



Allegheny County Gaming Office Fiscal Year 2006 Summary



September 28, 2006
David K. Nedved, Gaming Administrator

Allegany County Paper Gaming Office *Challenges* In Fiscal Year 2006

Continued to ensure that jackpots were being fully funded as promised by the organization to its patrons. This came from matching database information to information from on-site inspections.

Continued to ensure that tax-exempt games were truly so by verifying receipts with on-site inspections.

Continued to ensure consistency in the costs wholesalers were deducting in calculating tax.

Allegany County Paper Gaming Office *Challenges* In Fiscal Year 2006

Increased the timely delivery of monthly operator log sheets through use of fines. This was a progression from other more supportive methods that have not achieved 100% delivery rates.

Ensured that taxes were being collected at the time of sale. The computer program matches check dates to invoice dates, and then invoice dates to the dates games started.

Formalized the dispersion to operators of information the Gaming Office collects by providing each one with their own copy of the fiscal year report.

Allegany County Paper Games
Distribution of Gaming Stickers - Fiscal Year 2006

100%

51,600 stickers were sold to "wholesalers".

97%

49,901 stickers were attached to actual games.

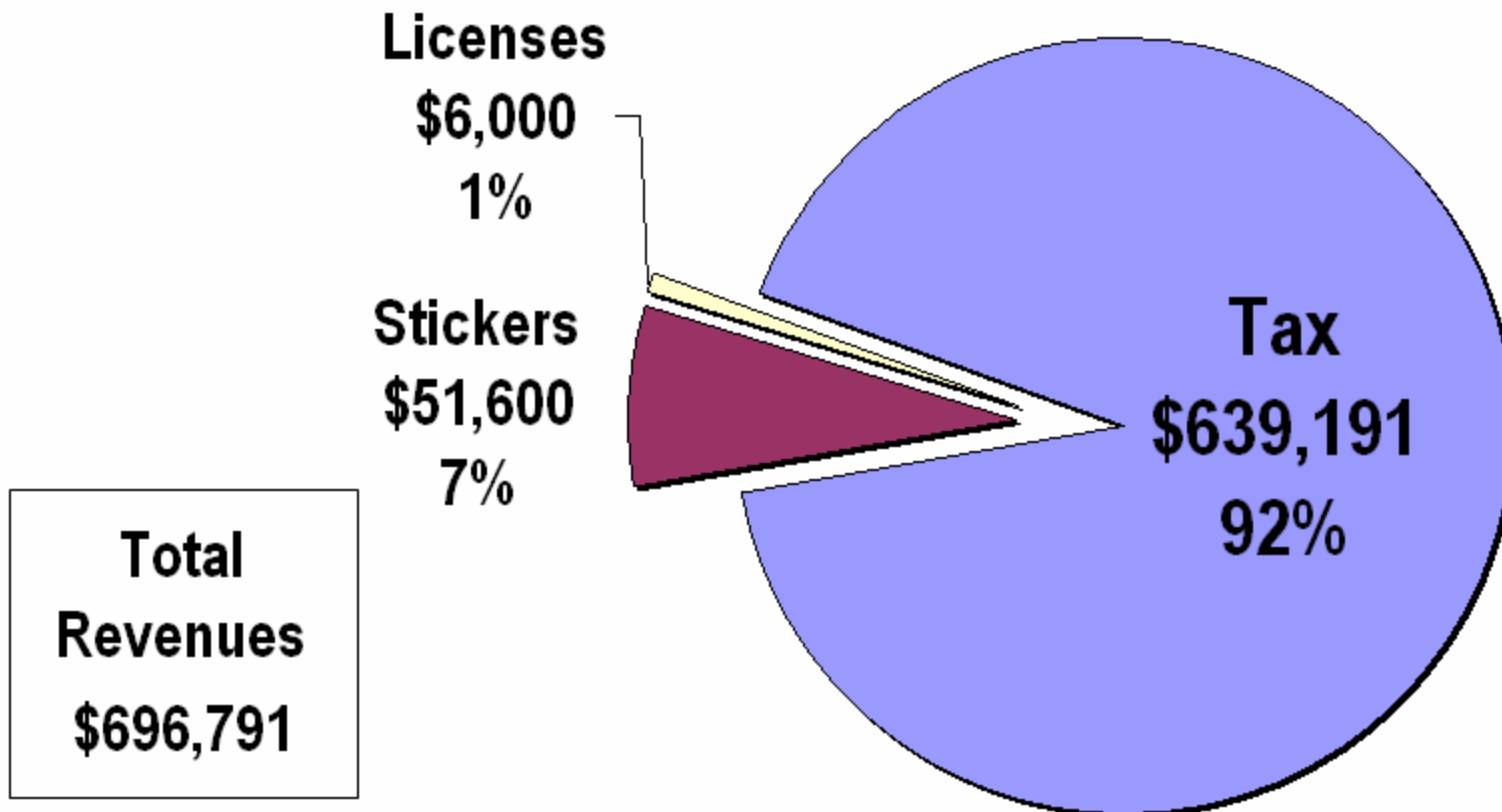
94 stickers were voided.

The 1,605 unused stickers are about a 1.7 week supply.

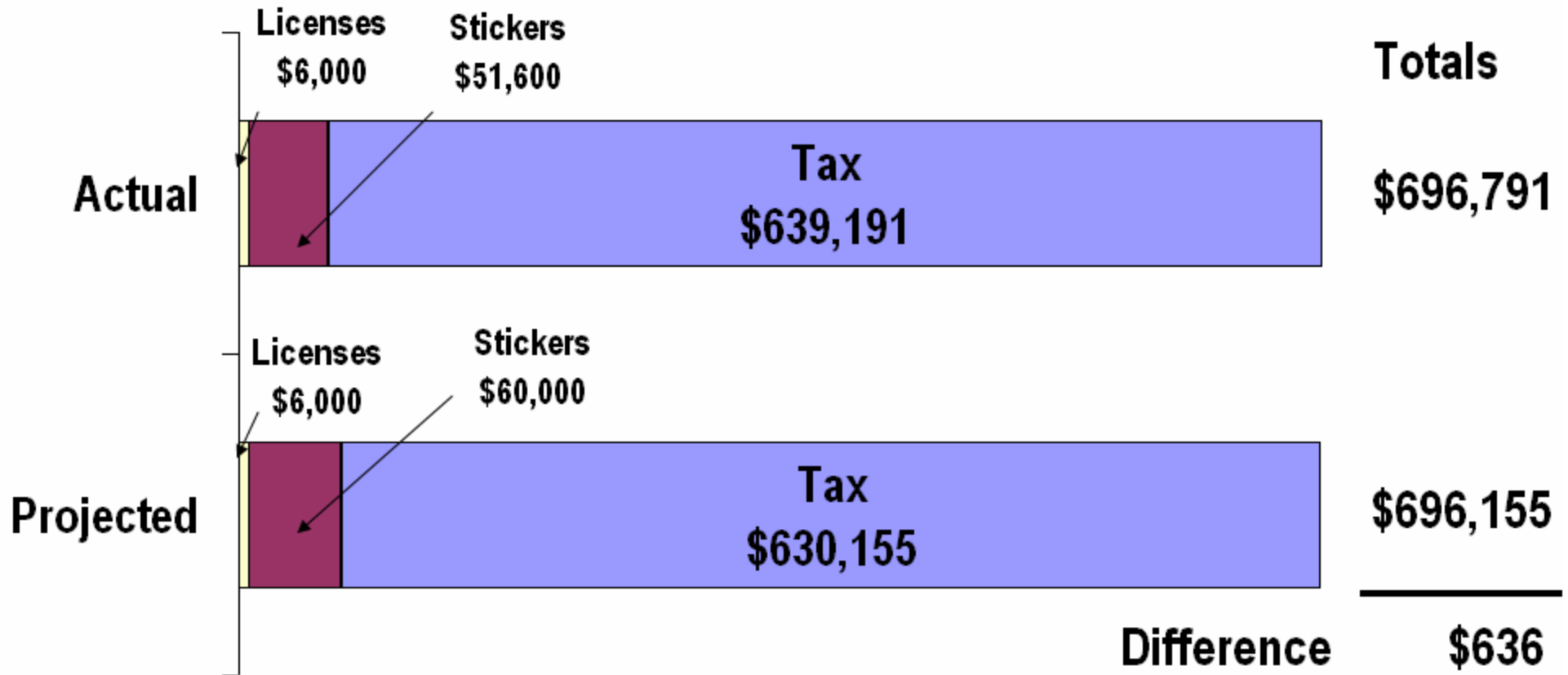
86%

**44,492 stickered games
were played during fiscal year.**

Allegany County Paper Gaming Fund *Revenues By Type*
Fiscal Year 2006



**Allegany County Paper Gaming Fund
Actual Versus Projected For Fiscal Year 2006**



Sticker revenues were projected to be \$8,400 more than actually was the case, while taxes were \$9,036 more than projected.

Overall, the actual gaming revenues were \$636 more than projected.

