications and a new Gaming Management System module to facilitate the registration of an anticipated 850 lottery ticket retailers. By year end, 865 lottery ticket retailers were registered as required by the new legislation. To achieve this, department staff reviewed and assessed the applications of over 1,600 principals and conducted background investigations to confirm their honesty and integrity.

Anyone who has stopped in for a litre of milk, filled up their car or picked up a newspaper will be familiar with the diversity of locations that sell lottery ticket products. The Registration Department worked collaboratively and cooperatively with all prospective registrants – from single location “mom and pop” stores to multinational convenience chains - to bring lottery ticket products into Manitoba’s gaming regulatory regime. Including lottery ticket retailers within this regulatory framework permits the MGCC to:

- Provide third party, independent oversight;
- Set the registration terms and conditions under which all retailers and their employees must operate;
- Inspect lottery retail locations;
- Respond to player complaints; and
- Investigate irregularities, mediate complaints and conduct hearings.

## TECHNICAL INTEGRITY

In Manitoba, technical integrity must be confirmed before any gaming event or equipment is offered to the public for play. Whether at a community hall bingo game, a blackjack table at a casino or a local hotel with VLTs, gaming activities must meet the standards and tests established to confirm technical integrity. While “technical integrity” may be an obscure term to the layperson, to a regulator it confirms that the event or equipment performs in a manner that is fair, honest, safe, secure and capable of being audited.

Members of this department establish and apply formal standards to guide technical integrity testing, assessment and approval processes. The terms and conditions established and applied during the approval process permit the MGCC to monitor the status of gaming events and equipment; to access and maintain historical data; and to support the conduct of investigations arising from operational concerns or public complaints. Compliance with technical integrity approvals and terms and conditions is confirmed through regular inspections. In 2010/11, this department conducted 26 inspections for various technical integrity gaming supply approvals, including slot machines, table games, central servers and VLTs. The chart below provides other key technical integrity results for the year.

Close work with Manitoba Lotteries Corporation, First Nations casino operators, equipment suppliers, independent testing laboratories and other MGCC departments is required for assurance that technical integrity standards, terms and conditions are maintained. For example, replacements and new equipment introductions at all Manitoba casinos during the year involved technical integrity approvals, as upgrades were implemented for slot machines and central operating systems. This required collaborative input from Gaming Laboratories International, casino management, software manufacturers and the MGCC’s Compliance Department.

To keep pace with new and emerging technologies, work continued to develop and revise the standards, terms and conditions, and quality assurance tests associated with different gaming schemes. As well, 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 updated to reflect new products introduced in the province, such as the 50/50 raffle verification equipment used at the Memorial Cup.

The influence of technology was also brought to bear on the department’s administrative procedures, as this department collaborated with the MGCC’s Information Technology Department to design and implement a new module that adds technical integrity operations to the MGCC’s Gaming Management System. Development work and testing were completed in December 2010 and the new module was released in January 2011. The new module was monitored and upgraded for the remainder of the year to enhance utility and function; all technical integrity approvals will be processed through this system effective April 1, 2011.

### TECHNICAL INTEGRITY OVERVIEW

AS OF MARCH 31, 2011

#### Technical Integrity Approvals and Amendments

New slot machine models	6
Software and hardware associated with gaming devices and VLTs	204
Table games and associated equipment	128
Table game rules of play and tournament rules and regulations	45
Bingo paper and products	16

#### Interim Technical Integrity Approvals

Electronic equipment	9
Table games	3
Table game equipment	34
Bingo and breakopen products	4

## PREPARING FOR NEW POLYMER BANK NOTES: A REGULATOR'S PERSPECTIVE

Countries around the world periodically issue new series of bank notes to integrate advanced security features as a protection against counterfeiting; the Bank of Canada began working several years ago on such a new series for Canadian currency. According to the Bank, the "notes will be among the most advanced in the world...and will be easy for retailers and the public to verify and difficult for counterfeiters to simulate."

The planned introduction of new polymer bank notes, beginning with \$100 bills in late 2011, requires significant preparations for changes in the country's cash systems – including those that operate in Canada's gaming environments. VLTs, slot machines, gaming kiosks and cash counters all operate with bill acceptors and software calibrated and configured to recognize and accept current legal tender.

From a gaming regulator's perspective, protection against counterfeit bills is a key aspect of game integrity and security. As such, in 2010/11, the MGCC's Technical Integrity Department began to work with the Bank of Canada, the gaming industry, software developers and equipment manufacturers to prepare for the integration of the new bills into the industry's cash systems. This cooperative approach facilitated the development and implementation of new regulatory standards for cash systems; advance preparation by software developers and manufacturers; and standards testing protocols by independent gaming laboratories. While these activities are unlikely to be noticed by players and the public, the intended result is a seamless transition to the country's new polymer bank notes.

Polymer is a smooth durable film developed specifically for bank notes and used in a number of countries around the world. – Bank of Canada (2011)

perspective

## Gaming Compliance

### Audit • Compliance • Regulatory Affairs

The departments within this unit test and assess compliance with The Gaming Control Act and with the standards, terms and conditions established for licence holders, registrants and technical integrity approvals. A combination of inspection, investigation and dispute resolution measures protect and maintain the integrity and honesty of gaming in Manitoba. To this end, in 2010/11, unit members performed over 2,200 inspections and 2,400 audit reviews, and completed 24 full investigations in response to concerns and complaints.

