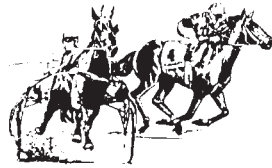


Manitoba



ANNUAL REPORT

2015 - 2016

Manitoba
Horse Racing
Commission



Tom Goodman (Chair)
Brian Billeck (Vice-Chair)
Andrew Moreau (Member)
Donna Drever (Member)
Margaret Teske (Member)

Larry Huber (Executive Director)

MANITOBA HORSE RACING COMMISSION

PO BOX 46086 WESTDALE
WINNIPEG MB R3R 3S3

Telephone (204) 885-7770 Facsimile (204) 831-0942
<http://www.manitobahorsecomm.org>

June 30th, 2016

The Honorable Ralph Eichler
Minister of Agriculture
Room 165
Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

Dear Mr. Eichler:

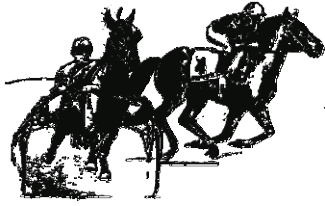
Annual Report

The undersigned has the honour to present the Fiftieth Annual Report of the Manitoba Horse Racing Commission covering the fiscal year ended March 31st, 2016.

Yours truly,

Manitoba Horse Racing Commission

Tom Goodman
Chair, MHRC



Tom Goodman (Président) Brian
Billeck (Vice-président) Andrew
Moreau (Membre)
Donna Drever (Membre)
Margaret Teske (Membre)

Directeur general : Larry Huber

MANITOBA HORSE RACING COMMISSION

C.P. 46086 WESTDALE
WINNIPEG MB R3R 3S3

Téléphone (204) 885-7770 Fax (204) 831-0942

Courriel : mhrc@manitobahorsecomm.org
<http://www.manitobahorsecomm.org>

Le 30 juin 2016

L'honorable Ralph Eichler
Ministre de l'agriculture
Pièce 165
Assemblée législative
Broadway 450
Winnipeg, MB R3C 0V8

Monsieur la ministre :

Rapport annuel

Le soussigné a le privilège de vous présenter le 50e Rapport annuel de la Manitoba Horse Racing Commission pour l'exercice financier qui a pris fin le 31 mars 2016.

Bien cordialement,

Commission hippique du Manitoba

(Manitoba Horse Racing Commission)

Tom Goodman
Président, MHRC

**FIFTIETH ANNUAL REPORT
THE MANITOBA HORSE RACING COMMISSION**

For the year ending March 31st, 2016

COMMISSIONERS

Tom Goodman	Chair	Stonewall
Brian Billeck	Vice Chair	Winnipeg
Andrew Moreau	Member	Winnipeg
Donna Drever	Member	Winnipeg
Margaret Teske	Member	Winnipeg

50e Rapport Annuel

COMMISSION HIPPIQUE DU MANITOBA

(THE MANITOBA HORSE RACING COMMISSION)

Exercice financier terminé le 31 mars 2016

COMMISSAIRES

Tom Goodman	Président	Stonewall
Brian Billeck	Vice-président	Winnipeg
Andrew Moreau	Membre	Winnipeg
Donna Drever	Membre	Winnipeg
Margaret Teske	Membre	Winnipeg

FIFTIETH ANNUAL REPORT
THE MANITOBA HORSE RACING COMMISSION

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FIFTIETH ANNUAL REPORT

GENERAL

This report covers the twelve-month period ending March 31st, 2016.

FUNCTIONS OF THE MANITOBA HORSE RACING COMMISSION

Pursuant to the Horse Racing Commission Act and Regulations thereto, the Manitoba Horse Racing Commission (the “Commission”) governs, directs, controls, and regulates horse racing and the operation of all racetracks in Manitoba offering pari-mutuel wagering.

Accordingly, the Commission passes and enforces rules, licenses all industry participants and racetrack operators, and generally oversees all aspects of horse racing to ensure that it is carried on in a manner that is fair and safe for all participants and that the races are run fairly and honestly and are perceived as such by the public. A veterinarian is employed to inspect and monitor the condition of all horses running at the track.

The rules are enforced on a day-to-day basis by Stewards who are employed by the commission. Generally, appeals from their decisions may be made as a matter of right to the Commission. An exception is that there is no appeal of discretionary race calls relating to such matters as placement. There is no appeal as a matter of right to any Court or any entity beyond the Commission.