**Allegany County Paper Gaming Fund *Tax Revenues*
Fiscal Year 2006 Versus Fiscal Year 2005**

FY 05 Total **FY 06 Total**

\$669,893

\$639,191

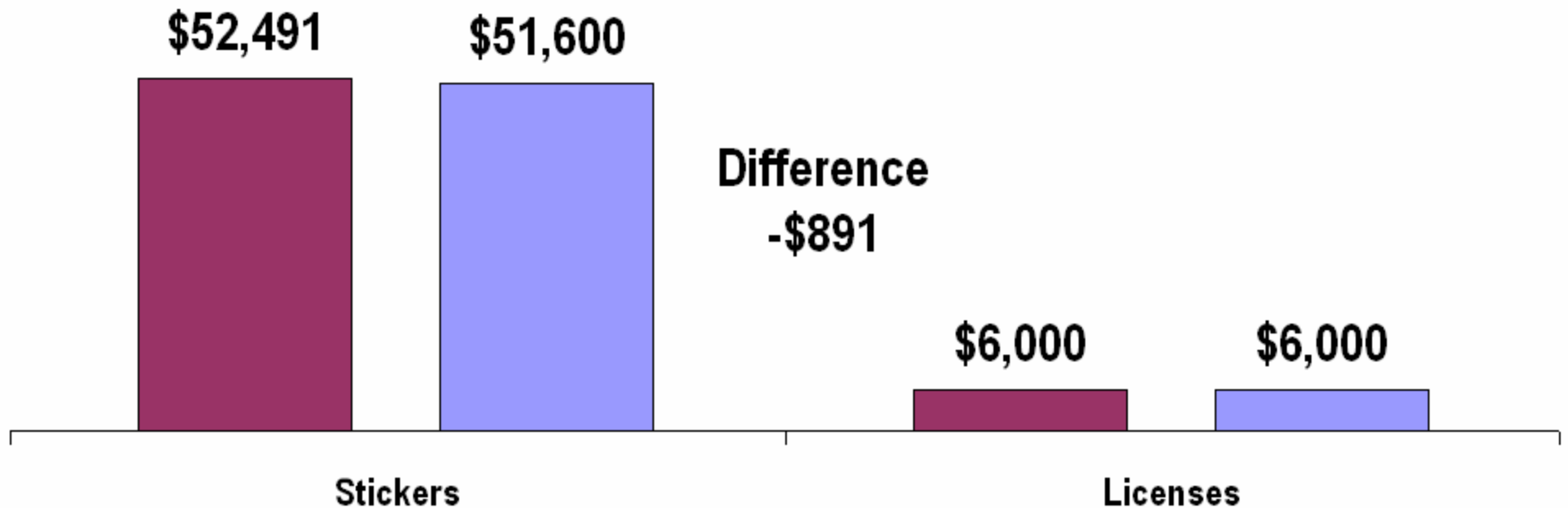
**Difference
-\$30,702**

Tax

**Gaming tax revenues decreased 4.58% in fiscal year 2006,
compared to those collected in fiscal year 2005.**

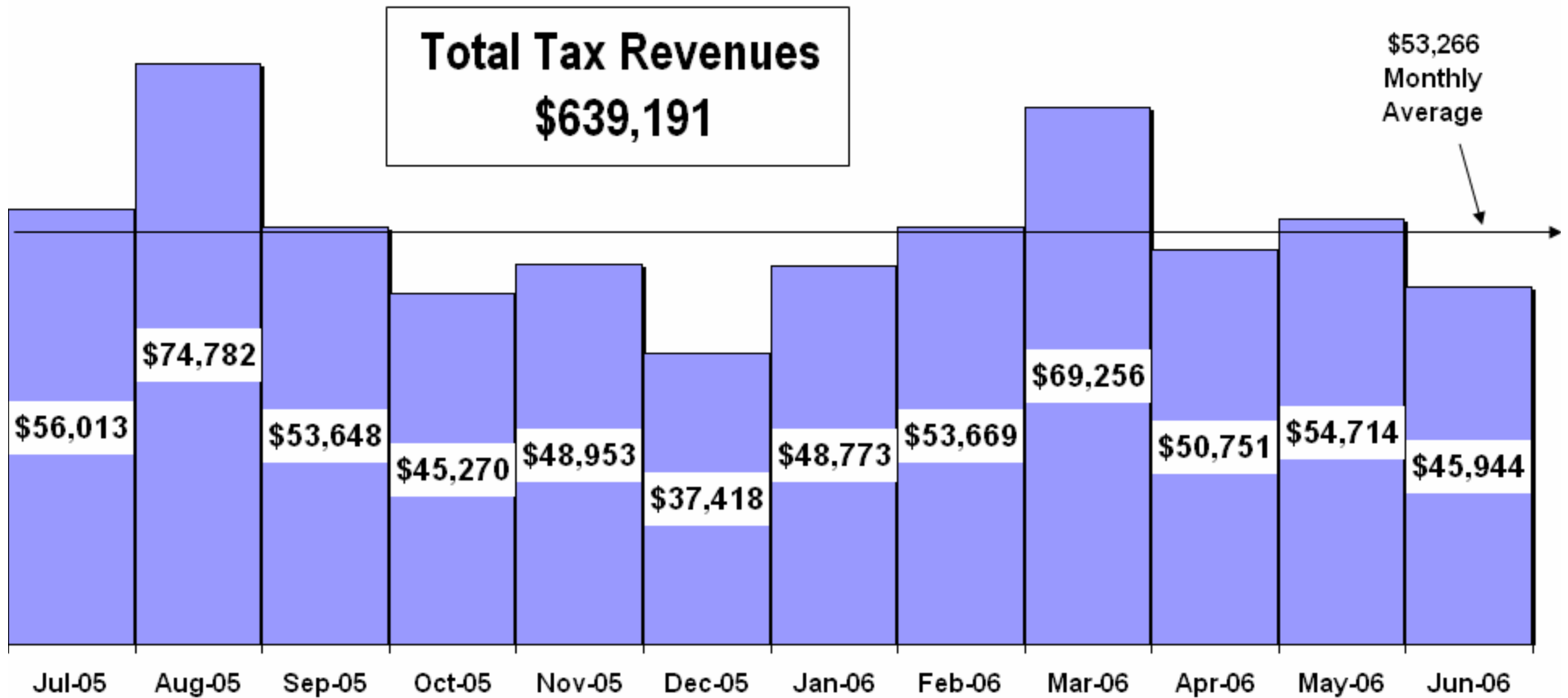
**Allegany County Paper Gaming Fund *Sticker and License Revenues*
Fiscal Year 2006 Versus Fiscal Year 2005**

FY 05 Total **FY 06 Total**



**Sticker revenues decreased 1.7% in fiscal year 2006,
compared to those collected in fiscal year 2005.
Revenues from wholesaler license fees are unchanged.**

Paper Gaming Fund Tax Revenues By Month Fiscal Year 2006

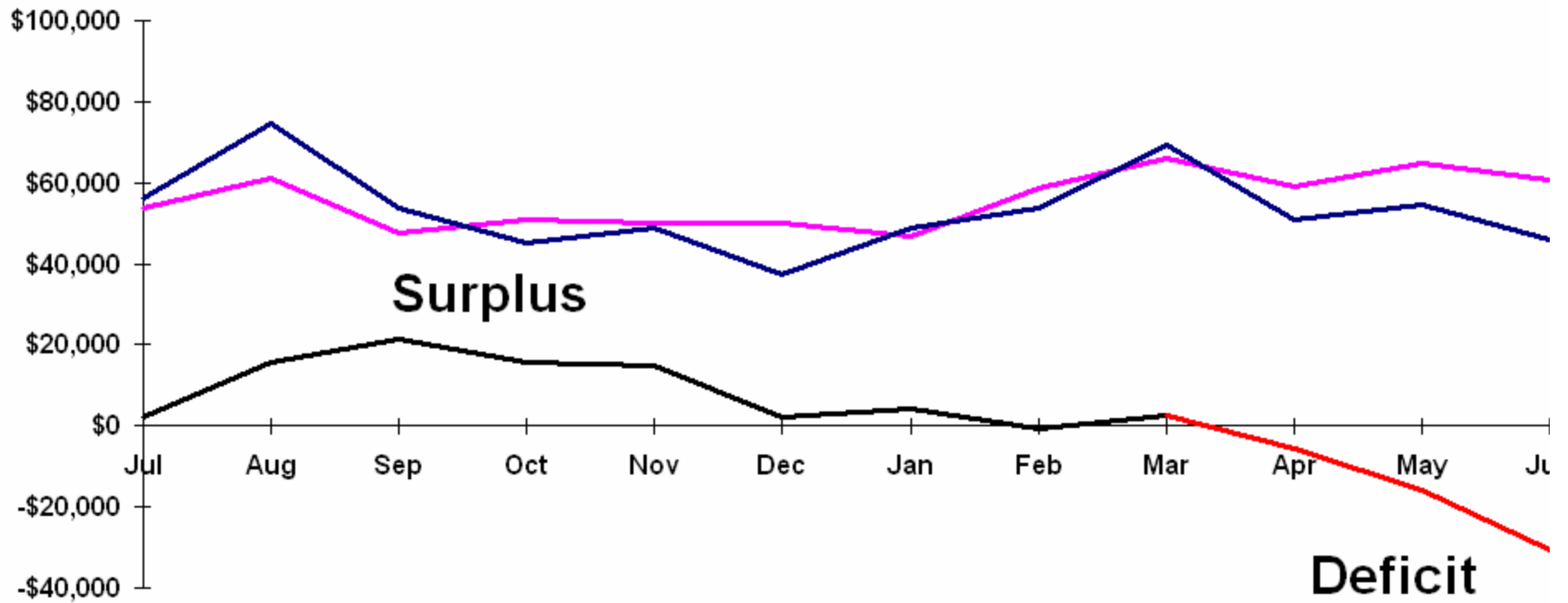


The average monthly gaming tax collection for the fiscal year is \$53,266.

Since the start of regulation, August was the best month boosted by the Firefighter's Gun Bash, December was a new low, and March was the second best month.