### AUDIT

This department's primary goal is to provide reasonable assurance that the financial reports of licensed organizations, First Nations VLT siteholders, First Nations gaming commissions and other licensing authorities are complete and accurate. The audit services delivered by this department are important compliance assurance measures to confirm that clients' reporting and record-keeping practices meet audit standards and comply with legislation and regulation. The following chart provides key audit results for the year.

#### AUDIT OVERVIEW

AS OF MARCH 31, 2011

Charitable event financial reports	2,481
Municipal licensing authority reports	142
First Nations gaming commission reports	31
First Nations VLT reports	37

While the audit work itself requires technical scrutiny and analysis of financial reports and related documentation, department members have also concentrated their efforts on building and maintaining positive relationships with licence holders and registrants; training and one-on-one communication continue to be positive tools in this department's toolkit. In 2010/11, department members delivered 107 training sessions, recorded over 2,500 personal contacts and prepared nearly 2,000 pieces of written correspondence to guide and support financial record-keeping and reporting.

The department's collaborative approach resulted in improvements to record-keeping, timelier report submissions and fewer reporting errors. It also helped maintain the 100% success rate, for the fourth straight year, for the submission of required annual financial reports from First Nations gaming commissions, First Nations VLT siteholders and licensing authorities. The department also noted a 14% reduction in investigation referrals to the Compliance Department. Though it is difficult to draw a causal link between referrals and the increasingly client-centered approach, the department will continue to monitor trends in referral numbers.

Several measures to ease and improve reporting were implemented this year to ensure that audit processes align with compliance and customer service goals. The annual VLT financial reporting documents were further refined to guide daily balancing and record-tracking procedures and to support site management through summary reporting. Preliminary work began to build a new module for the MGCC's Gaming Management System that will integrate financial reporting by licensing authorities and First Nations VLT siteholders. As well, the audit procedures for raffle and Texas Hold'em reporting were reviewed and modified to improve consistency, support internal training and expedite client services.

This department continued to emphasize web-based services by refreshing audit client information on the MGCC website. The department noted a 33% increase this year in the use of the MGCC's electronic reporting tool (ERT), which permits charitable licence holders to submit electronic financial reports via an Excel spreadsheet. Department members will continue to promote ERT use and online fee payment options into the coming year, to help clients become more familiar with these kinds of transactions.

ative

## Charitable Gambling 2010/11 (\$Millions)

EVENT TYPE	LICENSED EVENTS		GROSS REVENUE		PRIZES PAID		TOTAL EXPENSES		NET PROFIT	
	10/11	09/10	10/11	09/10	10/11	09/10	10/11	09/10	10/11	09/10
Bingo	243	261	\$40.3	\$42.7	\$31.4	\$33.0	\$4.3	\$4.5	\$4.6	\$5.2
Breakopen	191	207	4.2	4.4	2.9	3.2	0.3	0.3	1.0	0.9
Raffle	305	235	28.0	28.3	12.1	11.0	5.5	5.9	10.4	11.4
Texas Hold'em	68	72	1.4	1.5	1.0	1.0	0.2	0.2	0.2	0.3
Media Bingo	17	22	3.9	4.3	1.7	3.0	0.6	0.6	1.6	0.7
Other	10	9	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1
<b>Totals</b>	<b>834</b>	<b>806</b>	<b>\$ 77.9</b>	<b>\$ 81.3</b>	<b>\$ 49.2</b>	<b>\$ 51.2</b>	<b>\$ 10.9</b>	<b>\$ 11.5</b>	<b>\$ 17.8</b>	<b>\$ 18.6</b>

In addition, 951 licences were issued to organizations who, due to reporting thresholds, were not required to submit financial reports or licence fees (114 bingo, 29 breakopen, 798 raffle, 2 media bingo and 8 other) and are therefore not reflected in the above chart.

### COMPLIANCE

The MGCC's Compliance Department is tasked to establish and deliver effective inspection, investigation and dispute resolution services that assess and confirm that licence holders and registrants comply with legislative and regulatory imperatives. Consumer and stakeholder protection and public confidence in gaming activities are at the core of this department's inspection, investigation and dispute mediation regime.

Members of this department monitor activities via formal and consistent inspection protocols developed to confirm compliance with the specific terms and conditions attached to agreements, licences, approvals and registrations. Regular inspections are conducted with charitable organizations, VLT siteholders, First Nations gaming commissions, and First Nations and Manitoba Lotteries Corporation casinos. Whether at a community bingo, VLT site or casino operation, inspections permit the MGCC to review on-site equipment and products, assess compliance, identify operational gaps and remedy concerns.

