



MANITOBA GAMING CONTROL COMMISSION
2005/2006 ANNUAL REPORT

this report belongs to...

Graphic Design by Manny Martins-Karman
Paper Design by My Mind's Eye

September 30, 2006

Honourable David Chomiak
Minister charged with the administration
of The Gaming Control Act
Room 104, Legislative Building
450 Broadway
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am honoured to present you with the Annual Report of the
Manitoba Gaming Control Commission for the fiscal year
ended March 31, 2006.

Respectfully submitted,



Darlene Dziewit
Chairperson

Our Vision

To be a recognized leader in the regulation and control of gaming activity by: continuously seeking opportunities to anticipate and respond to the evolving needs of those we serve; championing fair, balanced and responsible gaming policy; and inspiring public confidence in the integrity of gaming in Manitoba.



Our Mission

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

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Message

from the Chairperson



In early 2006, as part of the evaluation of our first public education campaign, we asked Manitobans what they knew about the Manitoba Gaming Control Commission (MGCC). We wanted to understand people's awareness of the MGCC and of gambling regulation in Manitoba, to identify gaps and build on existing knowledge.

We learned that a majority of respondents (67.5%) are aware that our role includes regulating gambling, licensing charitable gaming, ensuring the integrity and fairness of gambling and educating people about responsible gambling. As the Board, management and staff work with thousands of Manitobans every year, this is not surprising. That the responsibilities articulated by Manitobans so closely match our legislated mandate, "to ensure that gaming activity in Manitoba is conducted honestly, with integrity and in the public interest," is gratifying.

To meet Manitobans' expectations in achieving this mandate, we hold the charities, individuals, businesses and gaming equipment that we register, license and approve to standards that assure fairness, transparency and accountability. Criteria are established and applied via rigorous application, review, approval, monitoring and renewal processes and are maintained via comprehensive inspection, audit and investigation processes.

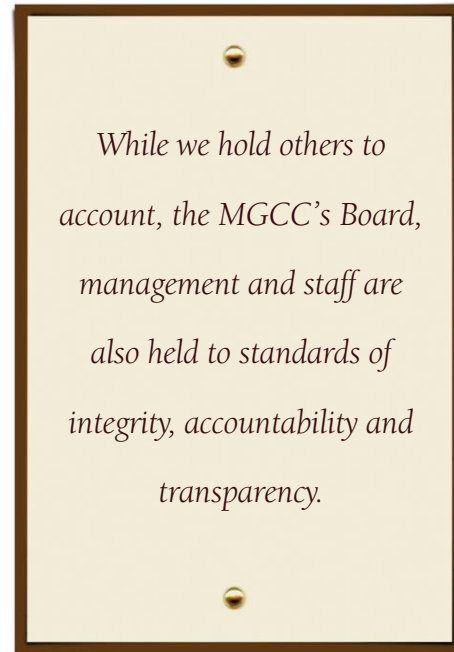
While we hold others to account, the MGCC's Board, management and staff are also held to standards of integrity, accountability and transparency. These standards are set in legislation; established through strong board governance and management practices; evaluated by independent, external review; and measured against our strategic goals.

In this regard, our annual report is our main accountability vehicle. Traditionally, this document reports on financial and operational matters. It is published and tabled in the Manitoba Legislative Assembly by the Minister charged with the

administration of The Gaming Control Act, posted on our website and available upon request. During the past several years, the MGCC's report has evolved to include a special section highlighting an aspect of our work, and this year, for the first time, we have included our corporate "scorecard" of goals, strategies and key accomplishments.

As has been our practice for the last four years, our annual financial audit was conducted by the Office of the Auditor General of Manitoba (OAG). In 2005/06, the OAG also conducted an audit to assess the MGCC's compliance with legislative provisions pertaining to financial reporting, budgeting and planning, safeguarding of assets, spending, revenue raising, borrowing, investing, board remuneration and expenses and trust activities. I am pleased to report that the OAG issued an unqualified Auditors' Report on our financial statements and confirmed the MGCC is in compliance with its specified legislative and related authorities. As an extra gauge, the Board also sought independent, third-party audit guidance to further enhance its oversight and financial transparency and reporting. In the coming year, this measure will be formalized via the establishment of an audit committee of the Board.

Finally, while our annual report always presents our activities during the course of the fiscal year, it should also be noted that our website is updated and enhanced on a regular basis. For example, during 2005/06, www.mgcc.mb.ca provided details on our Texas Hold'em Pilot Study, alerted the public to lottery frauds, reported on our current research activities, advised of new



terms and conditions for VLT siteholders, featured our award-winning public education campaign, linked to our new legislation and regulation, and informed Manitobans about game integrity and compliance measures and requirements. I encourage the reader to review this electronic accountability document for information on new initiatives, projects, public advisories and reports.

On behalf of my colleagues on the Board, I would like to extend my appreciation to the staff and management of the MGCC for the work accomplished on our behalf and in service to Manitobans.

A handwritten signature in blue ink, appearing to read "Darlene Dziewit". The signature is stylized and fluid.

Darlene Dziewit
Chairperson

Remarks

from the Executive Director



The scope of our work at the Manitoba Gaming Control Commission (MGCC) is demonstrated by the diversity of our clients and stakeholders. In 2005/06, this included over 1370 charitable organizations, 550 VLT siteholders, 47 First Nations, 2560 gaming employees and 40 industry suppliers. The multiplicity of these individuals, groups and interests; the evolution of gaming activities and equipment; the public's interest in gambling; and the challenges of new technology require that we robustly pursue our strategic goals to be a leader, adaptive, effective, balanced and communicative.

By way of example, the section on page 25, "Applying Our Strategic Plan - A Case Study: Texas Hold'em Poker," relates these strategic goals to the Board of Commissioners' decision to implement a pilot study for the licensing of charitable Texas Hold'em poker events. As the first gaming regulatory body in Canada (the second in North America) to develop and launch a Texas Hold'em initiative,

we are well aware of other jurisdictions' interest in this pilot study and its outcomes. The pilot study is a strong example of the MGCC's pursuit of its strategic plan and adherence to its core values of integrity, respect, balance, accountability, independence and public confidence. MGCC staff and management look forward to the conclusion of the pilot study in 2006/07, when it will be determined whether an appropriate model for charitable Texas Hold'em can be established and this gaming activity can be included among the MGCC's regularly licensed events.

As we continue to advance our strategic commitments, the MGCC also began "scorecard" tracking in 2005/06 to measure and report on our goals, strategies and key accomplishments. Our corporate scorecard reporting focuses on the perspective of Clients, Learning and Growth, and Finance; a fourth perspective, Business Processes, will be incorporated next year. This corporate and operational initiative improves the efficiency of our planning and performance measurement, as well as our accountability.

As a result of amendments to The Gaming Control Act proclaimed on April 15, 2005, the MGCC was able to further clarify our regulatory authority with respect to casino gaming, employee registration, inspections and investigations, reporting by other licensing authorities (municipalities and First Nations) and MGCC's dispute resolution and public hearing processes for players, applicants, licensees and registrants.

Having established our strategic direction and operational goals in previous years, our report for 2005/06 can be summarized as pursuing our vision and fulfilling our mission.

Preparation for the amendments preceded the proclamation; implementation took place over the course of 2005/06. This required significant and targeted communication and education with our stakeholders, clients and partners. Our new regulatory imperatives focused much of this work on financial audits and reporting, inspections, responsible gambling education messages, VLT registration terms and conditions and employee registration. Details of these activities are reported in our Year in Review section on page 10; the accomplishments are a credit to our staff.

As Ms. Dziewit notes in her remarks, it is gratifying that a majority of Manitobans are aware of our mandate to regulate and control gambling. Also gratifying are the results of another MGCC research project, our first employee feedback survey, which revealed that 92% of employees agree that the MGCC is a great workplace. This survey was undertaken to measure employee perspectives and experiences on a range of issues, including leadership, communication, teamwork, job expectations and satisfaction, staff development and workplace wellness. The survey benchmarked indicators and led to strategies for improvement in preparation for our employee performance management initiative. This initiative will kick off with the appointment of a full-time Human Resources Manager on April 1, 2006.

Having established our strategic direction and operational goals in previous years, our report for 2005/06 can be summarized as pursuing our vision and fulfilling our mission. We have achieved this through corporate and operational strategies, performance measurement, and reporting on outcomes and accomplishments. In the coming year, MGCC management and staff look forward to continuing to meet our strategic commitments with the aim of ensuring that gaming activity is conducted honestly, with integrity and in the public interest.



F.J.O. (Rick) Josephson
Executive Director

About

the Manitoba Gaming Control Commission

**PROCLAMATION OF AMENDMENTS
TO THE GAMING CONTROL ACT
APRIL 15, 2005**

- This legislative initiative supports stronger regulatory controls and more consistent responsible gambling measures.
- Amendments to The Gaming Control Act are in keeping with a commitment to strengthening reporting requirements, improving transparency in the operation of gaming activities and increasing accountability for gaming revenues.
- The MGCC works closely with stakeholders, including licensees, registrants, municipalities, First Nations and community organizations in proceeding with initiatives to fully implement the new legislation.