Allegany County Paper Gaming Fund Tax Revenues By Month - FY 06 Versus FY 05

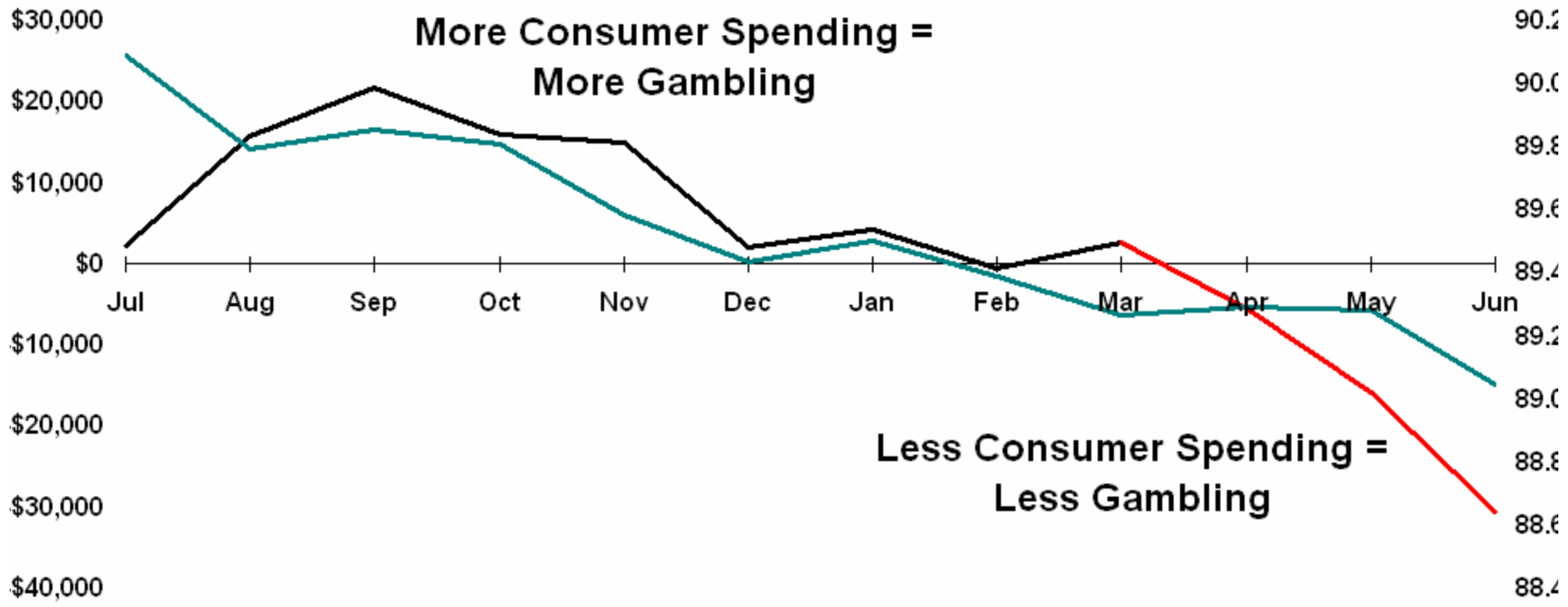
— FY 05 Tax
 — FY 06 Tax
 — Cumulative Difference



Tax revenues varied more from month to month for FY 2006 than for FY 2005. Revenues were down overall because while two months were higher, five were lower. The last three months are what dragged overall revenues lower.

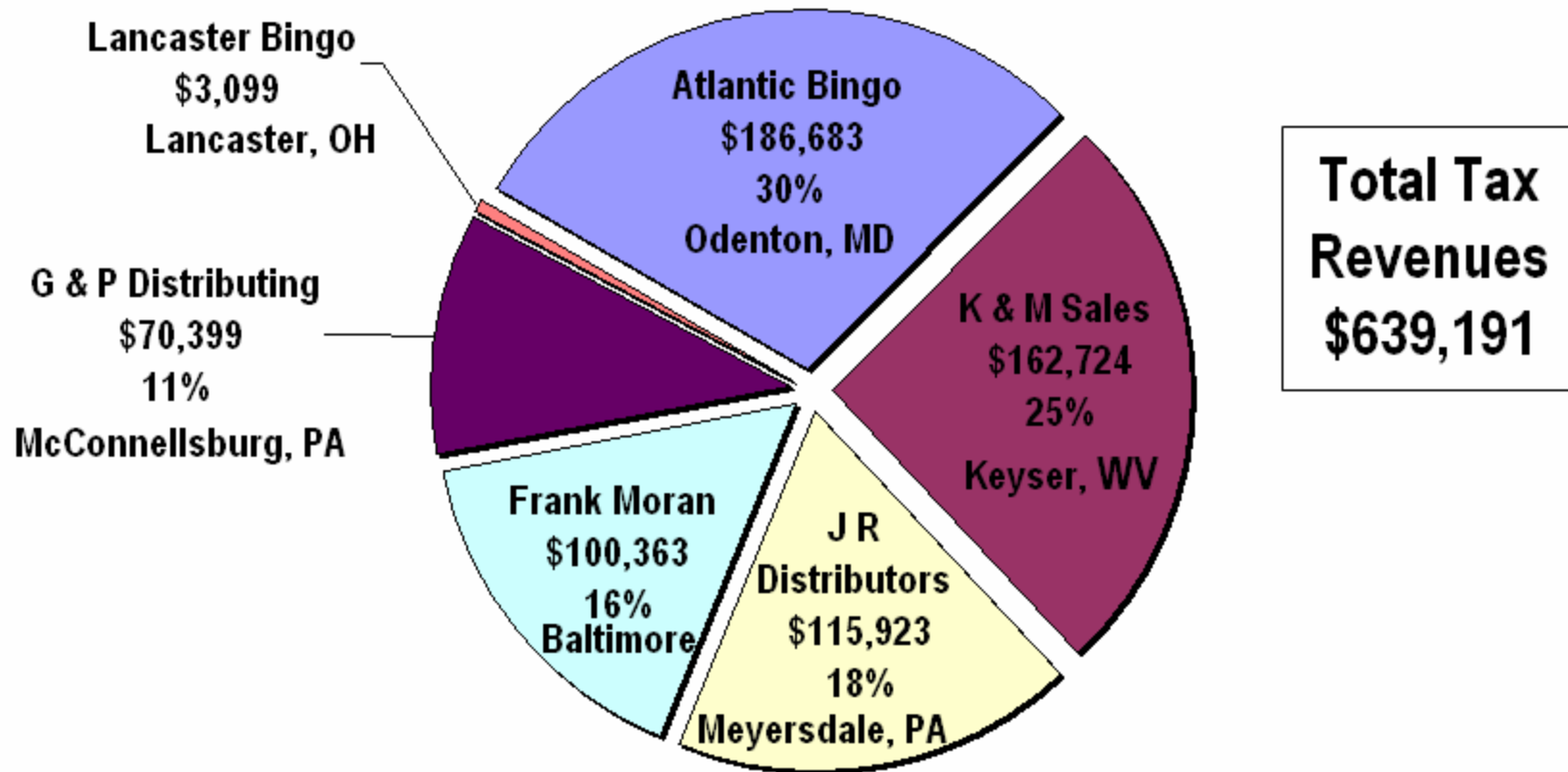
Tax Revenues Cummulative Difference Versus Last FY Explained By Durable Goods Index

— Cummulative Difference — Durable Goods Index



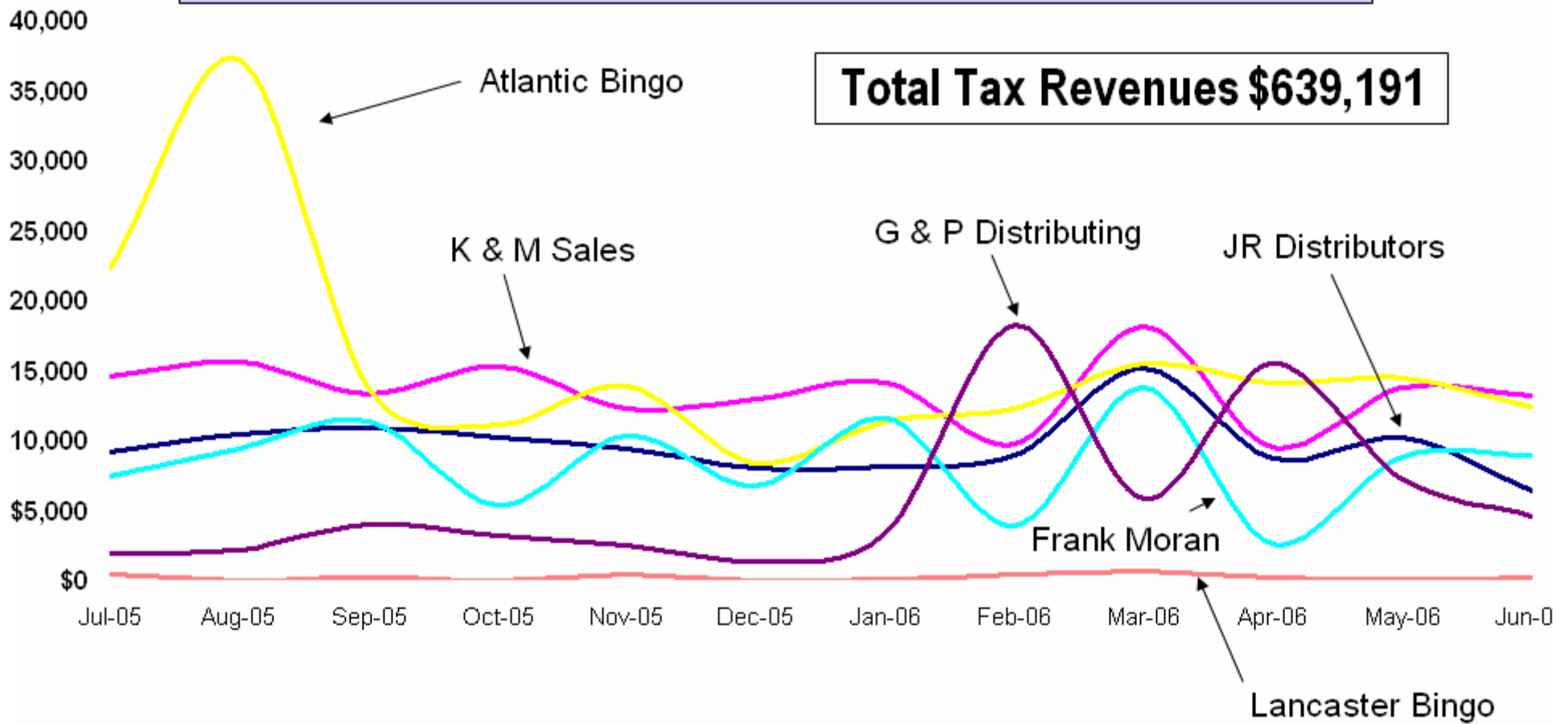
Tax revenues increase/decrease over prior year when consumers feel richer/poorer.
 This is confirmed by trend in durable goods purchases.
 Source for index is Bureau of Economic Analysis for U.S. Department of Commerce.