This department has consistently expanded its inspection services over the past several years. In 2010/11, inspections increased by 26% over the previous year, due in large part to the addition of lottery ticket retailers to Manitoba's regulatory regime. This increased monitoring, combined with new audit records management procedures, has improved compliance, as evidenced by an approximately 67% decrease over the previous year in situations requiring written warnings. In most circumstances, on-site visits allowed MGCC inspectors to work with the registrant or licence holder to remedy discrepancies immediately. At the same time, public complaints about concerns with the conduct and management of events continued to drop, falling by 20% over the previous year. In seeking to identify the source of these positive results, department members point to their continued strong emphasis on training and education, on-site inspections and building cooperative and collaborative relationships with licence holders and registrants. The chart on the next page summarizes the types of inspections conducted throughout the year.

de

Irregularities identified as a result of inspections, internal referrals and public complaints that cannot be remedied through training and education are pursued through to investigation and mediation. Again, the MGCC saw a drop in these kinds of investigations, with a 38% decrease over 2009/10. If necessary, investigations may proceed through to referral to the police and courts. While these situations are rare, the MGCC has the legislative mandate to conduct investigations, including powers to issue warrants, enter and inspect, gather evidence, build a case and work with the Crown to lay charges through to court proceedings. One referral was made to the police in 2010/11, compared to three the previous year.

## COMPLIANCE INSPECTIONS OVERVIEW

AS OF MARCH 31, 2011

Raffles	197
Bingo/breakopen	272
Texas Hold'em poker tournaments	53
Casinos	83
First Nation gaming commissions	46
VLT sites	622
Lottery ticket retailers	932

## REGULATORY AFFAIRS

Much of the work undertaken and achieved by this department is done in support of compliance processes through the development and refinement of policies and procedures for inspections, investigations, dispute resolution, orders and hearings. The formalization of procedures and guidelines establishes a compliance framework that is applied consistently and equitably. While this policy work could be accomplished within the Compliance Department, the MGCC believes this department's independence from the day-to-day compliance work permits the research, assessment and reflection necessary to progress. The results posted by the Compliance Department in 2010/11 are evidence of this approach's success and this department's influence.

During the year, particular attention was given to the preparation of a new Compliance Investigation Procedures manual and new policy and procedures for handling complaints. As well, the department worked collaboratively with the Compliance Department to develop monitoring and assessment measures to meet the new oversight responsibilities for lottery ticket retailers and new hearing provisions.

This department is also charged with developing and delivering training and development programs to build and enhance internal and external expertise in gaming law and its application in the regulatory environment. Liaison with outside agencies continued to be a priority, with collaborative efforts resulting in training on game protection techniques, dispute resolution and appeals, and the introduction of lottery ticket retailers into Manitoba's regulatory regime. Also, for the third year in a row, the department coordinated the MGCC's Illegal Gaming Course, which is offered to industry personnel as well as law enforcement officers and internal staff. This course draws upon the expertise and knowledge of specialists in both the gaming and investigative fields to build information and awareness about gambling laws and their application in support of MGCC's strategic goal to be at the forefront of gaming integrity and regulation.

development

## HEARING PROCEDURES REFINED

In addition to the lottery ticket retailer provisions, the most recent legislative amendments also authorized modifications to clarify and improve the conduct of hearings under The Gaming Control Act. The Regulatory Affairs Department developed a comprehensive procedural manual and delivered a comprehensive training program to guide and support the Board of Commissioners, management and staff. In particular, this initiative detailed the legislative mandate and articulated the administrative responsibilities of the Board of Commissioners and those of each business unit and department.

## OPERATION KALEIDOSCOPE: 2007 POKER RAIDS RESULT IN CONVICTION, FINES AND FORFEITURE

“Operation Kaleidoscope” concluded in the courts with the conviction of the main subject of the investigation, a \$10,000 fine and forfeiture of all gaming equipment seized.

In May 2007, members of the Winnipeg Police Service executed four search warrants following a seven month investigation – Operation Kaleidoscope – into illegal gaming. Prompted by citizen complaints about unregulated poker games, the MGCC approached the Winnipeg Police Service to conduct a joint investigation into these allegations. Working in partnership with MGCC investigators, members of the Criminal Investigation Bureau concentrated their efforts on gathering intelligence and identifying illegal gaming operations, which led to the service of warrants at establishments in Winnipeg.

Looking back on the investigation, it is noted that there was some criticism of the decision to pursue this investigation; however, to turn a blind eye to public complaints and awareness of suspected illegal activities would be contrary to the MGCC’s obligation to ensure the honesty and integrity of gaming in

the province. The MGCC’s capacity to initiate and participate in this investigation was enabled by legislative amendments proclaimed in 2005 and special constable appointments in 2006 that permit investigations under Part 7 of the Criminal Code (Canada).

While investigations like Operation Kaleidoscope are rare, the MGCC is mandated to conduct all aspects of an investigation beginning with the gathering of evidence, swearing of warrants, and formal interviewing and statements, through to assessing the evidence and laying charges under The Gaming Control Act and/or gambling-related sections of the Criminal Code (Canada). In the case of Operation Kaleidoscope, the MGCC’s involvement continued through to the delivery of the Salvation Army’s Positive Lifestyle Program, which was developed in cooperation with the Addictions Foundation of Manitoba and accepted as the court disposition by the majority of those charged.