Pursuant to the Pari-Mutuel Levy Act, a fixed percentage of each dollar wagered in Manitoba is collected by the track operator and remitted to the commission for distribution as authorized by the Act. The Commission is charged with the responsibility of adopting a plan on an annual basis for distribution of the funds.

The Minister of Finance must approve the plan, once adopted, it becomes effective. The current plan provides that the Commission shall retain 1% for its own operation, remit 15% to the Minister of Finance and distribute the balance to the racing industry. For the fiscal period covered by this report, a total of \$22,661,298.00 (all numbers rounded) was wagered, resulting in a total Pari-Mutuel Levy of \$2,218,056.00. The Commission retained \$230,241.00 to cover its expenses and distributed the balance as follows:

(1) \$331,957.00 was remitted to the Province of Manitoba;

(2) \$1,303,856.00 to the Thoroughbred Horsemen's Benevolent and Protective Association ("HBPA") for purse support;

(3) \$347,002.00 to the Canadian Thoroughbred Horse Society ("CTHS") to support its breeding program.

The Province provided separate grants of \$350,000.00 and \$60,000.00 to the Standardbred Horse industry.

THOROUGHBRED RACING

Once again total wagering on Thoroughbred racing (including live and simulcast) declined from the previous year's handles. Details are provided in Schedule "A". Racing days at Assiniboia Downs("ASD") were decreased from 60 to 50 at the request of the Manitoba Jockey Club ("MJC"). Two of those days were cancelled due to inclement weather.

STANDARD BRED RACING

In 2015 the Manitoba Great Western Harness Racing Circuit raced 17 days of their 20 day schedule. Three days were cancelled due to inclement weather. Wagering on the rural circuit declined significantly. Details are provided on Schedule "B".

QUARTER HORSE RACING

There were only four Quarter Horse races offered at ASD in 2015.

SALE OF ASD

In the fall of 2013, the commission first became aware of a mortgage from MJC to a numbered company owned by Peguis First Nation and a related Joint Venture Agreement (“JVA”). The commission was concerned the mortgage was being used as a vehicle to transfer ownership of ASD. Section 26(3) of Regulation 10/91 of the Horse Race Commission Act directs that there should be no such transfer without our prior approval.

As previously reported, MJC sued the commission in order to avoid disclosure of the JVA, but their application was dismissed with costs payable to the Commission. During the course of the litigation, the Commission also became aware of an accepted offer to purchase by Peguis.

The commission has shared the mortgage, the JVA and the accepted Offer to Purchase with officials of the HBPA and the CTHS. Counsel for MJC has assured the Commission that there has been no sale of ASD but has filed an application for approval of the transfer under protest. Among other indicia of a sale, MJC appears to have paid a sales commission of \$840,000.00. The matter has been on hold pending anticipated changes to the JVA.

THE ENGINEER'S REPORT

In its last report, the Commission expressed our concern about the condition of the buildings and structures in the barn area. We retained a structural engineer who found several of the buildings and structures to be unsafe for human occupation, and made recommendations for repair and remediation. MJC's engineer agreed with those recommendations. Sufficient repair and remediation work has been completed by MJC that we are satisfied that the buildings and structures in question are now safe to occupy.

THE SECURITY REPORT

Security at ASD was inadequate. At our request, Pat Dauk, a retired RCMP staff sergeant and former livestock investigations coordinator for the RCMP, prepared a comprehensive security report, which was provided to MJC. Many of Dauk's recommended improvements have been acted upon and others in process. In short, security at ASD is much better.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom Goodman". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Tom Goodman, Chair.

50e RAPPORT ANNUEL

COMMISSION HIPPIQUE DU MANITOBA (THE MANITOBA HORSE RACING COMMISSION)

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CINQUANTIÈME RAPPORT ANNUEL

GÉNÉRAL

Le présent rapport couvre la période de douze mois prenant fin le 31 mars 2016.

FONCTIONS DE LA COMMISSION HIPPIQUE DU MANITOBA

En vertu de la *Loi sur la commission hippique* et de son règlement d'application, la Commission hippique du Manitoba (la Commission) régit, dirige, contrôle et réglemente les courses de chevaux et l'exploitation de tous les hippodromes du Manitoba offrant des services de pari mutuel.