Tax Revenues By Allegany County Paper Gaming Wholesaler Fiscal Year 2006



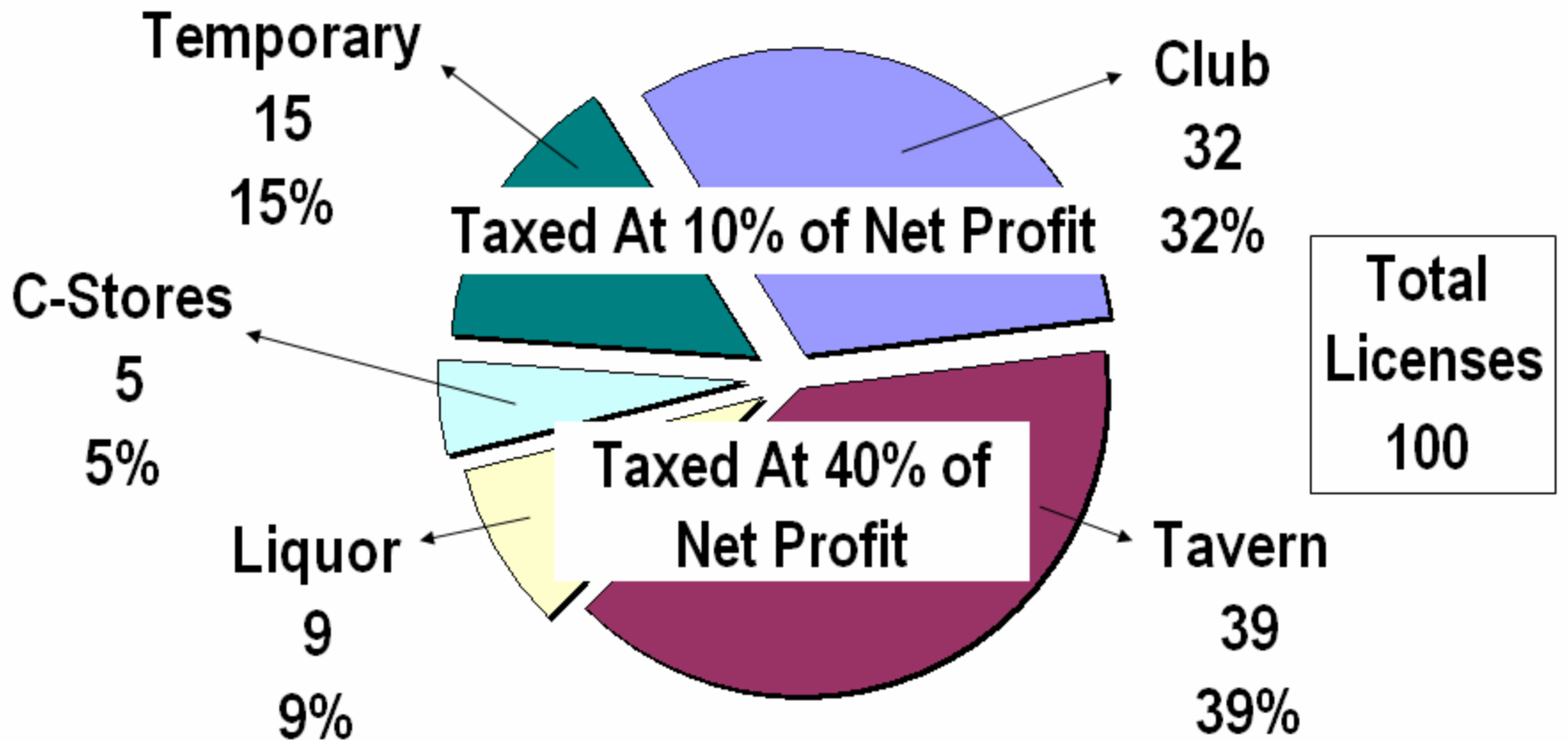
Compared to fiscal year 2005, JR has pulled ahead of Frank Moran

Trend of Tax Revenues By Allegany County Paper Gaming *Wholesaler* Fiscal Year 2006



The second half of the year was very competitive with three wholesalers varying greatly from month to month. Atlantic was steady, but did not enjoy its usual lead position.

**Allegheny County Paper Gaming Operator Licenses By Type
Fiscal Year 2006**

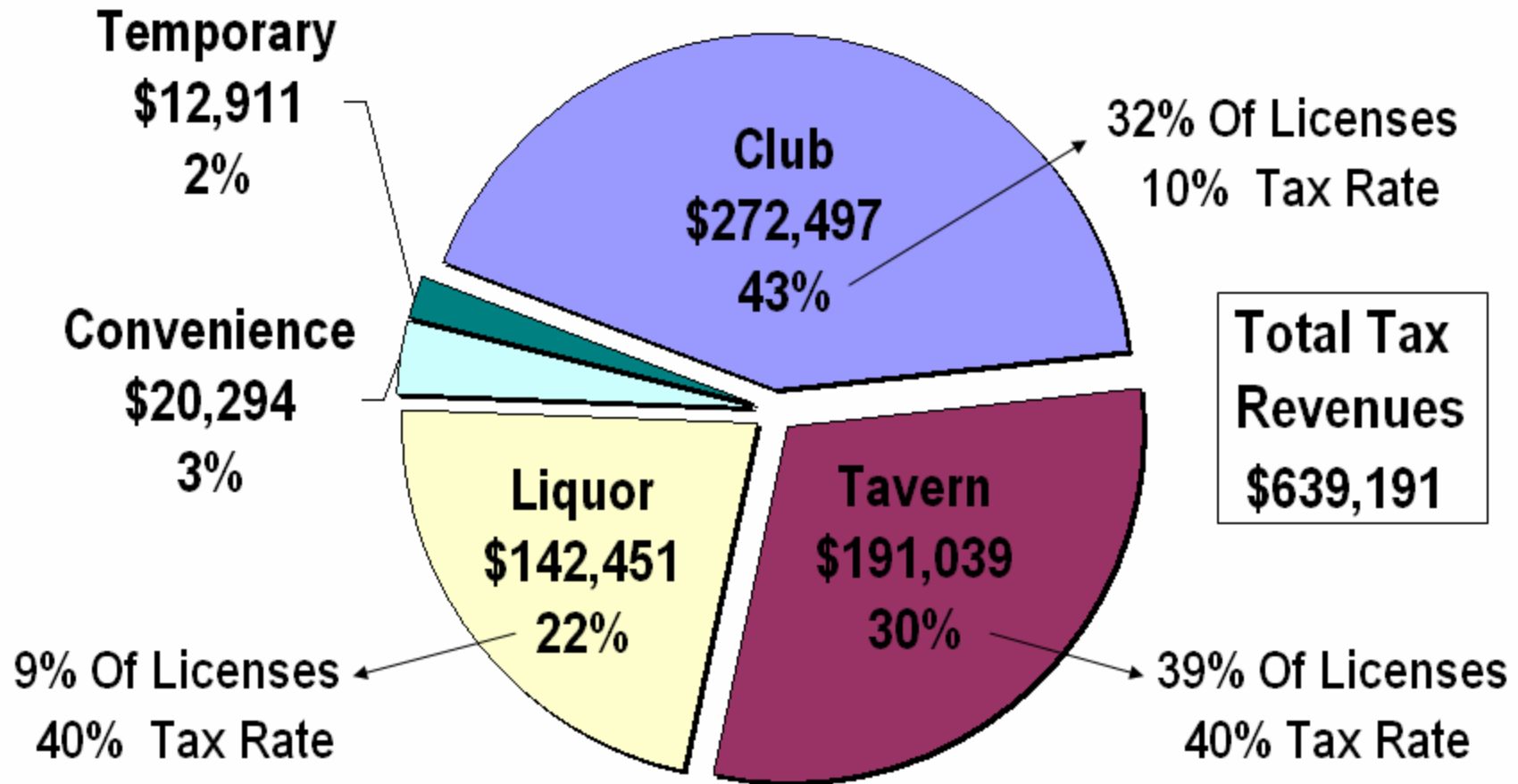


Of the 15 temporaries, 2 were issued to organizations already previously licensed in the fiscal year, and 6 resulted in no tax revenue.

For Fiscal Year 05, 94 licenses were issued.