## Research and Communications

### Communications • Human Resources • Research

While seemingly distinct, communications, research and human resources initiatives are frequently complementary, as demonstrated by this department's development of research-based advisory and public education materials, enhanced Intranet communication with employees and expanded web-based information services for stakeholders.

## COMMUNICATIONS

Members of the department provide 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 stakeholders, accomplishments during the year included refinements to [www.mgcc.mb.ca](http://www.mgcc.mb.ca) and the Intranet; coordination of information and materials to support the lottery ticket retailer registration launch; and public information and advisory work on gaming laws and regulation, responsible gambling, and the casino development in southwestern Manitoba. In fall 2010, the MGCC ran the third flight of its province-wide public education campaign to encourage Manitobans to set and stick to limits when they gamble. This is the sixth consecutive year the MGCC has run such a campaign, firmly cementing public education as a core regulatory activity.

### Information and Privacy

This department's mandate also includes coordinating responses to record requests that fall under the Freedom of Information and Protection of Privacy Act (FIPPA). In 2010/11, responses for record requests took an average of 20 days, well within the 30 days required by FIPPA. Corporate-wide training was delivered to refresh unit and department practices and procedures with respect to privacy and access obligations when managing records and responding to requests.

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

The MGCC website continued in 2010/11 to be a popular information resource about gambling in Manitoba. New content and interactive resources were added about lottery ticket retailers, charitable organizations, First Nations VLT siteholders and gaming suppliers. Nearly 20,000 people visited our site, with over 29,000 hits. The top content on our website? Manitobans visited the site most often for information about charitable raffle licences and to learn about setting gambling limits.

## HUMAN RESOURCES

The MGCC, like most employers, has forecast significant employee turnover during the next three to seven years as a number of long-service employees move toward retirement. With the goal of maintaining organizational stability and sustainability, the MGCC has focused on four areas so that the organization is recruitment-ready as this shift occurs: strategic training and development, specialized knowledge transfer, performance management and employee learning. To support these strategic areas, in 2010/11, the MGCC:

- Developed and implemented a new learning policy to encourage current position and career development learning opportunities;
- Coordinated corporate learning events, including Learn@Work Week in September 2010;
- Redeveloped and expanded the Intranet;
- Refined human resources policies to support knowledge transfer;
- Implemented competency-based position descriptions;
- Supported skill and knowledge development via performance management throughout the MGCC; and
- Supported mentoring and acting status opportunities.

The MGCC assessed its human resources services requirements in early 2010/11 and, as a result, increased its on-site human resources from a half-time to a full-time position beginning in October. This change enhanced traditional service delivery in the areas of recruitment, labour/management support and benefits administration. At the same time, it expanded the MGCC's capacity to advance its strategic interests aimed at long term stability by fully integrating human resources into business operations. The MGCC has maintained its longstanding practice of administering its pay and benefit services through the Department of Education, Amalgamated Human Resources Branch.

Late in 2009/10, the four year collective agreement between the Manitoba Government and General Employees' Union and management expired. Collective bargaining commenced with the exchange of proposals in December 2010. Negotiations were continuing at March 31, 2011, and the MGCC is hopeful that a new contract will be concluded in 2011/12.

## RESEARCH

In 2010/11, the department focused on strengthening research knowledge about gambling within and beyond Manitoba's borders. This focus led to the presentation of independent and collaborative research findings to local, national and international audiences, including guest lectures at the University of Manitoba and the University of Winnipeg. One of this year's highlights was awarding MGCC's first graduate studentship in September 2010 to a Master of Science (Marketing) graduate student who is using netnography to study online poker players' motives for gambling. As the only gambling-related bursary program in the province, the MGCC views its studentship as an important program for developing gambling research capacity in Manitoba's academic community.

The MGCC has collaborated since 1999 with an interprovincial consortium of gambling research, regulatory and treatment organizations, now called the Canadian Consortium for Gambling Research (CCGR). In 2010/11, as part of this consortium, the MGCC built capacity for researchers around the world to conduct empirical studies on gambling prevalence and impact by launching the Canadian Adolescent Gambling Inventory, refining the Canadian Problem Gambling Index, and proposing best practices for conducting research on the social and economic impacts of gambling. Contributing to these interprovincial projects allows the MGCC to leverage its resources and contribute to groundbreaking initiatives. As recent CCGR projects are complete or nearing completion, the MGCC and its partners began in 2010/11 to discuss future opportunities for research collaboration.

The chart on the next page provides a brief status report for the MGCC's major 2010/11 research initiatives. The complete research agenda is available at [www.mgcc.mb.ca/research\\_main.html](http://www.mgcc.mb.ca/research_main.html).

colla

### EMPLOYMENT EQUITY REPRESENTATION

AS OF MARCH 31, 2011

	Aboriginal	Visible Minority	Persons with Disabilities
MGCC	12.3%	3.5%	8.8%
Manitoba Civil Service Commission Targets	14.0%	8.0%	7.0%