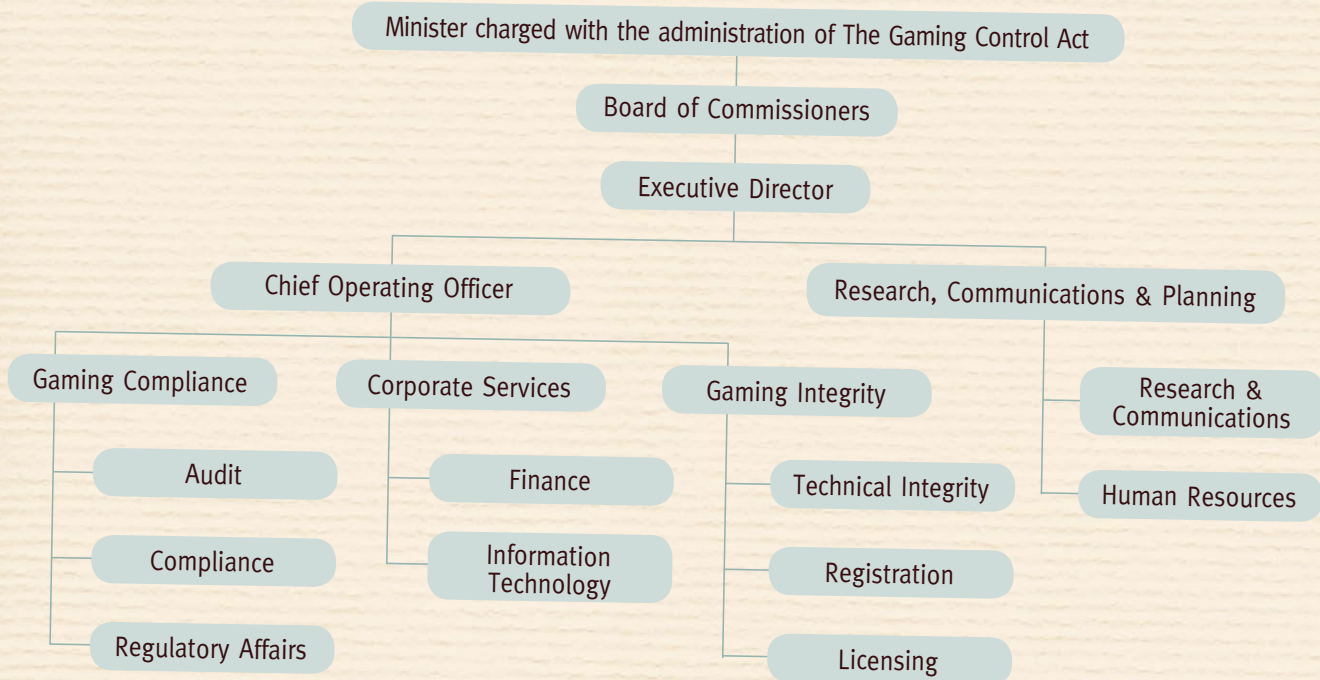
LEGISLATIVE AUTHORITY

Amendments to The Gaming Control Act (The Act) were proclaimed on April 15, 2005. The Act establishes the Manitoba Gaming Control Commission (MGCC) as an independent commission that regulates and controls specified gaming activities in Manitoba. The MGCC is led by a Board of Commissioners reporting to the Minister charged with the administration of The Gaming Control Act (the Minister).

The Act requires and permits the MGCC to:

- License specific gaming activities in keeping with the Criminal Code (Canada), including bingo, breakopen tickets, raffles and sports draft lotteries;
- Register First Nations casino operators, Manitoba Lotteries Corporation (MLC) and First Nations casino employees, gaming suppliers, gaming equipment and video lottery terminal (VLT) siteholders;
- Establish, monitor and enforce technical compliance requirements for gaming activities;
- Investigate and make orders related to gaming patron and supplier disputes;
- Conduct hearings related to the above activities;
- Monitor and enforce compliance with The Act and Gaming Control Regulation;
- Conduct independent and joint research projects;
- Perform responsible gaming education and policy oversight functions; and
- Provide policy advice to the Minister on current gaming activities and emerging issues.

ORGANIZATIONAL STRUCTURE



FINANCES AND RESOURCES

The MGCC's operating revenue is derived from licence and registration fees. The MGCC does not receive any revenue from the Provincial Consolidated Revenue Fund. The Act permits the MGCC to establish its own bank account and operating line of credit. The annual business plan, which details operational objectives and budget estimates, is approved by the Minister of Finance. The year's activities are reported in the annual report to the Minister charged with the administration of The Gaming Control Act. In the 2005/06 business plan, the MGCC estimated operating expenses of \$4,699,800. A review of the financial statements included in this report shows actual operating expenses to be \$239,355 under this estimate. The complete financial statements for the year ended March 31, 2006, begin on page 31.

APPEALS AND DISPUTES

The Board of Commissioners, in its legislated quasi-jurisdictional capacity, conducts hearings and makes rulings on appeals of decisions made by the Executive Director and on patron disputes. In this role, a quorum of members, presided over by a chairperson, receives and considers all evidence presented. 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. During 2005/06, two hearings were requested; one decision was upheld and the other hearing is pending. Appeals of the Board of Commissioners' decisions may be made to the Court of Queen's Bench under Section 45(2) of The Act. Decisions of the Board of Commissioners are available to the public.

Year in Review

Performance Reporting

The following sections detail MGCC departmental goals, operational strategies and accomplishments for the 2005/06 fiscal year. While each operating department has been described individually, please note that all departments collaborate to fulfill our strategic goals, ensure consistent levels of client service and implement the 2004/05 operational realignment.

The following reporting also reflects the transition of each department's roles and responsibilities within the framework of new mandates related to legislative amendments proclaimed at the beginning of the fiscal year.

TRAINING AND PROFESSIONAL DEVELOPMENT

Many staff members increased their skills and expertise through participating in formal, targeted training and professional development opportunities:

- Forensic Interview Course (Winnipeg Police Service)
- Gaming Control Investigation & Asset Protection Course (Phoenix Rising)
- National Certified Investigator/Inspector Training (Council on Licensure, Enforcement and Regulation)
- Table games training (MLC)
- Writing with POWER (Organization & Staff Development)
- Central Management System for slot machines training
- Specialized gaming products training: Spielo, Konami, Unidesa
- Various desktop applications training

Staff members with professional designations or affiliations meet and maintain professional development standards:

- Certified Management Accountants
- Certified Fraud Examiners
- Certified Engineering Technologist

GAMING INTEGRITY

The Gaming Integrity Unit integrates the roles of the Licensing, Registration and Technical Integrity Departments in recognition that these three departments together set and administer the standards and terms and conditions that allow charitable licensees, the MLC and First Nations casinos to operate gaming activities in Manitoba.

This unit develops and implements licensing, registration and technical integrity approval regimes for gaming activities, gaming equipment, charitable licensees, VLT siteholders and gaming industry employees, suppliers and operators to ensure gaming in Manitoba is conducted honestly, with integrity and in the public interest.

STRATEGIES

- Develop and refine procedures and policies to enhance and implement innovative, streamlined processes that respond fully to changing legislation, regulation and organizational responsibilities and enable reliable and effective service.
- Communicate accurate and consistent information about licensing and registration terms and conditions, technical integrity standards, and policies and procedures to all stakeholders.
- Collaborate and exchange information with other gaming regulators and any other organizations that serve to broaden the MGCC's scope of knowledge related to its role as a gaming regulator.
- Assess skill sets and gaps to support staff in their professional development by providing appropriate training and educational opportunities.

INTERAGENCY COOPERATION

The MGCC works closely with municipal, provincial, federal and inter-jurisdictional agencies in meeting its legislated mandate. These include:

- Addictions Foundation of Manitoba
- Alberta Gaming Research Institute
- Assembly of Manitoba Chiefs
- Canadian Centre on Substance Abuse
- Canadian Gaming Regulators Association and member jurisdictions/agencies
- Canadian Partnership for Responsible Gambling
- City of Winnipeg, Licensing Department
- Criminal Intelligence Service (Canada and Manitoba)
- Greater Winnipeg Community Centres Council
- Manitoba Department of Justice
- Manitoba Lotteries Corporation
- Manitoba Protective Officers Association
- Midwest Gaming Investigators and Regulators
- Municipal policing authorities
- North American Gaming Regulators Association and member jurisdictions/agencies
- Ontario Problem Gambling Research Council
- Responsible Gambling Council (Ontario)
- Royal Canadian Mounted Police
- Western Canada Lottery Corporation

Liaising with these external organizations permits the MGCC to benefit from others' experience, expertise and research pertaining to gaming regulation and related issues.

LICENSING

The Licensing Department is responsible for issuing licences for charitable gaming events in accordance with Section 207(1)(b) of the Criminal Code (Canada). Pursuant to The Gaming Control Act, Order in Council 524/1997 identifies the MGCC as an authority that licenses charitable or religious organizations to conduct lottery schemes where the proceeds are used for charitable or religious objectives or purposes.