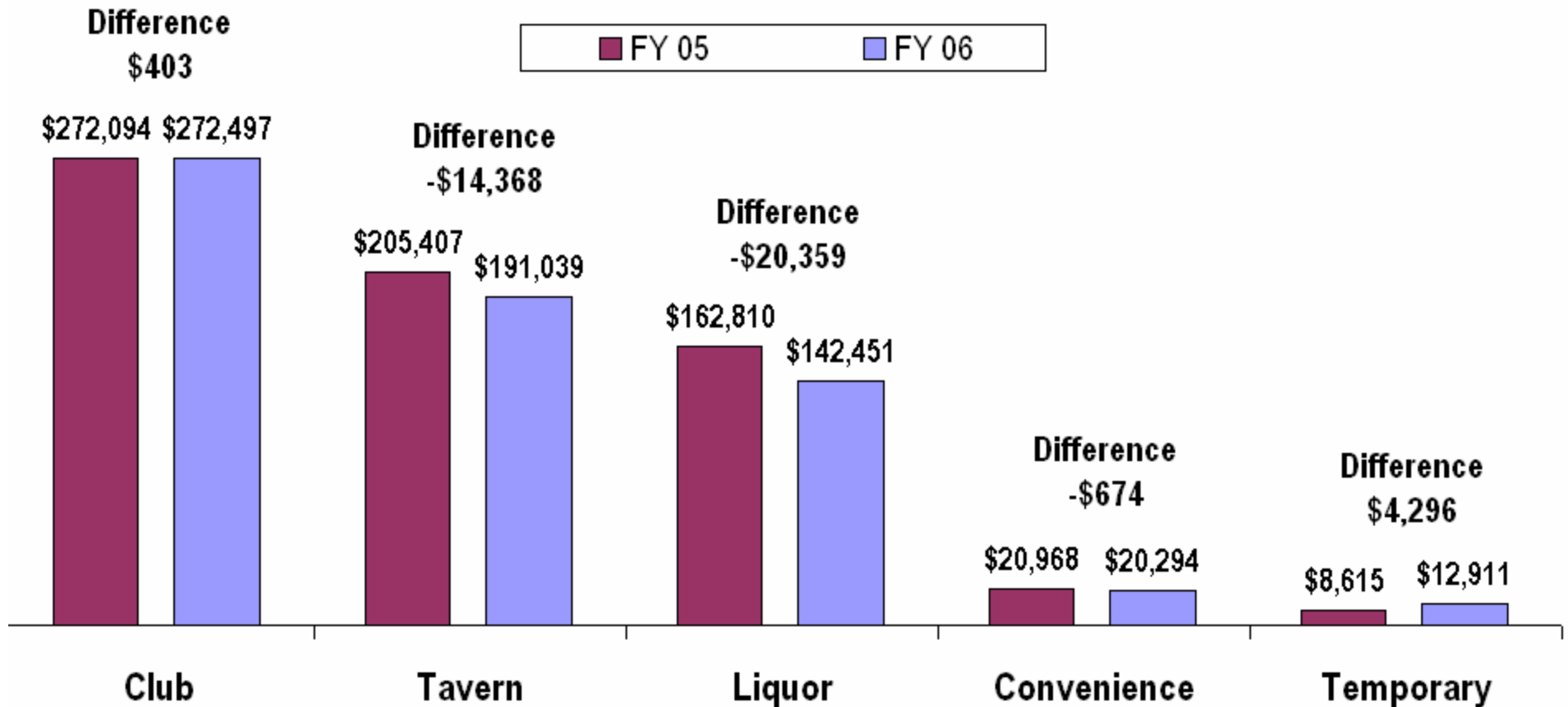
15 temporary, 5 convenience, 9 liquor, 33 tavern, and 32 club were issued.

**Tax Revenues By Allegany County Paper Gaming Operator
Type Fiscal Year 2006**



Tax revenue % for taverns continues to be less than their license %, despite being taxed at higher rate.

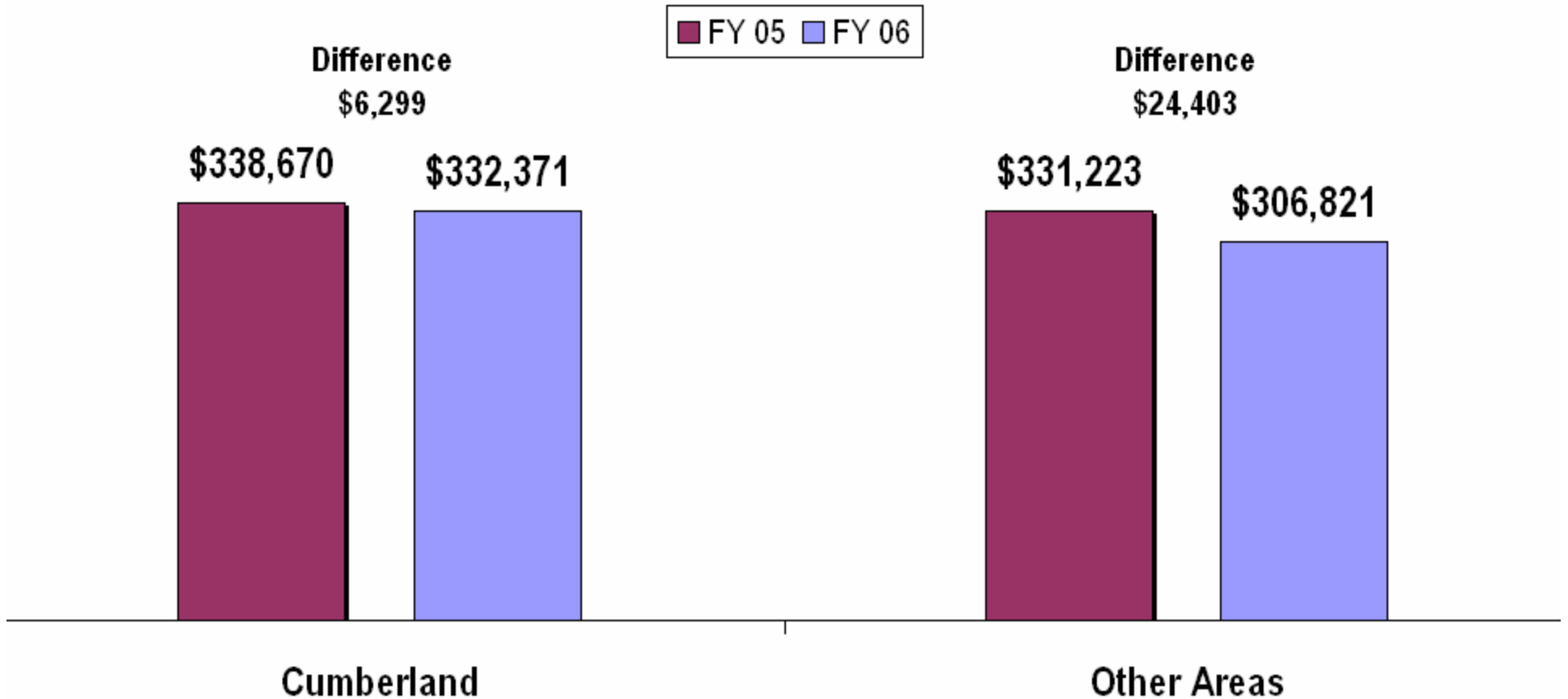
Allegany County Paper Gaming Fund *Sticker and License Revenues* Fiscal Year 2006 Versus Fiscal Year 2005



The decline in tax revenues was entirely due to lower collections from for-profit operators.

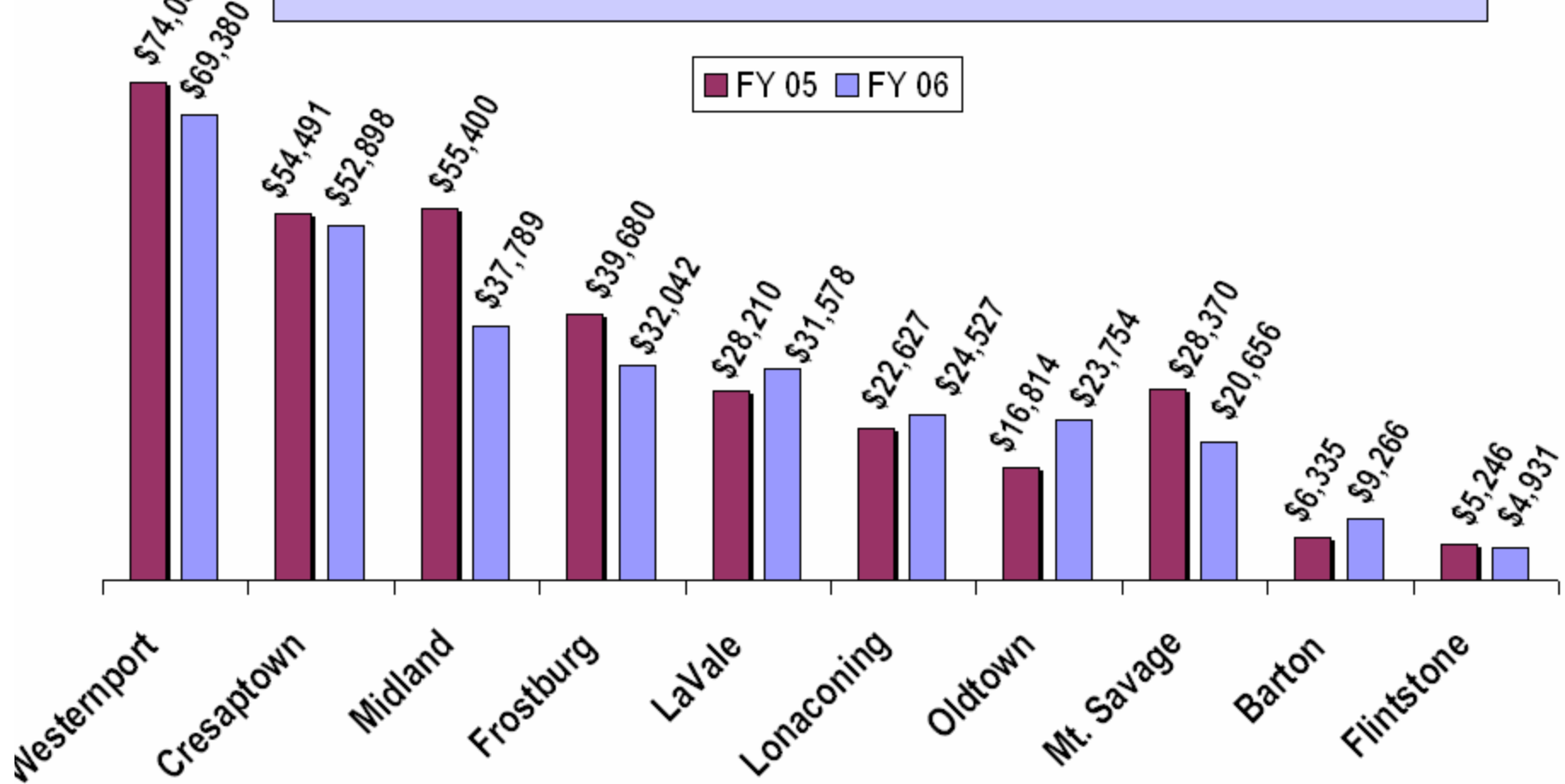
The biggest decline was for the liquor stores.