## RESEARCH STATUS REPORT

AS OF MARCH 31, 2011

Research Project	Timeline	Date Initiated	Collaborative Initiative	Independent Initiative	Status
Refining the Canadian Problem Gambling Index (CPGI)	Year 4 of 5	05/2007	•		Analysis of Problem Gambling Severity Index cut-off points completed in November 2010. Initiatives underway to develop new CPGI items and a formal administration protocol.
Developing the Canadian Adolescent Gambling Inventory (CAGI)	Complete	12/2003	•		Phase III report and English and French CAGI instruments released in July 2010.
Advancing the Social and Economic Impact of Gambling (SEIG) Framework	Complete	12/2008	•		Report released in March 2011 reviewed nearly 500 SEIG-related studies and proposed best practices for conducting SEIG research.
Profiling the Social and Economic Impact of First Nations Casinos	Complete	05/2008		•	Final report completed in March 2011 highlights the challenges faced in conducting impact studies.
Manitoba Longitudinal Study of Young Adults	Year 6 of 7	03/2005	•		91% retention rate achieved in third cycle of data collection. Final cycle of data collection to begin in May 2011.
Manitobans and Gambling III Study	Complete	12/2009		•	Final report released in September 2010. Manitobans and Gambling IV planned for 2013.
Motives for Gambling in Manitoba	Year 3 of 4	01/2009	•	•	Collaborative academic paper awaiting publication in the Journal of Gambling Studies. New independent initiative underway to examine motive items from Manitobans and Gambling III.

## Manitobans and Gambling III

How often do Manitobans gamble? Do Manitobans understand gambling-related odds and randomness? Do they use strategies for gambling responsibly? All of these are important questions for informing operational and public education initiatives.

Every three years, the MGCC conducts a study in the Manitobans and Gambling series to answer these questions; that is, to create an accurate and comprehensive picture of Manitobans' gambling-related knowledge and behaviours. This research series helps us develop science-based responsible gambling initiatives that respond to the evolving needs of Manitobans. For example, the MGCC's myth-busting campaign was based on results from the first Manitobans and Gambling (2004), and Manitobans and Gambling II (2007) informed the development of the MGCC's more recent limit-setting campaign.

In 2010, the MGCC completed Manitobans and Gambling III. A representative sample of 1,200 adults answered a 15-minute telephone survey about their gambling participation and responsible gambling beliefs and strategies.

Overall, the results show that participation in gambling activities has remained quite stable over time, but that initiatives such as the MGCC's public education campaigns have helped Manitobans become more knowledgeable about how gambling works and more likely to use strategies for responsible gambling. Key results are highlighted in this section. Please visit [www.mgcc.mb.ca/research\\_mg.html](http://www.mgcc.mb.ca/research_mg.html) to read the complete Manitobans and Gambling III report.

### DID YOU KNOW?

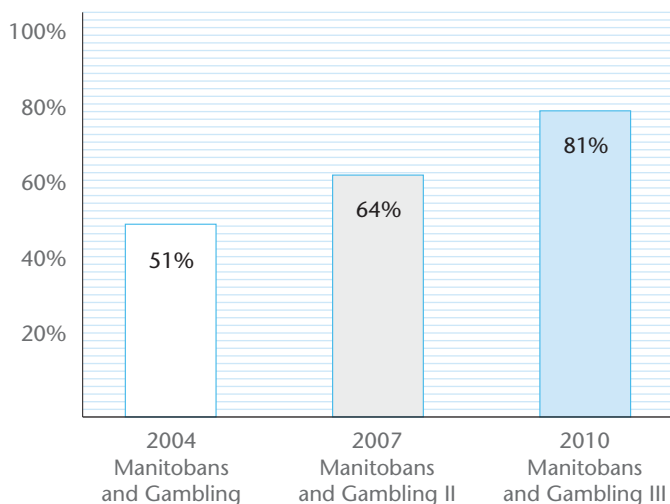
#### *Gambling Participation*

- 85% of Manitobans participated in at least one gambling activity in the past year.
- 62% of Manitobans bought charity raffle or fundraising tickets in the past year, by far the most common form of gambling. Buying these tickets has been among the top three most common forms of gambling since the MGCC began tracking participation in 2004. Buying lottery and instant win tickets and playing slot machines and VLTs are other popular activities.
- Online gambling has been the least common gambling activity since the MGCC began tracking it. Just 2.3% of Manitobans bet money on the Internet in the past year, although more (14%) played poker or casino games on free Internet sites without betting any money.
- Manitobans choose to gamble for many different reasons. Gambling because it's fun and to win money are the most commonly-reported motives for gambling.

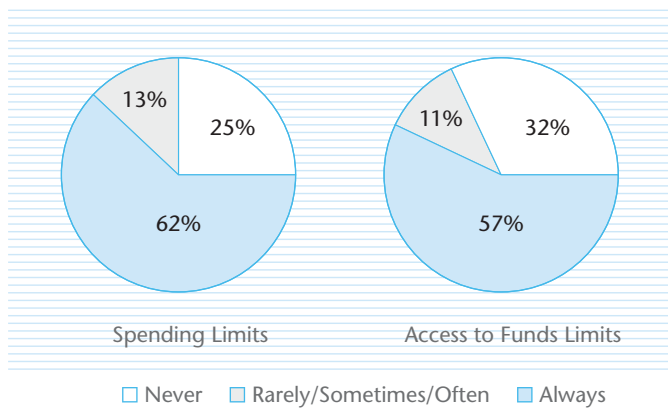
## Responsible Gambling

- Most Manitobans are able to define responsible gambling. The most common definitions include, “not gambling more than you can afford” and “setting a spending limit”.
- 81% of Manitobans always use at least one limit-setting strategy when they gamble, up from 51% in 2004.