En conséquence, la Commission vote et applique des règlements, et autorise les intervenants du secteur et les exploitants d'hippodromes. De façon générale, elle surveille tous les aspects de la course hippique pour garantir qu'elle se déroule d'une manière équitable et sûre pour tous les participants, et que les courses soient disputées justement et honnêtement, et perçues comme telles par le public. Un vétérinaire est embauché pour vérifier et surveiller l'état de santé des chevaux participant aux courses.

Les règlements sont appliqués au quotidien par des commissaires employés par la Commission. En général, des appels de leurs décisions peuvent être présentés de droit à la Commission. Une exception est faite concernant les décisions discrétionnaires liées au classement. Il n'y a aucun appel de droit à aucune Cour ni aucune entité au-delà de la Commission.

En vertu de la *Loi concernant les prélèvements sur les mises de pari mutuel*, un pourcentage fixe de chaque dollar parié au Manitoba est prélevé par l'exploitant de la piste et remis à la Commission aux fins de distribution conformément à la Loi. La Commission a la responsabilité d'adopter un plan, sur une base annuelle, pour la distribution du fonds.

Le ministre des Finances doit approuver le plan qui, une fois adopté, entre en vigueur. Le plan actuel prévoit que la Commission retienne 1 % pour son propre fonctionnement, remette 15 % au ministre des Finances et distribue le solde au sein de l'industrie des courses de chevaux. Pour l'exercice financier couvert par ce rapport, les paris totalisaient 22 661 298,00 \$ (chiffres arrondis), ce qui a donné lieu à un total de prélèvements sur les mises de pari-mutuel de 2 218 056,00 \$. La Commission a retenu 230 241,00 \$ pour couvrir ses dépenses et a distribué le solde comme suit :

(1) 331 957,00 \$ ont été remis à la Province du Manitoba;

(2) 1 303 856,00 \$ à la division des pur-sang de la Horsemen's Benevolent and Protective Association (HBPA), en soutien aux bourses;

(3) 347 002,00 \$ à la Société canadienne du cheval thoroughbred, pour soutenir son programme de sélection.

La Province a accordé des octrois séparés de 350 000,00 \$ et de 60 000,00 \$ à l'industrie du cheval standardbred.

COURSES DE PUR-SANG

Encore une fois, le total des paris sur les courses de pur-sang (en direct et transmises en simultané) a décliné par rapport aux paris des années précédentes. Les précisions se trouvent en Annexe A. Les jours de courses à l'Assiniboia Downs (ASD) sont passés de 60 à 50 à la demande du Manitoba Jockey Club Inc. (MJC). Deux de ces jours ont été annulés en raison de conditions météorologiques défavorables.

COURSES DE STANDARDBRED

En 2015, le Manitoba Great Western Harness Racing Circuit a connu 17 jours de courses, au lieu des 20 jours prévus. Trois jours ont dû être annulés en raison de conditions météorologiques défavorables. Les paris sur le circuit central ont diminué considérablement. Les précisions se trouvent en Annexe B.

COURSES DE QUARTERHORSES

Il n'y a eu que quatre courses de quarterhorses à l'Assiniboia Downs en 2015.

VENTE DE L'ASD

À l'automne 2013, la Commission a eu connaissance d'un prêt hypothécaire accordé par le Manitoba Jockey Club Inc. (MJC) à une société à dénomination numérique appartenant à la Première nation de Peguis et dans le cadre d'un accord de

coentreprise connexe. La Commission craignait que ce prêt hypothécaire ne serve de véhicule pour le transfert du droit de propriété de l'ASD. Or, le paragraphe 3 de l'article 26 du règlement 10/91 de la *Loi sur la Commission hippique* stipule qu'il ne peut y avoir de tels transferts sans notre approbation préalable.

Comme il a déjà été indiqué, le MJC a poursuivi la Commission en justice pour éviter que soit divulgué l'accord de coentreprise, mais sa demande a été rejetée et il était redevable des coûts à la Commission. Pendant l'instruction du litige, la Commission a aussi eu connaissance d'une offre d'achat acceptée par la Première nation de Peguis.

La Commission a fait part du prêt hypothécaire, de l'accord de coentreprise et de l'offre d'achat acceptée aux représentants officiels de la Horsemen's Benevolent and Protective Association et de la Société canadienne du cheval thoroughbred. Un avocat du MJC a assuré à la Commission qu'il n'y a pas eu vente de l'ASD, mais a déposé une demande en vue de l'approbation du transfert sous toute réserve. Parmi les autres indices évoquant une vente, le MJC semble avoir versé une commission de vente de 840 000 00 \$. L'affaire a été suspendue dans l'attente des modifications prévues à l'accord de coentreprise.