GOAL

To license eligible charitable organizations to conduct and manage lottery schemes in keeping with legislative and regulatory requirements and as prescribed in licensing terms and conditions.

OPERATIONAL STRATEGIES

- Review, process and approve or deny charitable gaming licence applications and amendments from religious and charitable organizations, in keeping with legislation, regulation and MGCC terms and conditions and policies.
- Review and rework licensing procedures and policies to enable reliable and effective service and to improve workflow and information sharing.
- Lead analyses of opportunities for licensing additional gaming activities, including seeking a suitable model for the possibility of licensing charitable Texas Hold'em poker tournaments.
- Communicate effectively with internal and external stakeholders to share information to increase knowledge about licensing policies and processes and to improve client service.

ACCOMPLISHMENTS

- Introduced new Media Bingo Terms and Conditions in September 2005 and developed a policy manual to facilitate the administration of licensing media bingo.
- Contributed to significant revisions of the Gaming Management System related to data entry processes and tracking licence status changes and turnaround times. These modifications will facilitate assessments and further revisions in 2006/07.
- Developed, tested and analysed the effectiveness of applications, guides and other forms; and revised forms and terms and conditions to ensure consistency with legislative and regulatory amendments.
- Implemented and assessed processes, policies and record keeping related to reporting thresholds for licensees.
- Led a working group to address the feasibility of licensing charitable Texas Hold'em poker tournaments in Manitoba. This included directing inter-jurisdictional research and developing draft licensing terms and conditions.
- Initiated formal cross-training and mentoring opportunities for staff.

CHARITABLE LICENCES: A CLOSER LOOK

There were a total of 1,373 active charitable gaming licences in 2005/06.

- 858 charitable gaming licence applications were reviewed and approved during the fiscal year.
 - ✓ 413 were ongoing licence renewals: 232 bingo, 148 breakopen, 25 media bingo and 8 raffle
 - ✓ 445 were limited series or single event licences: 333 raffle, 52 bingo, 29 breakopen, 3 media bingo and 28 other
- There were also 515 ongoing active licences with one or two years left in their three-year licence period: 268 bingo, 224 breakopen, 9 raffle and 14 media bingo.

REGISTRATION

The Gaming Control Act requires the MGCC to use the criteria of honesty and integrity in carrying out its registration responsibilities. To this end, registration processes include background investigations on all prescribed gaming employees, suppliers and operators in order to ensure that they meet these criteria.

GOALS

To ensure all prescribed gaming sector employees, suppliers and operators in Manitoba are registered and meet standards of honesty, integrity and financial soundness.

To ensure all VLT siteholders are registered and that VLT siteholders comply with all terms and conditions of registration and regulatory requirements.

OPERATIONAL STRATEGIES

- Ensure all registration applicants are appropriately investigated to prevent those who might be a detriment to the integrity and honesty of gaming activities from participating as employees, suppliers or operators in the gaming industry in Manitoba. This includes an annual review of existing registrations.
- Register all VLT siteholders and, in conjunction with the Compliance Department, make certain that they are meeting the terms and conditions of their registration.
- Provide recommendations for changes to policies and practices in all areas associated with registration, including the implementation of new requirements and initiatives under the amendments to The Gaming Control Act.
- Develop and improve communication strategies with new and current registrants and with stakeholders such as the MLC, Asenskak Casino and South Beach Casino.

ACCOMPLISHMENTS

- Reviewed and revised registration investigation processes to ensure consistency of approach and to support requirements for hearings by the Board of Commissioners.
- Completed reviews of and revisions to all existing registration terms and conditions and revised all registration applications and related information materials.
- Developed the new VLT siteholder registration process, including investigative procedures and the creation, publication and communication of comprehensive registration terms and conditions.
- Implemented key changes to the supplier registration process, including new categories and staggered registration expiry dates, and improved information-sharing with other jurisdictions for joint supplier investigations.
- Worked closely with South Beach Casino, a new gaming operator, to complete required employee registrations for the casino opening in May 2005. This included developing procedures and training for South Beach Casino's human resources department staff.
- Reviewed and revised the MGCC No-Play Policy, with recommendations being approved by the Board of Commissioners in September 2005. This policy was subsequently communicated to all relevant gaming industry employers.

REGISTRATION OVERVIEW

As of March 31, 2006

MLC new applicant employee registrations	494
MLC employee renewals	1,588
Asenskak Casino new applicant employee registrations	81
Asenskak Casino employee renewals	107
South Beach Casino new applicant employee registrations	257
South Beach Casino employee renewals	36
Current gaming suppliers	40
VLT siteholder registrations	556

TECHNICAL INTEGRITY

The Technical Integrity Department ensures that gaming activities played by Manitobans are fair, honest, secure, safe and auditable. This department's responsibilities are very complex and range from confirming mechanical equipment function and statistical probabilities to keeping pace with emerging technologies and confirming and approving game design and operation.

GOAL

To ensure the technical integrity of all gaming conducted and managed by the MLC, including all gaming activities operated at First Nations casinos, and by charitable gaming licensees.

OPERATIONAL STRATEGIES

- Develop, enhance and enforce technical integrity standards and create terms and conditions for all types of technical integrity approvals to reflect and meet amendments to The Gaming Control Act.
- Review new lottery schemes and gaming technologies and apply standard tests to assess technical integrity.
- Register all gaming machines, including VLTs and slot machines, in accordance with technical standards. Approve hardware and software upgrades for all electronic gaming equipment and conduct regular technical integrity inspections on all gaming equipment in use in Manitoba.
- Work with MGCC licensees, the MLC, First Nations casino operators, gaming suppliers, independent game testing laboratories and other North American regulatory agencies to make certain that technical integrity standards are met and maintained. This includes verifying that the mechanical and physical integrity of gaming devices is appropriately tested and confirmed to ensure they cannot be compromised.
- Conduct investigations as follow-ups to regular inspections and in response to patron complaints, and oversee remedies and resolutions.

ACCOMPLISHMENTS

- Reviewed all technical integrity applications related to the opening, in May 2005, of South Beach Casino. This included approvals for 300 slot machines, 12 gaming tables, the rules for the associated table games and the supporting central and monitoring systems.
- Created and published new gaming product classifications to comply with new requirements for supplier categories.
- Developed processes for drafting and approving technical integrity standards, including establishing working committees to gain appropriate input from all MGCC departments.
- Completed the technical integrity standards for ticket self-redemption kiosks, bingo paper, breakopen tickets, dice and cards and initiated a major review of the technical integrity approval process for table games and electronic games. Also drafted and distributed procedural standards for particular lottery scheme activities to be used by the MLC, Aseneskak Casino and South Beach Casino (e.g., standards for removal and/or destruction of electronic gaming devices).
- Reviewed and approved the initial phase of MLC's replacement of their central slot machine monitoring system.
- Registered 194 new VLTs, 56 gaming tables and a total of 714 new slot machines, including 300 for the new South Beach Casino.
- Conducted six technical integrity inspections of Manitoba casinos and 39 technical integrity investigations as follow-ups to inspections or in response to patron complaints.

NEW TECHNICAL INTEGRITY APPROVALS

As of March 31, 2006

New slot machine models	14
Software associated with gaming devices	254
Table games and associated equipment	34
Table game rules and regulations	10
Breakopen ticket games	4

GAMING COMPLIANCE

The Gaming Compliance Unit links the interrelated responsibilities of the Audit, Compliance and Regulatory Affairs Departments to ensure compliance with licensing and registration terms and conditions and gaming legislation and regulation. These three departments share information and expertise related to financial accountability, legal and regulatory matters and investigations.

This unit conducts inspections, audits and investigations to ensure the honesty and integrity of licensed and registered gaming activities, charitable licensees, businesses, individuals and casino operations. This unit also serves as the primary liaison with Manitoba's various policing agencies and the Department of Justice.

STRATEGIES

- Provide assurance for all stakeholders that gaming activities in Manitoba are conducted honestly, with integrity and in the public interest by enforcing compliance with all applicable legislation and regulation, terms and conditions, policies and reporting procedures.
- Closely monitor changes in the gaming environment and trends in enforcement and regulatory practices in order to lead by adapting to emerging issues.
- Broaden and develop staff skills and expertise through formal, targeted training, cross-training and mentoring and by encouraging self-directed learning and professional development opportunities. This allows the Gaming Compliance Unit to contribute to new initiatives and continue to support the activities and mandates of other MGCC departments.

The commitment to establishing the MGCC as a leader in gaming regulation included significant participation in information-sharing initiatives in the 2005/06 fiscal year.