PERCENTAGE OF MANITOBANS WHO ALWAYS SET A LIMIT WHEN GAMBLING



- Setting a spending limit is the most widespread responsible gambling strategy, although limiting access to funds (e.g., leaving credit or debit cards at home) has become nearly as common over the past few years.



- Manitobans who set spending limits set an average limit of \$56 per gambling session. Over three-quarters (77%) always stick to their spending limits.
- Over a quarter (28%) of Manitobans believe that the odds of winning on a slot machine or VLT change as you are playing. This is actually FALSE. More Manitobans know the truths about electronic gaming machine odds than in 2004, when 36% of Manitobans believed this myth.

## Corporate Services

### Information Technology • Finance

These departments provide core administrative and management functions and technological resources to support and enable corporate and operational activities.

#### INFORMATION TECHNOLOGY

During 2010/11, the members of this department continued to provide the secure, stable and reliable computer and communications services required by all staff to execute the MGCC's legislative and operational mandates. This was accomplished by providing and maintaining workstation, network and service hardware and software to enable on-site, remote and mobile access to users' desktops and email. This department also managed and developed the technology and services that enable phone, mobile, fax and Internet services. Behind the scenes hardware, software and server upgrades maintained the system's function and currency.

The department achieved stable network operations, resulting in 99% up time for computer operations. This was supported by specialized desktop services for all computer applications and hardware. Department staff continued to expand the MGCC's custom-built Gaming Management System, with the addition of a new module for the Technical Integrity Department. As well, internal and external communications were enhanced through revisions and additions to [www.mgcc.mb.ca](http://www.mgcc.mb.ca) and to the Intranet. As a support to MGCC's financial management responsibilities, this department also upgraded the accounting system with new software and server hardware. In preparation for the implementation of the Windows 7 operating system, department planning and training began to lay the foundation for the introduction of this system on all desktops.

Ever mindful of the importance of network and data security, the MGCC's information technology services were managed in accordance with Province of Manitoba standards to protect MGCC's computer network and data. This included continued development and testing of the MGCC's disaster recovery plan and programs to re-gain and maintain computer and communications operations in the event of a work disruption.

#### FINANCE

Part 10 of The Gaming Control Act directs the MGCC's mandate on matters pertaining to administration, finance and property. Implementation of these responsibilities falls primarily under the care and control of the Finance Department. Within the MGCC's annual business planning, implementation and reporting cycle, this department is responsible for all aspects of financial management, including managing, analyzing and reporting all financial transactions.

In 2010/11, in keeping with established practice, 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, which is advised by an independent auditor. Following its annual financial attest audit in early 2011/12, the Office of the Auditor General of Manitoba issued a clear audit opinion for the year ended March 31, 2011. The annual financial statements are published in this report beginning on page 29.

During the year, new financial management and accounting procedures were put in place in preparation for the implementation of new international financial accounting standards effective April 1, 2011. These new standards will bring consistency to the preparation, reporting, review and understanding of financial information prepared by public sector entities. To facilitate a smooth transition, the MGCC worked closely with the Office of the Auditor General of Manitoba to ensure the necessary accounting changes and statement presentation details were clarified and ready for implementation at the beginning of the 2011/12 fiscal year.

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

# Financial Statements

FOR THE YEAR ENDED MARCH 31, 2011

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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

June 24, 2011



## 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 balance sheet as at March 31, 2011, and the statements of operations and surplus, 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 generally accepted accounting principles 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Office of the Auditor General*

Office of the Auditor General

Winnipeg, Manitoba  
June 24, 2011

# 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, 2011, 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 24, 2011

# 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, 2011, 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, 2011.

Office of the Auditor General

Winnipeg, Manitoba  
June 24, 2011

# Balance Sheet

MARCH 31	2011	2010
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 87,391	\$ 222,655
Short term investments	2,020,237	1,377,596
Accounts receivable (Note 5)	32,211	30,429
Prepaid expenses	33,716	31,532
	<b>2,173,555</b>	<b>1,662,212</b>
<b>Long term investment</b> (Note 8)	<b>146,079</b>	<b>146,079</b>
<b>Capital assets</b> (Note 6)	<b>311,831</b>	<b>344,177</b>
<b>Intangible assets</b> (Note 7)	<b>4,211</b>	<b>6,016</b>
	<b>\$ 2,635,676</b>	<b>\$ 2,158,484</b>
<b>LIABILITIES AND SURPLUS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 537,444	\$ 523,259
	<b>537,444</b>	<b>523,259</b>
<b>Provision for employee severance benefits</b> (Note 8)	<b>606,675</b>	<b>565,743</b>
<b>Provision for employee pension benefits</b> (Note 11)	<b>28,511</b>	<b>34,900</b>
	<b>1,172,630</b>	<b>1,123,902</b>
<b>Surplus</b>	<b>1,463,046</b>	<b>1,034,582</b>
	<b>\$ 2,635,676</b>	<b>\$ 2,158,484</b>