Allegany County Paper Gaming Operator Tax Revenues
Cumberland Area Versus Other Areas
Fiscal Year 2006 Versus Fiscal Year 2005



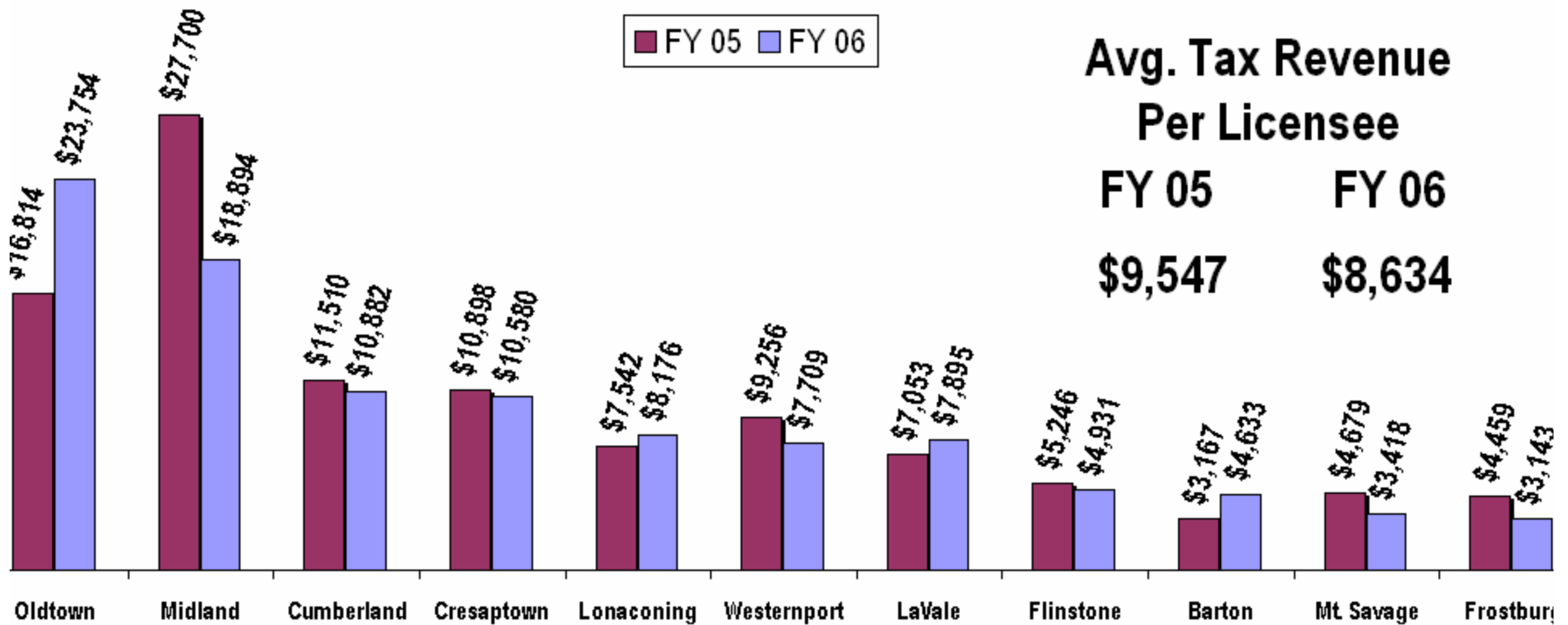
Tax revenue declined by 2% in Cumberland and 7% in the rest of the county.

**Allegany County Paper Gaming Operator Tax Revenues
Other Areas (Excludes Cumberland)
Fiscal Year 2006 Versus Fiscal Year 2005**



7 out of 10 areas declined for tax revenues, including the four largest areas.

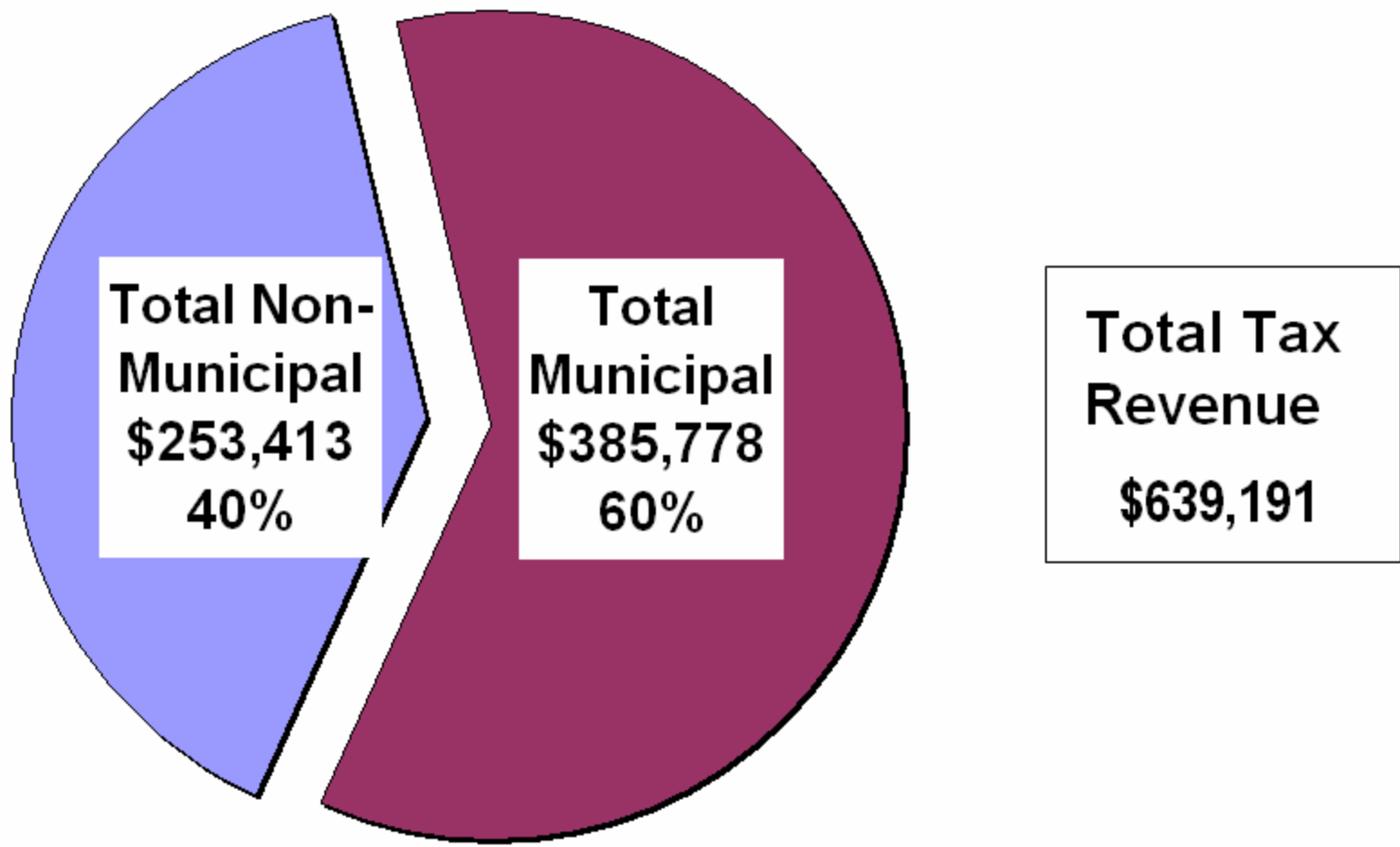
Allegany County Paper Gaming Operator Tax Revenues By General Area Per Year-Round Licensee - Fiscal Year 2006