MGCC staff and management exchanged information and expertise with other agencies by working on inter-jurisdictional committees, regularly liaising with other regulatory authorities and participating in the following conferences:

- Alberta Gaming Research Institute 4th Annual Conference
- Association of Certified Fraud Investigators Conference
- Canadian Bingo Conference
- Canadian Gaming Regulators Association (CAGRA) Conference
- Canadian Gaming Summit
- Criminal Intelligence Service Manitoba (CISM) Conference
- Global Gaming Expo
- Internet Gambling Task Force
- Longitudinal Studies and Demographic Challenges of the 21st Century Conference
- Manitoba Protective Officers Association (MPOA) Conference
- Midwest Gaming Investigators and Regulators (MGIR) Conference
- North American Gaming Regulators Association (NAGRA) Conference
- Responsible Gambling Council - Discovery Conference
- Tri-Border Peace Officers Conference
- World Bingo Conference

AUDIT

The activities of the Audit Department help to ensure the financial accountability of gaming in Manitoba.

GOAL

To provide reasonable assurance that gaming activities are conducted honestly, with integrity and in the public interest by examining and analyzing the financial reports and audited statements of licensed organizations, First Nations VLT siteholders, casinos and gaming commissions, and other licensing authorities.

OPERATIONAL STRATEGIES

- Review the effectiveness and efficiency of stakeholder reporting processes and assist stakeholders in improving their record keeping and reporting systems.
- Review all financial information submitted by MGCC licensees and the audited annual financial statements of First Nations VLT siteholders, casinos and gaming commissions and other licensing authorities. If necessary, document any shortcomings or contraventions of terms and conditions and identify solutions for these concerns.
- Work closely with the Compliance Department by collaborating on the implementation of any corrective measures for licensees. All matters of a potentially fraudulent nature are referred to the Compliance Department for further investigation.
- Provide education, training and support to all charitable licensees and First Nations Gaming Commissions.

ACCOMPLISHMENTS

- Contributed to the development of the Gaming Management System's automated tracking for financial reports and also created the MGCC's first financial report that can be completed and submitted electronically by licensees.
- Developed and implemented a communications plan to advise of new reporting requirements for municipalities, First Nations Gaming Commissions and First Nations VLT siteholders.
- Developed revenue and prize controls to permit tiered bingo to operate in Manitoba.
- Reviewed the annual audited financial statements of ten First Nations Gaming Commissions and the 2004/05 audited financial statements of Aseneskak Casino.
- Conducted cursory reviews of 2,737 financial reports and completed annual reviews of 497 licensed organizations as part of their licence renewal process.
- Referred 23 cases to the Compliance Department. These referrals resulted in improvements to financial reporting, record keeping and cash controls on revenues and disbursements.
- Provided record keeping and reporting assistance and support for licensed organizations. Eighty-seven (87) training sessions were held with these clients.

MANITOBA GAMING CONTROL COMMISSION CHARITABLE GAMING

Fiscal Year 2005/06 (\$Millions)

Event Type	Licensed Events		Gross Revenue		Prizes Paid		Total Expenses		Net Profit	
	05/06	04/05	05/06	04/05	05/06	04/05	05/06	04/05	05/06	04/05
Bingo	423	411	\$54.6	\$61.1	\$44.4	\$49.5	\$6.4	\$ 7.1	\$ 3.8	\$ 4.5
Breakopen	361	358	5.5	6.5	3.8	4.6	0.5	0.6	1.2	1.3
Raffle	215	303	11.0	10.9	4.1	4.1	2.0	2.1	4.9	4.7
Other	11	27	0.1	0.1	0.2	0.1	0.0	0.0	(0.1)	0.0
Media Bingo	38	21	5.3	4.9	1.9	1.5	0.6	0.7	2.8	2.7
Totals:	1048	1120	\$76.5	\$83.5	\$54.4	\$59.8	\$9.5	\$10.5	\$12.6	\$13.2

In addition, there were 325 licensed organizations who, due to reporting thresholds, were not required to submit financial reports or pay licence fees (129 bingo, 40 breakopen, 135 raffle, 4 media bingo and 17 other) and are therefore not reflected in the above chart.

COMPLIANCE

Through regular inspections and investigations, the MGCC's Compliance Department ensures that gaming activity in Manitoba is conducted in accordance with licensing and registration terms and conditions, integrity standards and gaming legislation and regulation.

GOAL

To provide reasonable assurance that gaming activity is conducted honestly and fairly and that compliance with all regulatory requirements, gaming agreements and licensing and registration terms and conditions is met and maintained.

OPERATIONAL STRATEGIES

- Develop and implement standard inspection and investigation practices, policies and procedures based on licensing and registration terms and conditions.
- Conduct random inspections in keeping with established standards and identify and document deficiencies, irregularities and/or contraventions for further action by the Gaming Compliance Unit or for referral to the Executive Director.
- Conduct inspections and investigations as a result of referrals from other MGCC departments and as a result of complaints from players, licensees, registrants or other stakeholders.
- Compile relevant evidence related to inspections and investigations activities for consideration at hearings by the Board of Commissioners or for submission to policing authorities.
- Provide education, training and support to charitable licensees, First Nations Gaming Commissions, VLT siteholders and other licensing authorities.

ACCOMPLISHMENTS

- Conducted 298 bingo and breakopen inspections, 142 raffle inspections and 405 VLT site inspections to ensure compliance with MGCC licensing and registration terms and conditions.
- Conducted 86 investigations as a result of irregularities identified during inspections, referrals from other MGCC departments and complaints from patrons, licensees, registrants or other stakeholders.
- Processed 150 complaints and resolved the majority of issues without initiating formal investigations. This entailed working closely with licensees, registrants and other MGCC departments to remedy concerns and complaints, while ensuring that gaming integrity was maintained.
- Investigated suspected illegal gaming activities. Resolved six instances of illegal gaming and referred six cases of alleged fraud or illegal activities to policing authorities.
- Conducted 124 training sessions with charitable licensees, First Nations Gaming Commissions and First Nations VLT siteholders.
- Developed and implemented an inspection report summary form to effectively and consistently share the results of inspections with clients and to permit monitoring of remedies for problems identified during inspections.

FIRST NATIONS GAMING COMMISSION ADMINISTRATIVE COMPLIANCE

As of March 31, 2006

24	Gaming commissions were compliant
2	Gaming commissions were non-compliant (e.g., partial, incomplete or outstanding annual independent audits)
6	Gaming commissions were not functioning (e.g., no board or staff in place)
1	Gaming commission was suspended
33	Total

REGULATORY AFFAIRS

The Regulatory Affairs Department provides leadership on special projects related to the development and application of legal, regulatory, integrity and compliance standards.

GOAL

To provide advice, information and support to other MGCC departments and external stakeholders regarding gaming legislation and regulation, terms and conditions, investigation and inspection processes and regulatory standards and practices.

OPERATIONAL STRATEGIES

- Monitor gaming-related issues and trends and identify opportunities for the MGCC to proactively address them.
- Liaise regularly with policing agencies, Crown Counsel and other regulators to share expertise and inform MGCC initiatives.
- Lead the development of new programs and special training initiatives to ensure that gaming-related legislation and regulation, licensing and registration terms and conditions and other MGCC standards and policies continue to appropriately protect the honesty and integrity of gaming in Manitoba.

Several MGCC staff were elected or appointed to key positions on inter-jurisdictional organizations:

- Chairperson, Canadian Partnership for Responsible Gambling
- Chairperson, MGIR
- Co-chairperson, NAGRA investigations committee
- Co-chairperson, NAGRA charitable gaming committee
- Co-chairperson, NAGRA Internet gaming committee

ACCOMPLISHMENTS

- Led the development of new policies, procedures and forms for MGCC appeal hearings, making certain that licensing, technical integrity and registration procedures support and enable the new appeal processes. Updated fact sheets about appeal hearings and made them available on the MGCC website.
- Planned and established the casino inspection program, including the development of a comprehensive training program. Training for compliance officers will continue into 2006/07.
- Developed the MGCC's special constable program to ensure that inspections and investigations are conducted in accordance with all applicable federal and provincial legislation and regulation. The Manitoba Department of Justice is expected to grant special constable status to selected MGCC compliance staff in 2006/07.
- Initiated implementation of specialized investigative training, including training offered by the Winnipeg Police Service and by the Council on Licensure, Enforcement and Regulation (CLEAR) for compliance officers.
- Collaborated with law enforcement agencies on a regular basis, which led to the development of an illegal gaming course to be hosted by the MGCC in 2006/07.
- Collaborated with the Department of Justice on the appointment of two Crown attorneys to oversee gaming issues.

CORPORATE SERVICES

Finance and information technology services are core corporate functions that support all other MGCC departments' activities.

STRATEGIES

- Provide responsive and reliable services in support of all other MGCC departments, enabling them to achieve operational goals.
- Set practical and appropriate resource plans for current and future years and oversee consistent, regular progress measurements that balance the needs of MGCC initiatives with fiscal responsibility.
- Revise policies and initiate standards that promote the most suitable use of the MGCC's resources and put in place appropriate accountability measures for the use of those resources.
- Communicate to MGCC staff any new initiatives, information updates, policy or procedure changes and recommended best practices to ensure quality service to all of our stakeholders.

FINANCE

The Finance Department administers and manages the financial transactions reporting and planning for the MGCC, which enables the day-to-day functions of all other departments. This department is also responsible for correctly consolidating the financial activities and status of the MGCC for publication in this report.