LE RAPPORT DE L'INGÉNIEUR

Dans son dernier rapport, la Commission était préoccupée par l'état des bâtiments et installations du secteur des écuries. Nous avons retenu les services d'un ingénieur en structures, qui a indiqué que plusieurs bâtiments n'étaient

plus sûrs pour les personnes et qui a émis des recommandations en vue de leur réparation et restauration. L'ingénieur du MJC était d'accord avec ces recommandations. Par suite d'importants travaux de réparation et de restauration réalisés par le MJC, nous sommes contents de constater que les bâtiments et structures sont sûres à présent.

LE RAPPORT DE SÉCURITÉ

La sécurité à l'ASD a fait défaut. À notre demande, Pat Dauk, sergent d'état-major de la GRC à la retraite et ancien coordonnateur chargé de veiller au bon traitement du bétail pour le compte de la GRC, a préparé un rapport complet en matière de sécurité, qui a été communiqué au MJC. Nombre des améliorations préconisées par M. Dauk ont été apportées et d'autres sont en cours. Bref, on remarque déjà un net progrès.

Le tout respectueusement soumis,

A handwritten signature in black ink, appearing to read 'Tom Goodman', written in a cursive style.

Tom Goodman, président

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the annual report, is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance as to the reliability and accuracy of the financial information and to ensure that the assets of the Commission are properly safeguarded.

The responsibility of the Auditor is to express an independent professional opinion as to whether the financial statements are presented fairly, in all material respects.

Larry Huber
Executive Director

A handwritten signature in black ink, appearing to be 'LH', with a long horizontal flourish extending to the right.

Date: June 30th, 2016

RAPPORT DE GESTION

Les états financiers ci-joints sont la responsabilité de la direction et ont été préparés conformément aux principes comptables canadiens généralement reconnus. À notre avis, les états financiers ont été convenablement préparés à l'intérieur des limites de l'importance relative des renseignements, en y incorporant le meilleur jugement de la direction en ce qui a trait aux estimations requises ainsi que toutes autres données disponibles. L'information financière présentée ailleurs dans ce rapport annuel est conforme à ce que l'on retrouve dans les états financiers.

La direction maintient des contrôles internes afin d'assurer, et ce dans la mesure du possible, que l'information financière est précise et fiable et aussi que les actifs de la commission soient bien protégés.

La responsabilité du vérificateur consiste à formuler une opinion professionnelle indépendante quant à la justesse des états financiers, à tous égards importants.

Larry Huber
Directeur général



Date: le 30 juin 2016

**ASSINIBOIA DOWNS
LIVE RACING**

SCHEDULE A

	2015/16	2014/15
<i>Wagering (live)</i>		
On track	2,636,709	3,156,171
Partners (out of province)	3,877,140	4,512,298
Total	6,513,849	7,688,469
Average daily wager (on track)	54,931	55,205
Average daily wager (partner)	80,773	79,163
<i>Number of live race days</i>	48	57
<i>Number of live races</i>		
Overnights	307	396
Stakes	26	28
Quarter horse	4	4
<i>Purse paid out</i>		
Overnights	2,785,800	4,202,600
Stakes	705,000	928,000
Quarter horse	50,000	50,000

SIMULCAST RACING

	2015/16	2014/15
Number of wagering days	364	364
Total simulcast wagering	20,024,589	21,244,714

PROVINCIAL PARI-MUTUEL WAGERING

	2015/16	2014/15
Live wagering	2,636,709	3,156,171
Simulcast wagering	20,024,589	21,244,714
Total	22,661,298	24,401,431

Take-out Percentage for Assiniboia Downs

Pursuant to regulations issued by the Federal Department of Agriculture

Assiniboia Downs deducts and retains percentages from each betting pool as follows:

	Association %	Provincial %	Federal %
Win, Place, Show	10.70	7.5	0.8
Daily Double, Exactor & Quinella	17.70	7.5	0.8
Pick 4	1.70	12.5	0.8
Pick Pools	15.70	12.5	0.8
Superfecta & Triactor	15.70	12.5	0.8