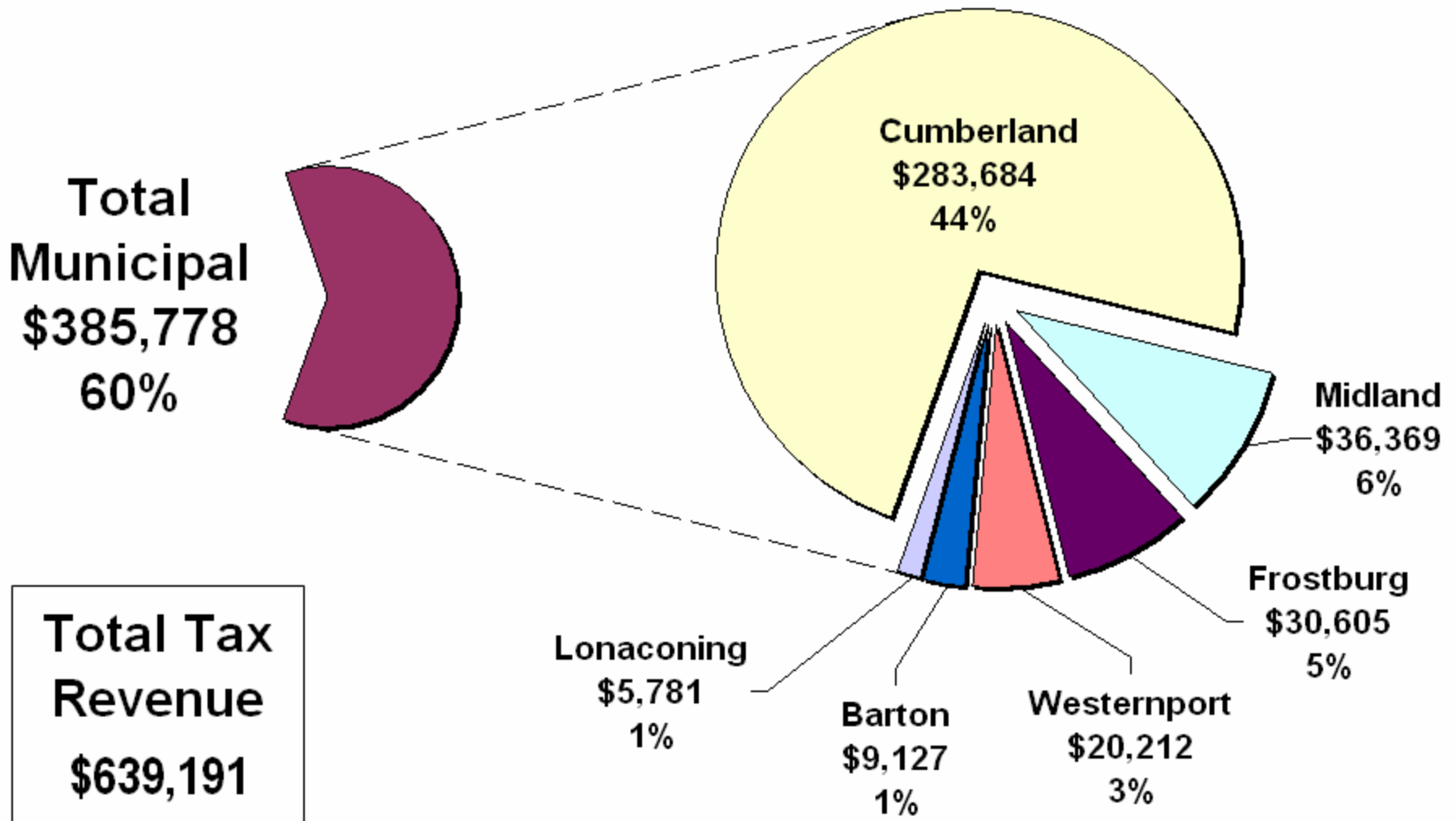
Result on graph is tax revenue for area divided by number of licensed year-round operators in area for fiscal year.
 The licensed operators were counted only if they provided tax revenues in the fiscal year.
 The tax revenue of \$17,555 from 8 temporary and 7 new operators was excluded.

7 out of 10 areas declined for tax revenues per licensee.
Oldtown jumped up, but not enough to cover the fall for Midland

**Allegheny County Paper Gaming Operator Tax
Revenues *Municipal Versus Non-Municipal*
Fiscal Year 2006**



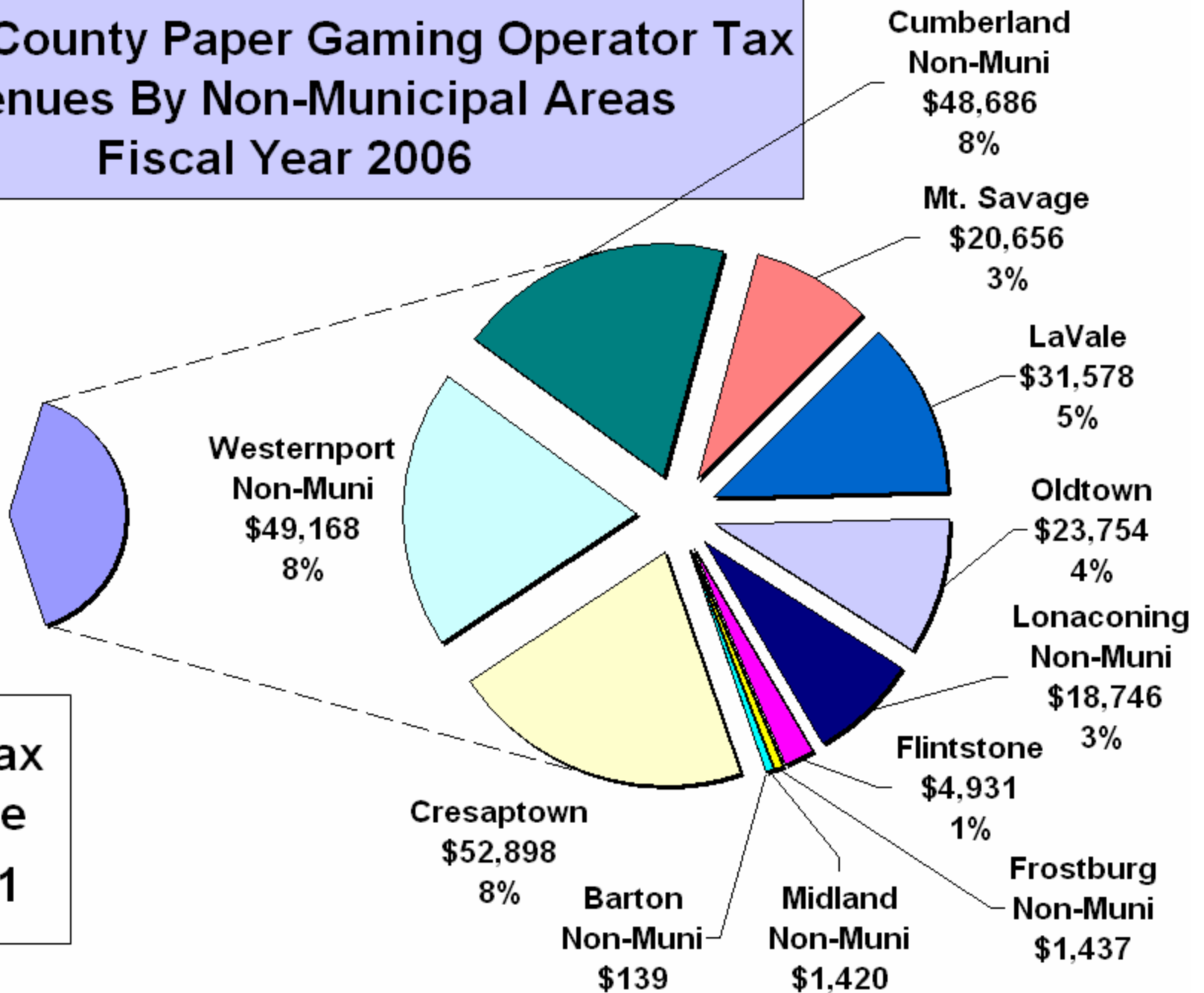
Allegany County Paper Gaming Operator Tax Revenues By *Municipal Areas* Fiscal Year 2006



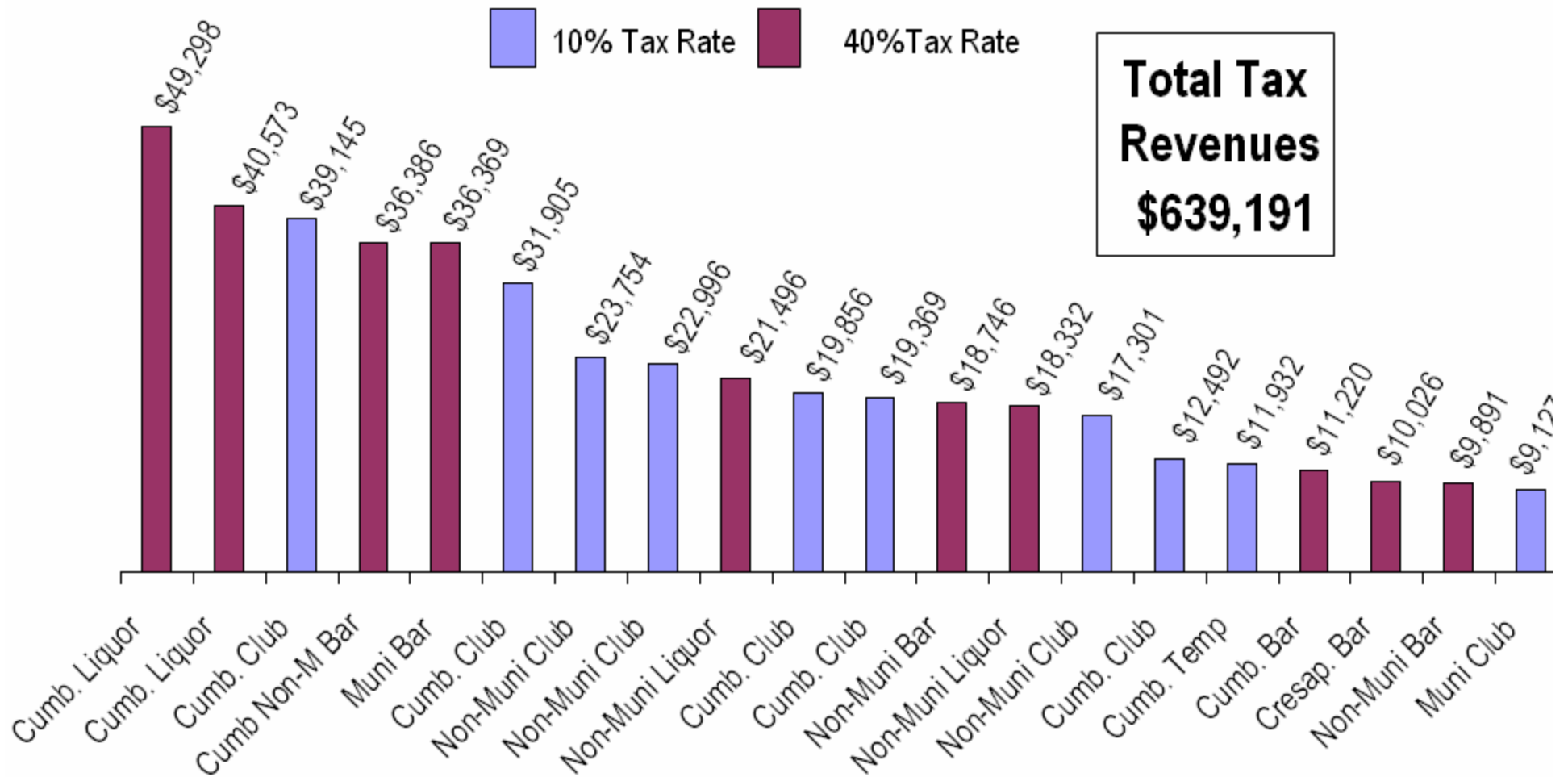
Allegany County Paper Gaming Operator Tax Revenues By Non-Municipal Areas Fiscal Year 2006