On behalf of the Board:



DIRECTOR



DIRECTOR

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

# Statement of Operations and Surplus

FOR THE YEAR ENDED MARCH 31	2011	2010
<b>Revenue</b>		
Registration fees	\$ 4,409,675	\$ 4,108,250
Licence fees	1,103,886	1,151,408
	<b>5,513,561</b>	<b>5,259,658</b>
<b>Expenses</b>		
Salaries and benefits	3,858,546	3,601,071
Rent	343,385	331,414
Legal and professional fees	137,691	163,984
Transportation	127,179	131,421
Public education	123,046	119,418
Communications	121,584	104,252
Education, training, and conference	112,923	97,923
Supplies and services	98,757	102,519
Amortization – capital assets	69,120	73,722
– intangible assets	1,771	2,578
Commission Board	48,353	59,789
Accommodations	42,064	56,463
Other expenses	30,571	45,913
HR/Systems support	28,500	21,426
First Nations legal and professional	12,736	7,381
	<b>5,156,226</b>	<b>4,919,274</b>
<b>Income before other items</b>	<b>357,335</b>	<b>340,384</b>
<b>Other items</b>		
Interest income	20,860	2,622
Other income	50,269	31,404
	<b>71,129</b>	<b>34,026</b>
<b>Excess revenue and comprehensive income</b>	<b>428,464</b>	<b>374,410</b>
<b>Surplus, beginning of year</b>	<b>1,034,582</b>	<b>660,172</b>
<b>Surplus, end of year</b>	<b>\$ 1,463,046</b>	<b>\$ 1,034,582</b>

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

# Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses	\$ 428,464	\$ 374,410
Items not involving cash		
Amortization of capital assets	69,120	73,722
Amortization of intangible assets	1,771	2,578
Amortization of capital assets related to the Commission Board	1,366	1,470
	<b>500,721</b>	<b>452,180</b>
Changes in non-cash working capital balances		
Accounts receivable	(1,782)	29,792
Prepaid expenses	(2,184)	(609)
Accounts payable and accrued liabilities	14,185	(24,524)
Provision for employee severance benefits	40,932	26,950
Provision for employee pension benefits	(6,389)	(17,851)
	<b>545,483</b>	<b>465,938</b>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(38,106)	(42,503)
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>507,377</b>	<b>423,435</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,600,251</b>	<b>1,176,816</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,107,628</b>	<b>\$ 1,600,251</b>
<b>Represented by</b>		
Cash	\$ 87,391	\$ 222,655
Short term investments	2,020,237	1,377,596
	<b>\$ 2,107,628</b>	<b>\$ 1,600,251</b>
<b>Supplemental cash flow information</b>		
Interest income	20,860	2,622

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



# Notes to Financial Statements

FOR THE YEAR ENDED MARCH 31, 2011

## 1 Nature of Business

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 Change in Accounting Policies

### FUTURE ACCOUNTING CHANGES

Convergence with Public Sector Accounting Standards as issued by the Public Sector Accounting Board.

Effective April 1, 2011 the MGCC will be adopting Public Sector Accounting Standards issued by the Public Sector Accounting Board. The MGCC is currently in the process of quantifying the impact these changes will have on its financial position.

## 3 Significant Accounting Policies

### A. GENERAL

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

### B. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### C. 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 (69 months)

### D. INTANGIBLE ASSETS

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

Computer software	30% declining balance basis
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### E. REVENUE RECOGNITION

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

### F. CAPITAL DISCLOSURES

In the context of the MGCC, capital is defined as the surplus of the MGCC. Externally-imposed capital requirements relate to the administration of the MGCC in accordance with The Gaming Control Act and accompanying regulations. The MGCC has developed appropriate risk management strategies, as described in note 4, to preserve the surplus of the MGCC. The MGCC has complied with externally-imposed capital requirements during the year.

#### 4 Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of MGCC are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and short term investments	Held for trading	Fair value
Long term investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations and surplus in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations and surplus for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in a statement of changes in net assets or other comprehensive income until realized, at which time they are recorded in the statement of operations and surplus.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

It has been determined that the MGCC's investments would be classified as Level 2 because they are invested with the Department of Finance.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet are as follows:

Financial Asset/Liability	2011		2010	
	Carrying Value	Fair Amount	Carrying Value	Fair Amount
Cash and short term investments	\$ 2,107,628	\$ 2,107,628	\$ 1,600,251	\$ 1,600,251
Accounts receivable	32,211	32,211	30,429	30,429
Long term investment	146,079	146,079	146,079	146,079
Accounts payable	39,991	39,991	45,991	45,991
Accrued liabilities	497,453	497,453	477,268	477,268

## FINANCIAL RISK MANAGEMENT - OVERVIEW

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.

The MGCC manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance in accordance with its risk management framework. The MGCC's Board of Commissioners has overall responsibility for the establishment and oversight of the MGCC's objectives, policies and procedures for measuring, monitoring and managing these risks.