SCHEDULE B

RURAL RACING

Racing Days

<u>Standardbred</u>	<u>2015/16</u>	<u>2014/15</u>
Glenboro	2	4
Holland	2	0
Killarney	4	7
Miami	4	5
Morris	5	3
Subtotal	<u>17</u>	<u>19</u>

5 rain outs

Amount Wagered

	<u>2015/16</u>	<u>2014/15</u>
Glenboro	7,518	16,628
Holland	7,080	0
Killarney	21,533	36,753
Miami	9,670	16,234
Morris	11,449	8,559
	<u>\$57,250</u>	<u>\$78,174</u>

STRATEGIC INITIATIVES PROGRAM

	<u>2015/2016</u>	<u>2014/2015</u>
Overnight purse	199,400	227,500
Breeders	77,600	90,000
Ag Societies	54,000	66,000
MGWHRC admin	<u>16,500</u>	<u>16,500</u>
Sub Total	\$347,500	\$400,000

MHRC Allocation		
Admin	37,500	37,500
Drug Teting	<u>25,000</u>	<u>25,000</u>
Sub total	\$62,500	\$62,500

TOTAL STRATEGIC INITIATIVES \$410,000

SCHEDULE C

MANITOBA HORSE RACING COMMISSION

Occupational Licenses and Registration for the year ending

Occupational Licenses	Thoroughbred		Standardbred	
	2015/16	2014/15	2015/16	2014/15
Owner/Trainer	52	60	15	12
Trainer	23	19	0	1
Assistant Trainer	2	6	0	0
Owner/Trainer/Driver	0	0	15	16
Owner/Driver	0	0	4	3
Jockey (1/4 & Amateur incl.)	17	24	0	0
Apprentice Jockey/Exercise Rider/pony	60	42	0	0
Driver	0	0	1	2
Driver/Trainer	0	0	3	2
Jockey Agent	6	6	0	0
Officials	8	8	3	6
Backstretch - occupational	91	112	2	3
Occ 1 (Assoc., Kit. Sec., etc.)	37	31	0	0
Occ 2 (Press, daycare etc.)	79	101	0	0
Occ 3 (Tradesmen,video etc.)	23	18	0	0
Occ 5 (Veterinarians, etc.)	6	5	0	0
Vet assistant	<u>5</u>	<u>6</u>	<u>0</u>	<u>0</u>
TOTAL LICENSES ISSUED:	<u>409</u>	<u>438</u>	<u>43</u>	<u>45</u>

Registrations & Non-Occupational

	Thoroughbred		Standardbred	
	2015/16	2014/15	2015/16	2014/15
Owners	251	311	29	40
*owners with grooms licences	16	17	9	7
Sponsored Persons	45	41	0	0
Partnerships	127	129	7	8
Stable Names	62	80	1	0
Colours	27	34	0	0
Leases	0	0	2	0
Authorized Agents	<u>101</u>	<u>157</u>	<u>5</u>	<u>2</u>
TOTAL NON OCCUPATION	<u>629</u>	<u>769</u>	<u>53</u>	<u>57</u>

MANITOBA HORSE RACING COMMISSION

<u>THOROUGHBRED</u>	<u>2015/16</u>	<u>2014/15</u>
RULINGS STEWARDS	23	22
COMMISSION RULINGS	2	2
FINES	\$2,960.00	\$14,620.00
<u>STANDARD BRED</u>	<u>2015/16</u>	<u>2014/15</u>
RULINGS	14	11
FINES	\$800.00	\$975.00

**MANITOBA HORSE RACING
COMMISSION**

Financial Statements
For the year ended March 31, 2016

MANITOBA HORSE RACING COMMISSION

Financial Statements

For the year ended March 31, 2016

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Statement of Operating Revenue and Expenses and Fund Balances	4
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Schedule of General and Administrative Expenses	12



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www.bdo.ca

BDO Canada LLP/s.r.l./S.E.N.C.R.L.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Commissioners of
MANITOBA HORSE RACING COMMISSION

We have audited the accompanying financial statements of MANITOBA HORSE RACING COMMISSION, which comprise the statement of financial position as at March 31, 2016, and the statement of operating revenue and expenses and fund balances and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the 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, these financial statements present fairly, in all material respects, the financial position of the Manitoba Horse Racing Commission as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 22, 2016