GOAL

To support all functions of the MGCC by planning, recording and reporting financial transactions promptly and accurately and by controlling the MGCC's financial and capital assets.

OPERATIONAL STRATEGIES

- Develop, standardize and update financial policies, procedures and control measures and ensure compliance by all staff.
- Manage and report all financial transactions (revenue, expenses, assets and liabilities) promptly and accurately and maximize investment opportunities.
- Assist in preparing the annual business plan and budget by participating in strategic planning sessions and by preparing narratives and budget information.
- Ensure the MGCC's financial records are fully accountable and transparent by preparing all monthly, quarterly and annual reports, reconciliations and variance analyses. Prepare the annual financial statements, act as primary liaison with the MGCC's external auditors and provide all appropriate documentation for their review.

ACCOMPLISHMENTS

- Initiated the development of a formal purchasing policy and reviewed and updated the MGCC's travel expenses policy.
- Verified all revenue and expense transactions and maintained a general ledger system to facilitate the monthly reconciliation of accounts. Also managed financial and capital assets on a daily basis, including overseeing deposits and controlling investments.
- Produced consolidated and departmental financial statements on a monthly and quarterly basis as a budget assessment, planning and variance analysis tool for MGCC management.
- Participated in the strategic planning for 2006/07 fiscal year by assisting business units with budget preparation and by assembling the 2006/07 financial data for the business plan.
- Prepared annual financial statements for the previous fiscal year and prepared year-end working papers and files for the Office of the Auditor General (OAG).

INFORMATION TECHNOLOGY

The Information Technology Department supports all of the computer and communications technology needs of the MGCC. Activities are focused on two main areas to meet these needs: network administration and applications development. This approach allows this department to oversee the continual growth and implementation of the Gaming Management System while maintaining consistent network access for all users.

GOAL

To provide a fully functional, reliable and secure network of computers and communications devices to support the activities of all MGCC departments.

OPERATIONAL STRATEGIES

- Plan, manage and maintain the MGCC's computer network to permit uninterrupted use during normal business hours; ensuring that information system resources are stable, secure, used properly and free of inappropriate materials.
- Monitor new technologies and ongoing projects to inform and support departmental planning and budgeting. This supports the management of the MGCC's inventory of hardware, the purchasing and licensing of all software and the provision of communications technologies via office telephones, cellular telephones, voicemail, e-mail and outside data lines.
- Provide software applications and website services that enable MGCC staff to effectively share and report information and also provide support for these information technology tools that is prompt, capable and reliable.
- Provide network security and disaster recovery for the entire system by performing daily backups, maintaining the firewall and anti-virus protection and implementing effective disaster recovery procedures to prevent major disruptions of the MGCC's daily operations.

ACCOMPLISHMENTS

- Led the ongoing development of the Gaming Management System database and applications.
- Provided and maintained communications and information technology systems and devices for all employees. Server up-time was 99.9%, with no reported crashes during regular or off-hours operations.
- Prepared and circulated bimonthly staff newsletters to support the use of the MGCC's information technology, communications systems and desktop software applications.
- Implemented hardware upgrades, conversions and replacements. This included purchasing new laser printers that permit dual-sided printing to reduce paper, and replacing the network server.
- Implemented ongoing enhancements to the MGCC website, including regular updates and access for licensees to new quarterly reporting forms.

GAMING MANAGEMENT SYSTEM ENHANCEMENTS

The continued development of the MGCC's Gaming Management System in 2005/06 included these key enhancements to improve service to our clients:

- Significant workflow improvements allow for more effective management of data input and amendments.
- The ability to capture, amend, track and report additional details in licensee files has improved access to information by the licensing and audit department staff.
- Improved reporting of licence renewal information has increased the efficiency of the licence renewal process.

RESEARCH, COMMUNICATIONS AND PLANNING

The Research, Communications and Planning Department is responsible for fulfilling the MGCC's research, advisory, communications, corporate planning and human resources mandates. The broad scope of these activities requires that this department be sensitive to the complexities of gaming policy and is able to balance multiple perspectives on gaming, including operational imperatives, business interests, emerging research, responsible gambling, player demands, cultural values and regulatory obligations.

STRATEGIES

- Develop, implement and manage comprehensive communication strategies to support corporate and operational communications needs.
- Conduct, support and publish research in keeping with the MGCC's public interest and research mandates and to support operational initiatives.
- Guide corporate planning and reporting to support operational implementation of the strategic plan, performance measurement and reporting initiatives.
- Provide and lead human resources development initiatives that support the MGCC's strategic plan and goals.

GOAL

To support MGCC's legislative, regulatory and public interest mandates and strategic plan by conducting research, providing policy information and advice, communicating with clients, coordinating human resources services and facilitating corporate planning.

OPERATIONAL STRATEGIES

- Articulate and manage research agenda to influence and contribute to major research initiatives, inform operations, build knowledge and develop research capacity.
- Develop and implement communications strategies to inform stakeholders, operational imperatives and initiatives and to cultivate a positive corporate image.
- Provide accurate and relevant briefing information and advice for the Minister, the Board of Commissioners, management, staff and clients.
- Maximize research, communications and operational opportunities by monitoring perspectives and initiatives worldwide that relate to regulatory issues, responsible gambling and social policy development. This includes initiating and fostering client, interagency and inter-jurisdictional collaboration and representation on national boards and committees.
- Provide comprehensive, on-site human resources services to develop and implement human resources initiatives and policies that meet corporate and operational requirements.
- Manage corporate responsibilities for The Freedom of Information and Protection of Privacy Act, records management and French Language Services, in conjunction with operational units.

Setting and sticking to time and money limits are important components of responsible gambling. Sixty-four percent (64%) of Manitobans say they set time and money limits when they gamble and 70% report sticking to their limits.

**PUBLIC EDUCATION CAMPAIGN
EVALUATION REPORT (2006), MGCC**

ACCOMPLISHMENTS

- Managed communications activities related to the MGCC's regulatory, advisory and public information responsibilities. Key projects included implementation of legislative amendments, ongoing First Nations gaming initiatives, Texas Hold'em initiatives, consumer fraud alerts, a public education campaign and print and Internet publications.
- Supported the Province of Manitoba and the Assembly of Manitoba Chiefs in planning research projects to assess the feasibility of a First Nations Gaming Corporation(s) and to conduct a market study to determine the potential for new gaming opportunities.
- Improved the annual planning and reporting cycles, in conjunction with the operational units, by integrating the business planning, performance measurement and reporting processes.
- Began development and implementation of a comprehensive on-site human resources services plan that includes recruitment and orientation, professional development, compensation and benefits, position classification, application of government standards, employee support and performance management. This included the completion of a major review of all MGCC position descriptions and the appropriate adjustment of classifications and compensation.
- Continued to advance the MGCC's research agenda and resulting projects.

Twenty percent (20%) of Manitobans believe that staying at the same slot machine or VLT will improve their chances of winning. This is false. Each play on an electronic game is random and independent from earlier plays. No matter how long you sit and play a game, your chance of winning is always the same.

**PUBLIC EDUCATION CAMPAIGN
EVALUATION REPORT (2006), MGCC**

STATEMENT OF RESEARCH AGENDA

The MGCC is committed to ensuring that its operational, policy advisory and public interest activities are informed by a strong foundation of valid and reliable empirical research relevant to Manitoba's gaming environment. As such, the MGCC's research agenda is updated regularly to accurately reflect evolving research priorities.

Articulating research goals enables the MGCC to strategically approach and undertake research projects that best support its broad regulatory responsibilities and to report on research outcomes. The MGCC encourages, seeks and participates in collaborative research with provincial, national and international partners to maximize resources, build research capacity and contribute to and influence major research initiatives. The MGCC strives to be a leader in gaming research by combining academic standards with its regulatory perspective.

RESEARCH AGENDA

The following chart provides a brief status report on each of the MGCC's major 2005/06 research projects:

RESEARCH PROJECT	TIMELINE	DATE INITIATED	COLLABORATIVE RESEARCH	INDEPENDENT RESEARCH	STATUS
Adolescent Problem Gambling Index	Year 3 of 4	12/2003	✓		Field testing and clinical validation underway; final report due in Fall 2006.
Canadian Problem Gambling Index Review	Year 2 of 3	11/2004	✓		Project underway; final report due in Fall 2006.
Feasibility Study: Establishment of a First Nations Gaming Corporation(s)	Year 1 of 2	01/2006	✓		Project request for proposals issued in March 2006; results expected in early 2007.
Manitoba Longitudinal Study of Young Adults	Year 1 of 6	03/2005	✓		Partners and funding commitments confirmed; development of research methodology underway.
Manitobans and Gambling Project					Manitobans and Gambling (2004) report published. Results used to develop public education campaign messaging and media plan.
– Empirical Research Study	Complete	09/2003		✓	
– Post-campaign Evaluation	Year 1 of 2	01/2006		✓	Data collection complete; final report due in Summer 2006.
Social and Economic Impacts of Gambling Study	Year 3 of 4	01/2004	✓		Literature review complete; drafting of guidelines underway.
Texas Hold'em Pilot Study	Year 1 of 2	12/2005		✓	Application period ended; research plan in place for pilot events in April and May 2006.