The MGCC has exposure to the following risks associated with its financial instruments. Analysis of sensitivity to specified risks is provided where there may be an effect on the results of operations or financial position. Sensitivity analysis is performed by relating the reasonably possible changes in risk variables as at March 31, 2011 to the financial instruments outstanding on that date.

### 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 MGCC to credit risk consist principally of cash, short term investments and accounts receivable.

The maximum exposure of MGCC to credit risk at March 31, 2011 is:

Cash and short term investments	\$2,107,628
Accounts receivable	32,211
Long term investment	146,079
	<hr/>
	\$2,285,918

Cash and funds on deposits: MGCC is not exposed to significant credit risk as the cash, short term investments and long term investments are held by the Minister of Finance.

Accounts receivable: MGCC is not exposed to significant credit risk as licence and registration fees from charities, Manitoba Lotteries Corporation, First Nations casinos, and suppliers are typically collected when they are due. Employee advances are collected upon retirement. Other trade receivables are not typical and have been collected subsequent to year end. As such, no specific allowance for doubtful accounts has been created as the potential for any receivable impairment is negligible.

### LIQUIDITY RISK

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

MGCC manages liquidity risk by maintaining adequate cash balances and by appropriately utilizing working capital advances if required. MGCC prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified funding requirements are requested, reviewed and approved by the Minister of Finance to ensure adequate funding will be received to meet the obligations. 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 MGCC's income or the fair values of its financial instruments. The significant market risks MGCC is exposed to are interest rate risk and foreign currency 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 short term investments and long term debt.

The interest rate risk on short term investments is considered to be low because of their short-term nature. The interest rate risk on long term investments is considered low as the original deposit is reinvested annually at rates for investments with similar terms and conditions.

## 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. MGCC is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

### 5 Accounts Receivable

	<b>2011</b>	<b>2010</b>
Charitable licence holders	\$ 517	\$ 2,470
Manitoba Lotteries Corporation	14,200	9,300
First Nations casinos	4,550	3,100
Employee advances	10,810	9,819
Supplier investigations	574	3,161
Other trades	1,560	2,579
	<b>\$ 32,211</b>	<b>\$ 30,429</b>

### 6 Capital Assets

#### 2011

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Equipment	\$ 65,169	\$ 55,854	\$ 9,315
Furniture and fixtures	420,596	261,723	158,873
Computer equipment	930,249	828,680	101,569
Leasehold improvements	57,318	15,244	42,074
	<b>\$ 1,473,332</b>	<b>\$ 1,161,501</b>	<b>\$ 311,831</b>

#### 2010

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Equipment	\$ 64,367	\$ 53,709	\$ 10,658
Furniture and fixtures	412,482	244,401	168,081
Computer equipment	939,622	823,575	116,047
Leasehold improvements	57,318	7,927	49,391
	<b>\$ 1,473,789</b>	<b>\$ 1,129,612</b>	<b>\$ 344,177</b>

## 7 Intangible Assets

### 2011

	Cost	Accumulated Amortization	Net Book Value
Computer software	\$ 66,443	\$ 62,232	\$ 4,211

### 2010

	Cost	Accumulated Amortization	Net Book Value
Computer software	\$ 66,443	\$ 60,427	\$ 6,016

## 8 Long Term Investment - Provision for Employee Severance Benefits

Effective April 1, 1998, the MGCC commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. During the last collective bargaining session it was negotiated that effective April 1, 2007 all employees would be eligible for severance pay benefits. The amount of this estimated liability is determined using the annual actuarial report of severance obligations as at March 31, 2011.

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 17 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, 2011. The MGCC's actuarially determined net liability for accounting purposes as at March 31, 2011 was \$606,675 (2010 - \$565,743). An actuarial gain of \$31,137 will be amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2011 Valuation and in the determination of the March 31, 2011 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%

The Province of Manitoba had accepted responsibility for the severance pay benefits of \$146,079 accumulated to March 31, 1998 for certain of its employees. Effective March 31, 2010 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.

## 9 Commitments

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

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

2012	281,329
2013	291,497
2014	291,497
2015	296,581
2016	311,834

## 10 Economic Dependence

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees. The Manitoba Lotteries Corporation is related to the MGCC through common ownership by the Province of Manitoba. The registration fees are recorded at the amount prescribed by MGCC regulation.

## 11 Pension Plans

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 \$183,065. Contributions for the 2010 year were \$173,601.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. Based on the triennial actuarial report of pension obligations as at March 31, 2011, a reserve of \$28,511 has been established as a pension liability for these employees. Actuarial gains and losses are recognized in income immediately. Significant long-term actuarial assumptions used in the March 31, 2010 Valuation and in the determination of the March 31, 2011 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%

## 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 (2010 \$2,000,000). As at March 31, 2011 \$2,000,000 (2010 \$2,000,000) of these advances were unused and available.

# Board of Commissioners 2010/11

## **Darlene Dziewit**

CHAIRPERSON

Lorette

## **Lucille Cenerini**

VICE-CHAIRPERSON

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## **Barbara Bruce**

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Peguis First Nation

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COMMISSIONER

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## Manitoba Gaming Control Commission

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