MANITOBA HORSE RACING COMMISSION
Statement of Financial Position

March 31

2016 2015

	General Fund	Capital Assets Fund	Pari-Mutuel Levy Fund	Minister of Finance Fund	Rural Fund	Restricted Funds		Total
						H.B.P.A. Fund	C.T.H.S. Fund	
Assets								
Current Assets								
Cash (bank indebtedness)	\$ 151,307	\$ -	\$ -	\$ (40)	\$ 5,405	\$ 32,256	\$ 132,203	\$ 321,131
Accounts receivable	-	-	-	40	-	-	-	40
Receivable from the Province of Manitoba - pension	74,703	-	-	-	-	-	-	74,703
Prepaid expenses	4,334	-	-	-	-	-	-	4,334
	230,344	-	-	-	5,405	32,256	132,203	400,208
Long-term investment (Note 2)	270,611	-	-	-	-	-	-	270,611
Capital assets (Note 3)	-	9,961	-	-	-	-	-	9,961
	270,611	9,961	-	-	-	-	-	280,572
	\$ 500,955	\$ 9,961	\$ -	\$ -	\$ 5,405	\$ 32,256	\$ 132,203	\$ 680,780
								\$ 704,683
Liabilities and Fund Balances								
Current Liabilities								
Accounts payable and accrued liabilities	\$ 44,575	\$ -	\$ -	\$ -	\$ 5,405	\$ 32,256	\$ 132,203	\$ 214,439
Deferred revenue	4,320	-	-	-	-	-	-	4,320
Provision for employee pension benefits (Note 4)	345,314	-	-	-	-	-	-	345,314
	394,209	-	-	-	5,405	32,256	132,203	564,073
								615,810
Fund Balances								
Unrestricted	106,746	-	-	-	-	-	-	106,746
Invested in capital assets	-	9,961	-	-	-	-	-	9,961
	106,746	9,961	-	-	-	-	-	116,707
	\$ 500,955	\$ 9,961	\$ -	\$ -	\$ 5,405	\$ 32,256	\$ 132,203	\$ 680,780
								\$ 704,683

Approved on behalf of the Commission:



Chairman



Controller

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

MANITOBA HORSE RACING COMMISSION
Statement of Operating Revenue and Expenses and Fund Balances

For the year ended March 31

2016 2015

	General Fund	Capital Assets Fund	Pari-Mutuel Levy Fund	Minister of Finance Fund	Rural Fund	Restricted Funds			Total
						H.B.P.A. Fund	C.T.H.S. Fund	Total	
Revenue									
Fees, licenses and fines (Note 5)	\$ 165,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,287
Grant from Manitoba Agriculture, Food and Rural Development	196,500	-	-	-	347,500	-	-	-	544,000
Interest	335	-	-	-	-	-	-	-	335
Pari-mutuel levy	-	-	2,213,057	-	-	-	-	-	2,213,057
Sundry	621	-	-	-	-	-	-	-	621
	362,743	-	2,213,057	-	347,500	-	-	-	2,923,300
Expenditures									
General Fund operating expenses (Schedule 1)	563,823	-	-	-	-	-	-	-	563,823
Overnight purse support thoroughbred	-	-	-	331,957	-	-	347,002	-	1,982,815
Owners/breeders incentive thoroughbred	-	-	-	-	-	-	-	-	-
Quarter Horse support	-	-	-	-	-	-	-	-	-
Amortization of capital assets	-	1,328	-	-	-	-	-	-	1,328
Standard rural	-	-	-	-	347,500	-	-	-	347,500
Other	-	-	-	-	-	-	-	-	-
	563,823	1,328	-	331,957	347,500	1,303,856	347,002	-	2,895,466
	362,743	-	2,213,057	-	347,500	-	-	-	3,148,369
Excess (deficiency) of revenue over expenditures for the year	(201,080)	(1,328)	2,213,057	(331,957)	-	(1,303,856)	(347,002)	-	27,834
Pari-Mutuel Levy Fund transfer	230,242	-	(2,213,057)	331,957	-	1,303,856	347,002	-	-
Fund balances, beginning of year	77,584	11,289	-	-	-	-	-	-	88,873
Fund balances, end of year	\$ 106,746	\$ 9,961	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,707
									\$ 88,873