PUBLIC EDUCATION CAMPAIGN

The MGCC launched its first public education campaign in September 2005. This award-winning campaign was designed to educate Manitobans about odds and randomness in relation to VLT and slot machine play and about the early signs of problem gambling. The campaign was also intended to promote responsible gambling by encouraging players to set and stick to time and money limits. This is the first such campaign launched by a Canadian gaming regulator.

Province-wide media coverage included a comprehensive mix of public space, print and radio advertisements. The radio spots won a 2006 Signature Award from the Advertising Association of Winnipeg for the best radio campaign produced entirely in Manitoba. Examples of creative treatments from print media are shown here; the radio spots are available on our website at www.mgcc.mb.ca.





SCORECARD REPORTING

Goals, Strategies and Accomplishments

Our operational and corporate activities are guided by our strategic plan and initiatives which are, in turn, driven by our vision and mission statements. Our corporate goals, strategies and accomplishments are depicted and reported in our corporate scorecard.

The 2005/06 scorecard permits each of our departments and units to measure performance in achieving our goals in three of four distinct, yet interrelated perspectives: Clients, Learning and Growth, and Finance. The fourth perspective, Business Processes, is slated for implementation in 2006/07.

Clients

Ensure gaming activity is conducted honestly, with integrity and in the public interest.

Learning and Growth

Maximize our performance and productivity and encourage a positive and professional work environment.

Finance

Manage our financial resources and assets to ensure and demonstrate fiscal responsibility, financial accountability and operational sustainability.

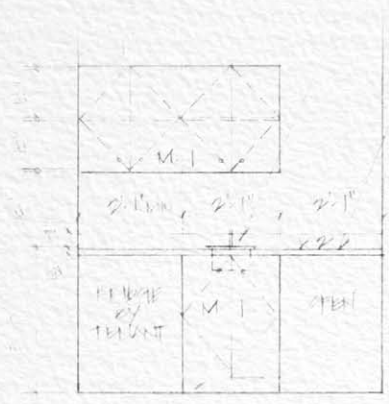
Business Processes

To excel in service to our clients; champion fair, balanced and responsible gaming policy; and inspire public confidence in the integrity of gaming activities in Manitoba.

PERSPECTIVE	GOAL	STRATEGIES	
<p>CLIENTS</p> <p>Licenseses</p> <p>Registrants</p> <p>First Nations Gaming Commissions</p> <p>Players</p> <p>MGCC Board of Commissioners, management and staff</p> <p>Manitoba municipalities</p> <p>Manitoba First Nations</p> <p>General public</p> <p>Media</p> <p>Minister charged with the administration of The Gaming Control Act</p>	<p>Ensure that gaming activity is conducted honestly, with integrity and in the public interest.</p>	<ul style="list-style-type: none"> ✓ Develop and deliver innovative and proactive gaming integrity and compliance initiatives that effectively regulate and control gaming activities. ✓ Advance our public interest mandate beyond the traditional regulatory activities of licensing, registration and enforcement by cultivating a focus on social policy and responsible gambling. ✓ Create strong communication channels with our clients. 	<ul style="list-style-type: none"> ✓ Provide internal and external supports that help our clients meet their needs. ✓ Balance the opinions and interests of our stakeholders and partners within the context of reasoned and sound regulation and control.
<p>LEARNING AND GROWTH</p>	<p>Maximize our performance and productivity and encourage a positive and professional work environment.</p>	<ul style="list-style-type: none"> ✓ Establish and implement innovative human resources development initiatives that strengthen our knowledge base through performance management, professional development and succession planning. 	<ul style="list-style-type: none"> ✓ Create and manage a comprehensive human resources service to support our strategic and operational goals. ✓ Establish processes and initiatives that support and encourage staff innovation, accountability and empowerment.
<p>FINANCE</p>	<p>Manage our financial resources and assets to ensure and demonstrate fiscal responsibility, financial accountability and transparency and operational sustainability.</p>	<ul style="list-style-type: none"> ✓ Ensure financial accountability and transparency through corporate and operational planning and reporting activities. ✓ Maintain internal control standards in keeping with established financial policies and procedures. 	<ul style="list-style-type: none"> ✓ Oversee financial, corporate and human resources to maximize operations and enhance client service. ✓ Maximize investment opportunities through cash controls and management.

ACCOMPLISHMENTS

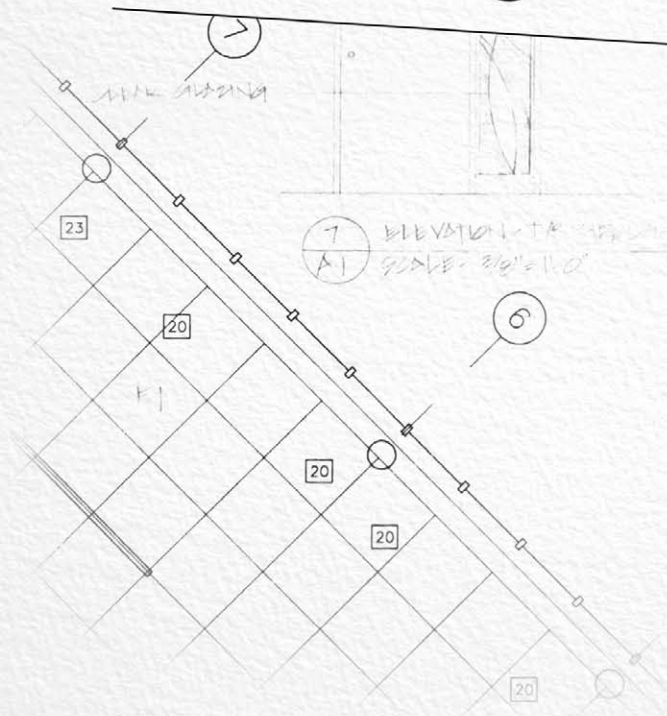
- ✓ Our legislative and regulatory mandate was strengthened as a result of amendments to The Gaming Control Act proclaimed on April 15, 2005. New regulation came into effect on the same date. Implementation highlights:
 - *Developed new reporting requirements and processes for gaming activities and revenues. Communicated these new requirements to all municipalities, First Nations Gaming Commissions and First Nations VLT siteholders.*
 - *Developed new registration terms and conditions for all VLT siteholders.*
 - *Undertook a new responsible gambling oversight mandate to ensure consistent guidelines and public services. Developed and launched responsible gambling education campaign; first North American regulator to do so.*
 - *Developed a special constable program and enhanced communication with the Department of Justice and police officials, in order to support new investigation and compliance responsibilities.*
 - *Developed a formal casino inspection program, slated for multi-phase implementation.*
- *Streamlined and clarified order-making and appeal processes to improve the hearing process.*
- ✓ Organizational restructuring was fully implemented to enhance the regulation and control of gaming activities through comprehensive and integrated gaming integrity and compliance regimes.
- ✓ Our new Gaming Compliance Unit became fully operational. The unit conducts proactive and responsive audit, compliance and regulatory affairs activities.
- ✓ Our new Gaming Integrity Unit ensures effective registration of prescribed gaming employees, equipment, suppliers and VLT siteholders; licenses eligible charitable and religious organizations; and provides technical integrity testing and assurance activities.
- ✓ Confirmed the integrity of 4,447 licensing, registration and technical integrity applicants, through comprehensive background investigations, the development and application of technical integrity standards and the application of licence terms and conditions. 3,159 registrations, 858 charitable licences and 430 technical integrity approvals were issued in keeping with MGCC standards and protocols.
- ✓ Ensured compliance with game integrity standards and terms and conditions through client training and support, comprehensive audit and inspection programs, investigations and interagency collaboration. Conducted 211 client training sessions, 859 inspections, 2,737 cursory audit reviews, 507 annual licensee and First Nations Gaming Commission audit reviews and 86 investigations. Six investigations were referred to law enforcement authorities.
- ✓ Provided comprehensive corporate and operational support services in the areas of information technology; finance and administration; and research, communications and human resources activities.
- ✓ Computer network services and upgrades enabled high performance of all information technology systems, including public access at www.mgcc.mb.ca.
- ✓ Continued developments to improve use and enhance services of the Gaming Management System.
- ✓ Established a disaster recovery office for information technology systems and internal/external communications to permit continued operations in the event of a disaster or other significant work disruption.
- ✓ Our research agenda continued to direct and drive independent and collaborative research planning, implementation and reporting.
- ✓ Managed client inquiries and provided information in a variety of formats proactively and in response to emerging issues and requests.
- ✓ Attract, retain and develop qualified employees.
- ✓ Provided specialized professional development opportunities within each department to support succession planning and develop inter-jurisdictional collaboration.
- ✓ Conducted first employee feedback survey.
- ✓ Held first formal annual staff meeting to communicate annual plan and the results of the employee feedback survey.
- ✓ Created a full-time Human Resources Manager position, effective April 1, 2006, to develop and manage a comprehensive human resources plan.
- ✓ Received clear audit opinions from the Office of the Auditor General for the 2005/06 financial and compliance audits.
- ✓ 2004/05 annual report, including audited financial statements, was tabled in the Manitoba Legislature and publicly released.
- ✓ Presented 2006/07 business plan to the Board of Commissioners for approval. Approval granted; Treasury Board approval pending as of March 31, 2006.
- ✓ Implemented annotated corporate and unit financial statements for review by the Board of Commissioners and management to enhance financial tracking, monitoring and accountability.
- ✓ Reviewed and managed investment funds on a daily basis to maximize revenue and financial sustainability.
- ✓ Managed human resources in accordance with approved budget and required skills and competencies.