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

MANITOBA HORSE RACING COMMISSION Statement of Cash Flows

For the year ended March 31	2016	2015
Cash Flows from Operating Activities		
Excess of revenue over expenditures	\$ 27,834	\$ 25,288
Amortization of capital assets	1,328	1,611
	<u>29,162</u>	26,899
Changes in non-cash working capital balances		
Receivable from Province of Manitoba - pension	(16,132)	(3,432)
Prepaid expenses	(4,334)	-
Accounts payable and accrued liabilities	(73,308)	71,673
Deferred revenue	4,320	-
Provision for employee pension benefits (Note 4)	17,211	5,811
	<u>(43,081)</u>	100,951
Cash Flows from Investing Activities		
Net change in investments	<u>(1,079)</u>	(2,379)
Increase (decrease) in cash and bank during the year	(44,160)	98,572
Cash, beginning of year	<u>365,291</u>	<u>266,719</u>
Cash, end of year	\$ 321,131	\$ 365,291

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

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Significant Accounting Policies

Nature of the Organization

Manitoba Horse Racing Commission (the "Organization") was established under The Horse Racing Commission Act to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba. The Commission's sustainability is dependent upon on-going financial resources realized through The Horse Racing Commission Act.

The operating expenses of the Commission in excess of revenue derived from its regulatory activities are funded by a grant from the Department of Agriculture, Food and Rural Development, interest earned on the General Fund, as well as a proportionate share of the Pari-Mutuel Levy according to the Plan for Distribution.

Revenues and expenses related to program delivery and administrative activities of the Commission are reported in the General Fund.

Capital Asset Fund represents the net investment of the Commission in capital assets.

Effective April 1, 1997, Pari-Mutuel Levy Act (the "Act") was enacted. The Act provides for the establishment of a Pari-Mutuel Levy Fund for the promotion of horse racing in Manitoba. The levy is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

The Minister of Finance Fund is used for levies deducted and paid to the Minister of Finance as per the Act.

The Rural Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the Rural Fund is provided through a grant from the Department of Agriculture, Food and Rural Development.

Horsemen's Benevolent Protection Association (H.B.PA) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.PA Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Canadian Thoroughbred Horsemen Society (C.T.H.S) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards and include the following significant accounting policies:

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Fund Accounting

The Commission follows the restricted fund method of accounting for contributions, and maintains seven funds: General Fund, Capital Asset Fund, Pari-Mutuel Levy Fund, Minister of Financial Fund, Rural Fund, H.B.PA Fund, and C.T.H.S. Fund.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

Pension Costs

Employees of the Commission are pensionable under the Civil Service Superannuation Act. Pension costs consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2014. Actuarial gains and losses are amortized over the average remaining service life of employees, commencing in the year following when the actuarial gain or loss arises.

Measurement Uncertainty (Use of Estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Fund Transfers

i) Capital asset fund transfer

Fund transfers represent allocations from the General Fund to the Capital Asset Fund for capital acquisitions.

ii) Pari-mutuel levy fund transfer

A pari-mutuel levy is collected by the Commission for the promotion of horse racing in Manitoba. The Pari-mutuel Levy Fund is then distributed in accordance with the Plan for Distribution.

Capital Assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Security equipment	10 years
Computer equipment	5 years
Furniture and fixtures	10 - 20 years

Financial Instruments

The financial instruments of the Commission consist of cash, receivable from the Province of Manitoba - pension, long term investment, and accounts payable and accrued liabilities.

All of the Commission's financial instruments are carried at cost or amortized cost.

If an impairment loss is determined by The Commission and there is no realistic prospect of recovery the financial asset(s) are written down to net recoverable value with the writedown being recognized in the statement of operating revenue and expenses and fund balances.

2. Long-term Investment

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for the pension liability. This payment was placed in an interest bearing trust account on March 31, 2009 and is held on behalf of the Manitoba Horse Racing Commission until the cash is required to discharge the related liabilities. Accordingly, this receivable is classified as long term.

MANITOBA HORSE RACING COMMISSION Notes to Financial Statements

For the year ended March 31, 2016

3. Capital Assets

	2016			2015		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Security equipment	\$ 13,118	\$ 8,848	\$ 4,270	\$ 13,118	\$ 7,699	\$ 5,419
Furniture & fixtures	7,571	7,233	338	7,571	7,182	389
Computer equipment	12,299	6,946	5,353	12,299	6,818	5,481
	\$ 32,988	\$ 23,027	\$ 9,961	\$ 32,988	\$ 21,699	\$ 11,289

4. Provision for Employee Pension Benefits

The Commission follows the accrual method of accounting for its employee pension benefits liability.