2011 2012
 ELEVATION 4-4
 SCALE 1/8" = 1'-0"

6 ELEVATION - 4-4
 SCALE - 1/8" = 1'-0"

Our Strategic Plan



MANITOBA GAMING CONTROL COMMISSION
 SEPTEMBER 2004



**Manitoba Gaming
Control Commission**

Applying Our
Strategic Plan

A Case Study:
Texas Hold'em Poker

APPLYING OUR STRATEGIC PLAN

A CASE STUDY: TEXAS HOLD'EM POKER

The MGCC is guided by a strategic plan that sets out our vision, mission and strategic and operational objectives. The plan encourages us to build upon existing strengths and to seek opportunities to enhance our regulatory and advisory roles. This past year, our strategic plan served as a road map to guide our response to a new regulatory challenge, the increasing public interest in Texas Hold'em poker.

The significant growth in the popularity of Texas Hold'em poker in Manitoba - and, in fact, right across North America - presents the considerable challenge of balancing the opinions and interests of a variety of stakeholders within the context of sound gaming regulation. This compels us to weigh the myriad perceptions of gaming, including the perspectives of business operations, entertainment, social concerns, charitable fundraising and the legal framework.

The circumstances surrounding the popularity of Texas Hold'em serve as an ideal example with which to illustrate the MGCC's strategic plan. Texas Hold'em has allowed for the realization of the strategic plan from every operational perspective. The cooperative efforts of all MGCC departments in this initiative cement our commitment to adapting to trends in the gaming market and delivering effective services that maintain the integrity of gaming in Manitoba.

Our strategic direction obliges us to envision the ideals the MGCC strives to achieve. Animating our strategic plan demands a persistent focus on all of our goals as the means of achieving these ideals. This section of our annual report highlights how our strategic and operational goals enable a proactive approach to identifying and prioritizing critical gaming policy issues.

DID YOU KNOW?

According to legend, Texas Hold'em poker was first played in Robstown, Texas in the early 1900s and eventually was introduced in Las Vegas by Texan travellers.

ADAPTIVE

To anticipate and be flexible in responding to changes in the gaming environment.

Our commitment to being adaptive became the primary philosophy of all MGCC activities related to Texas Hold'em. It was important for us to develop expertise in both the social and legal contexts of this popular gaming activity. MGCC staff sought information from diverse sources to such an extent that the MGCC was often the conduit for cross-jurisdictional information-sharing between gaming regulators and law enforcement agencies across North America.

It quickly became apparent that there are two regulatory issues related to the Texas Hold'em phenomenon: the legality of poker and charitable organizations' interest in hosting Texas Hold'em fundraisers. These two issues are not mutually exclusive. The popularity of Texas Hold'em continues to grow with regular games being played at bars and other venues throughout the province and with some charitable organizations conducting unlicensed Texas Hold'em tournaments.

LEADER

To ensure that Manitoba is at the forefront of gaming integrity and regulation.

Once the MGCC identified the key regulatory issues and began to develop a solid understanding of the many factors related to illegal poker and to licensing Texas Hold'em as a charitable gaming event, it was clear that we would best serve Manitobans by moving forward to address these issues.

The MGCC's leadership approach led us to publicly state criteria for determining the legality of Texas Hold'em. This approach also propelled us to explore the possibility of licensing Texas Hold'em as a charitable fundraiser. The MGCC was the first regulator in Canada to do both these things.

ILLEGAL GAMING

The MGCC has a mandate to investigate complaints of illegal gaming. To this end, it was clear that we have a primary role in educating businesses and the public about the legality of Texas Hold'em being played in bars, hotels and homes across the province.

The Criminal Code of Canada's provisions on gaming are complex and, as with many instances that require interpretations of law, it proved challenging to interpret the exact circumstances under which Texas Hold'em is illegal. The MGCC consulted extensively with policing agencies, its own legal counsel and the Manitoba Department

of Justice in order to determine these circumstances. These opinions led to the guidelines that, if payment to participate (e.g., an entry fee or betting with money), an element of chance - which poker inherently has - and a prize (e.g., a portion of entry fees or wagers or anything else of value) are present, the operation of Texas Hold'em, or other forms of poker, may be illegal. In assessing legality, it is also necessary to consider whether there is benefit to those hosting poker events.

Clarifying the legal context of Texas Hold'em was an important achievement in support of our law enforcement and public interest mandates. It made it possible for the MGCC to assist the hospitality industry in assessing the risks that hosting illegal gaming might present. It also set standards for MGCC compliance staff in investigating complaints of illegal gaming. Gaming regulators and law enforcement agencies from across Canada have consulted the MGCC regarding our perspectives on this matter, praising our pioneering role in publicly sharing these criteria.

CHARITABLE GAMING

At the same time as the MGCC was seeking to clarify the legality of Texas Hold'em, we began to receive increasing requests from charitable organizations interested in conducting Texas Hold'em fundraisers. Charitable gaming revenues have been static for several years and some charitable organizations are indicating that their licensed events are no longer raising the funds they once did. As the MGCC does not license poker, it became apparent that we must evaluate the feasibility of Texas Hold'em as a charitable gaming activity.

In late January 2006, the MGCC Board of Commissioners approved proceeding with a pilot study to determine whether we can establish a suitable model for licensing charitable Texas Hold'em. Our pilot study was the first Canadian initiative to address charitable organizations' growing interest in hosting poker fundraising events. Our expertise and advice related to undertaking this pilot study are often sought by colleagues and partners; the MGCC is pleased to serve as a resource for gaming regulators in other jurisdictions as they consider proceeding with licensing Texas Hold'em.

DID YOU KNOW?

Texas Hold'em poker became a popular North American spectator sport in 2003, when lipstick cameras were introduced to allow television audiences to see players' hidden cards.

EFFECTIVE

To ensure appropriate resources are available to deliver services and programs, and to employ those resources efficiently and effectively.

In and of itself, the decision to proceed in addressing all issues related to Texas Hold'em would have been inadequate to meet our strategic objectives. Responding to the issues and successfully meeting our goals required the cooperative efforts of the Board of Commissioners, management, staff and external stakeholders, including the following examples.

- Our Regulatory Affairs and Compliance Departments liaised with law enforcement, legal counsel, other regulatory agencies and gaming industry stakeholders to refine our role and policies related to the operation of illegal Texas Hold'em. Compliance and communications staff then collaborated to best share this information with bar and restaurant owners, charitable organizations and the public. Working together in this way enhanced the MGCC's approachability even within the context of its enforcement role.
- For some time prior to the start of the pilot study, representatives from all MGCC departments worked together to gather and share input and opinions, to consult with experts and agencies in other jurisdictions and to prepare draft terms and conditions that balance flexibility and integrity.
- The Texas Hold'em Pilot Study is a project that will encompass the cooperative efforts of all MGCC departments. It will involve licensing, registration, audit and compliance activities, advice from the Regulatory Affairs and Technical Integrity Departments and support from the Information Technology, Research and Communications Departments. The pilot study will involve the efficient coordination of our resources, including staff time and expertise. It will also demonstrate our commitment to effective teamwork.

COMMUNICATIVE

To ensure effective and appropriate communication to and amongst the Board of Commissioners, employees, clients, stakeholders and partners.

Regulatory activities are most effective when supported by relevant communication. It is also very important to offer a variety of appropriate communication vehicles that tailor messages to particular audiences. The MGCC's response to Texas Hold'em regulatory issues includes an array of communication activities from the very specific - letters to VLT siteholders - to the very public - media interviews and

website content. Successfully coordinating these activities requires identifying the primary stakeholders or audiences, assigning staff to respond to different types of inquiries and the harmonization of all information.

Sharing information about the legality of Texas Hold'em with businesses, charities, poker players and the public necessitates significant collaboration among MGCC staff and partners to provide the appropriate message to each stakeholder. In the same way, the pilot study will continue to challenge our commitment to providing prompt and appropriate communication. We are already meeting this challenge by consistently sharing information about the project with government, the Board of Commissioners, charities, businesses and the public.

BALANCED

To take a reasoned and balanced approach to gaming policy and regulation.

The MGCC strives to develop practices that encourage stakeholder consultation and input, while at the same time maintaining the honesty and integrity of gaming in Manitoba. When we seek or share information, form policies or undertake compliance and licensing activities related to Texas Hold'em, we appreciate the importance of balancing the needs and perspectives of all of our stakeholders.

We are always aware of our responsibility to uphold gaming laws, yet we realize that a cooperative approach is most likely to ensure compliance. The MGCC works very closely with businesses and charities so that they have the necessary information about the risks of hosting Texas Hold'em events.

Consultation and research have been the touchstones of our approach to Texas Hold'em. The pilot study will assess an array of variables including rules, equipment, venues, security and financial controls, and licensing and registration processes. The evaluation will assemble feedback from charitable licensees, registered gaming suppliers, dealers, players and all MGCC departments. We will also gather input from charitable and religious organizations that do not actually host pilot events, but that still wish to share their opinions or other information relevant to licensing Texas Hold'em.

The MGCC first seeks out and weighs the diverse views of stakeholders before designing policies or implementing projects, and then continually revisits these perspectives to review the effectiveness of programs and services. In doing so, the MGCC cultivates a balanced perspective on gaming regulation.

DID YOU KNOW?

Twenty-one percent (21%) of Manitobans report playing poker at home with friends and family and four percent (4%) report playing in bars, lounges or other public facilities.

PUBLIC EDUCATION CAMPAIGN EVALUATION REPORT (2006), MGCC



**Manitoba Gaming
Control Commission**

Financial Statements
for the Year Ended
March 31, 2006

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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

May 30, 2006



Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

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

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2006 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2006 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
May 30, 2006

Manitoba Gaming Control Commission

for the year ended March 31

BALANCE SHEET

	2006	2005
Assets		
Current Assets		
Cash	\$ 23,976	\$ 100,232
Short-term investments (Note 2b)	3,358,337	2,920,090
Accounts receivable (Note 3)	27,527	42,012
Prepaid expenses	18,832	16,995
	<u>3,428,672</u>	<u>3,079,329</u>
Long Term Receivable - Province of Manitoba (Note 6)	146,079	146,079
Capital Assets (Note 4)	410,464	492,427
	<u>\$ 3,985,215</u>	<u>\$ 3,717,835</u>
Liabilities and Surplus		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 354,397	\$ 403,154
Deferred revenue (Note 5)	1,901,670	1,802,725
	<u>2,256,067</u>	<u>2,205,879</u>
Provision for employee severance benefits (Note 6)	164,966	150,654
Provision for employee pension benefits (Note 10)	51,199	0
Deferred lease inducements (Note 7)	16,625	27,125
	<u>2,488,857</u>	<u>2,383,658</u>
Surplus	1,496,358	1,334,177
	<u>\$ 3,985,215</u>	<u>\$ 3,717,835</u>

On behalf of the Board:



Director



Director

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

Manitoba Gaming Control Commission

for the year ended March 31

STATEMENT OF
OPERATIONS
AND SURPLUS

	2006	2005
Revenue		
Registration fees	\$ 3,420,305	\$ 3,263,422
License fees	1,066,349	1,154,808
	<u>4,486,654</u>	<u>4,418,230</u>
Expenses		
Salaries and benefits	3,145,370	2,752,910
Legal and professional fees	319,082	266,942
Rent	145,698	168,723
HR/Systems support	140,458	164,846
Transportation	131,187	167,068
Amortization	123,672	158,443
Education, training, and conference	112,429	89,209
Communications	104,967	93,255
Supplies and services	86,366	85,169
Commission Board	66,656	66,892
Accommodations	48,466	56,140
Other expenses	22,230	22,584
First Nations legal and professional	13,864	55,440
	<u>4,460,445</u>	<u>4,147,621</u>
Income before other items	<u>26,209</u>	<u>270,609</u>
Other Items		
Other income	79,867	30,577
Interest income	56,105	48,414
	<u>135,972</u>	<u>78,991</u>
Excess of revenue over expenses	162,181	349,600
Surplus, beginning of year	1,334,177	1,984,577
Revenue sharing payment to Province (Note 11)	o	(1,000,000)
Surplus, end of year	<u>\$ 1,496,358</u>	<u>\$ 1,334,177</u>

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

Manitoba Gaming Control Commission

for the year ended March 31

STATEMENT
OF CASH FLOWS

	2006	2005
Cash Flows from Operating Activities		
Excess of revenue over expenses	\$ 162,181	\$ 349,600
Items not involving cash		
Amortization of capital assets	123,672	158,443
Amortization of capital assets related to the Commission Board	2,588	3,316
	<u>288,441</u>	<u>511,359</u>
Changes in non-cash working capital balances		
Accounts receivable	14,485	1,002,073
Prepaid expenses	(1,837)	770
Accounts payable and accrued liabilities	(48,757)	(19,525)
Deferred revenue	98,945	3,570
Provision for employee pension benefits	51,199	0
Provision for employee severance benefits	14,312	(14,171)
	<u>416,788</u>	<u>1,484,076</u>
Cash Flows from Investing Activities		
Purchase of capital assets	<u>(44,297)</u>	<u>(40,023)</u>
Cash Flows from Financing Activities		
Deferred lease inducements	(10,500)	(10,500)
Revenue sharing payment to Province	<u>0</u>	<u>(1,000,000)</u>
Increase in cash and cash equivalents during the year	361,991	433,553
Cash and cash equivalents, beginning of year	<u>3,020,322</u>	<u>2,586,769</u>
Cash and cash equivalents, end of year	<u>\$ 3,382,313</u>	<u>\$ 3,020,322</u>
Represented by		
Cash	\$ 23,976	\$ 100,232
Short-term investments	<u>3,358,337</u>	<u>2,920,090</u>
	<u>\$ 3,382,313</u>	<u>\$ 3,020,322</u>

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

1. Nature of Business

The Manitoba Gaming Control Commission 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. Significant Accounting Policiesa. Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

b. Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 55(7) of The Gaming Control Act.

c. Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

d. 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

e. Revenue Recognition

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

f. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Actual results could differ from those estimates.

3. Accounts Receivable

	2006	2005
Trade	\$ 3,868	\$ 7,245
Manitoba Lotteries Corporation	7,750	22,850
Employee Advances	11,917	11,917
Supplier Investigations	3,992	0
	\$ 27,527	\$ 42,012

4. Capital Assets

2006	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 65,453	\$ 50,632	\$ 14,821
Furniture and fixtures	307,998	173,388	134,610
Computer equipment	972,302	711,269	261,033
	<u>\$ 1,345,753</u>	<u>\$ 935,289</u>	<u>\$ 410,464</u>

2005	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 65,453	\$ 46,927	\$ 18,526
Furniture and fixtures	307,998	158,432	149,566
Computer equipment	961,350	637,015	324,335
	<u>\$ 1,334,801</u>	<u>\$ 842,374</u>	<u>\$ 492,427</u>

5. Deferred Revenue

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

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 Commission.

**6. Provision for Employee
Severance Benefits**

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Commission's employees. Accordingly, the Commission recorded a receivable of \$146,079 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. There are no specific terms of repayment for this receivable and there have been no repayments made by the Province to date.

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

7. Deferred Lease Inducements

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by \$10,500 for the period ending March 31, 2006 (\$10,500 in 2005) and an annual reduction in rental expense of approximately \$10,500 and \$6,125 is expected for the years 2007 and 2008 respectively.

8. Commitments

The organization has an operating lease for its premises at \$12,094 per month, under a lease expiring in 2007.

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

2007	145,125
2008	84,658

9. Economic Dependence

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

10. Pension Plans

Prior to March 31, 2005, substantially all of the employees of the Commission were members of a Money Purchase Pension Plan ("the Plan") which was a defined contribution pension plan that was wound up March 31, 2005. The remainder of the employees are members of the Province of Manitoba's defined benefit Superannuation Pension Fund ("the Fund").

Effective April 1, 2005, all employees who were members of the Plan became members of the Fund.

The Commission matches employees' current pension contributions to the Fund. Variances between actual funding estimates and actual experience will be revealed in future valuations which may require an increase in the funding contribution rates. Based on the triennial actuarial report of pension obligations as at December 31, 2004, adjusted to March 31, 2006, a reserve of \$51,199 has been established as a pension liability for employees whose annual earnings exceed the limit under the Fund plan.

The Commission's portion of contributions to the Fund plan is recognized as an operating expense in the period of contribution. Total contributions for the year are \$143,280. Contributions for the 2005 year were \$104,963 (\$41,862 to the Fund and \$63,101 to the Plan).

11. Revenue Sharing Payment to the Province

In December, 2004, a one-time revenue sharing payment of \$1.0 million was made to the Province as directed by the Minister of Finance, as per section 55(13) of The Gaming Control Act.

12. Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

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By seeking a BALANCED PERSPECTIVE and
ensuring ACCOUNTABILITY, we protect
the public interest while respecting the
diversity of views on gaming.

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Board of Commissioners

Darlene Dziewit
Chairperson
Lorette

John Collins
Vice-chairperson
Winnipeg

Shelly Blanco
Member
Selkirk

Lucille Cenerini
Member
St. Boniface

Nelson Keeper
Member
Little Grand Rapids
First Nation

Joseph Stadnyk
Member
Brandon



**Manitoba Gaming
Control Commission**

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