An actuarial valuation of the employee pension benefit liability as at December 31, 2014 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 6.00% (6.00% in 2013), 2.00% inflation (2.00% in 2013), salary rate increases of 3.75% (3.75% in 2013), discount rate of 6.00% (6.00% in 2013) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been estimated to March 31, 2016 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

The average remaining service life of employees is 1.78 years. During 2016 amortization of the net actuarial loss was \$12,910.

Provision for employer's share of employees' pension plan:

	2016	2015
Accrued benefit obligation, beginning of year	\$ 328,103	\$ 322,292
Benefits accrued	12,382	10,673
Interest accrued on benefits	18,356	15,002
Benefits paid	(27,874)	(25,756)
Accrued benefit obligation, end of year	330,967	322,211
Unamortized actuarial gain	14,347	5,892
Provision, end of year	\$ 345,314	\$ 328,103

MANITOBA HORSE RACING COMMISSION Notes to Financial Statements

For the year ended March 31, 2016

4. Provision for Employee Pension Benefits (continued)

The Commission's pension plan costs consist of the following:

	2016	2015
Benefits accrued	\$ 12,382	\$ 10,673
Interest accrued on benefits	18,356	15,002
Amortization of actuarial loss	(12,910)	(9,551)
	\$ 17,828	\$ 16,124

5. Fees, Licenses and Fines

	2016	2015
Assiniboia Downs		
Daily licenses	\$ 135,220	\$ 142,695
Fees and licenses	25,702	28,340
Fines	3,790	17,005
	164,712	188,040
Rural Circuit		
Fees and licenses	500	1,355
Fines	75	835
	575	2,190
	\$ 165,287	\$ 190,230

6. Financial Instruments

The Commission has exposure to the following risks from its use of financial instruments:

Liquidity Risk

Liquidity risk arises from the possibility of the Commission having insufficient financial resources to meet its financial obligations when they come due. The Commission mitigates this risk through cash management. Accounts payable and accrued liabilities are typically paid when due.

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2016

6. Financial Instruments (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and long term investment. The interest rate risk on cash and long term investment is considered to be low due to their short term nature and the long term investment is reinvested annually.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Commission to credit risk consist principally of cash, long term investment, accounts receivable and receivable from Province of Manitoba - pension.

Cash is not exposed to significant credit risk as cash is held with a large reputable financial institution.

Long term investment and receivable from Province of Manitoba - pension are not exposed to significant credit risk as both are with the Province of Manitoba.

Accounts receivable is not exposed to significant credit risk as payment in full is typically collected when due. No allowance for doubtful accounts is required.

Foreign Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

7. Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Commission is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Commission enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

MANITOBA HORSE RACING COMMISSION
Schedule of General and Administrative Expenses

For the year ended March 31	2016	2015
Commissioners' per diem and honoraria	\$ 8,736	\$ 18,141
Drug, alcohol and security	16,141	18,691
Employee benefits	60,048	31,238
Equipment and office furniture	1,367	4,080
Insurance	1,944	2,110
Membership and dues	5,432	5,132
Office	21,773	28,606
Pension cost	17,828	16,124
Professional fees	6,546	54,859
Repairs and Maintenance	26,061	41,789
Salaries		
Administration	185,965	167,009
Security	6,609	7,352
Stewards and judges	113,980	100,050
Veterinarian services	53,981	55,054
Support grant	11,839	32,786
Telephone	10,685	10,833
Travel	14,888	11,028
	\$ 563,823	\$ 604,882

MANITOBA HORSE RACING COMMISSION Note to Schedule of Compensation

For the year ended December 31, 2015

Basis of Accounting

Pursuant to Section 2 of The Public Sector Compensation Disclosure Act, the entity shall disclose to the public in accordance with the Act the amount of compensation that it pays or provides in the year directly or indirectly where such compensation equals or exceeds \$50,000 per year. Compensation means compensation pursuant to any arrangement, including an employment contract, calculated to include the total value of all cash and non-cash salary or payments, allowances, bonuses, commissions and perquisites. During the year ended December 31, 2015, the Commission paid the Board members in aggregate \$12,838, of which \$8,890 was paid to the Board Chair. During the fiscal year ended December 31, 2015, the following employees received compensation of wages and taxable benefits of \$50,000 or more:

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Huber, Larry	Executive Director	\$ 108,561
Meek, Dr. Joseph	Commission Veterinarian	52,324

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