Total Non-Municipal
\$253,413
40%

Total Tax Revenue
\$639,191

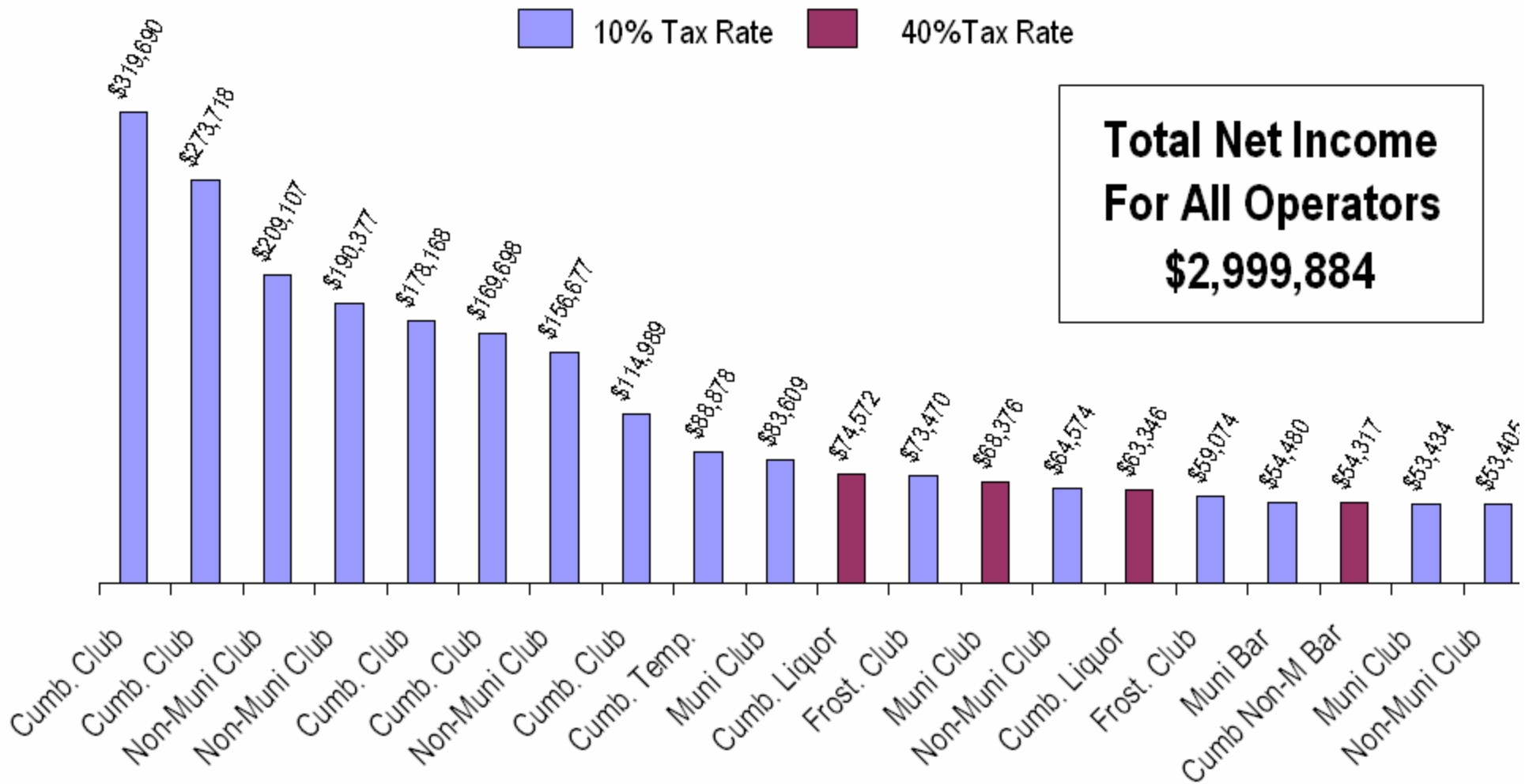


Tax Revenues By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2006



Half of the top 20 for tax revenue are for-profit organizations.

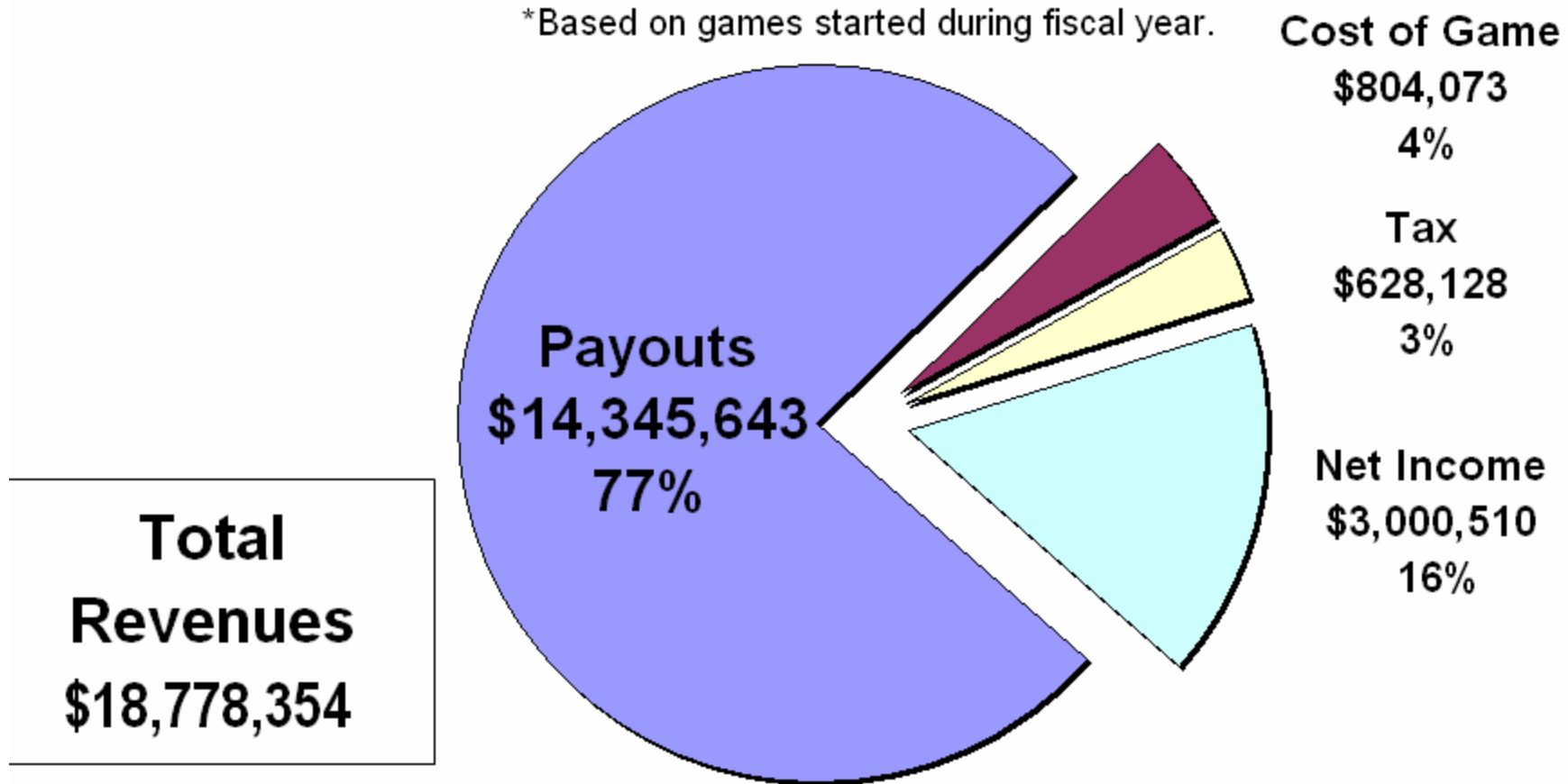
Net Income By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2006



The top 20 for net income is dominated by clubs. Only 4 of the for-profit operators make the top 20.

Distribution of Operator Gaming Revenues* Fiscal Year 2006

*Based on games started during fiscal year.



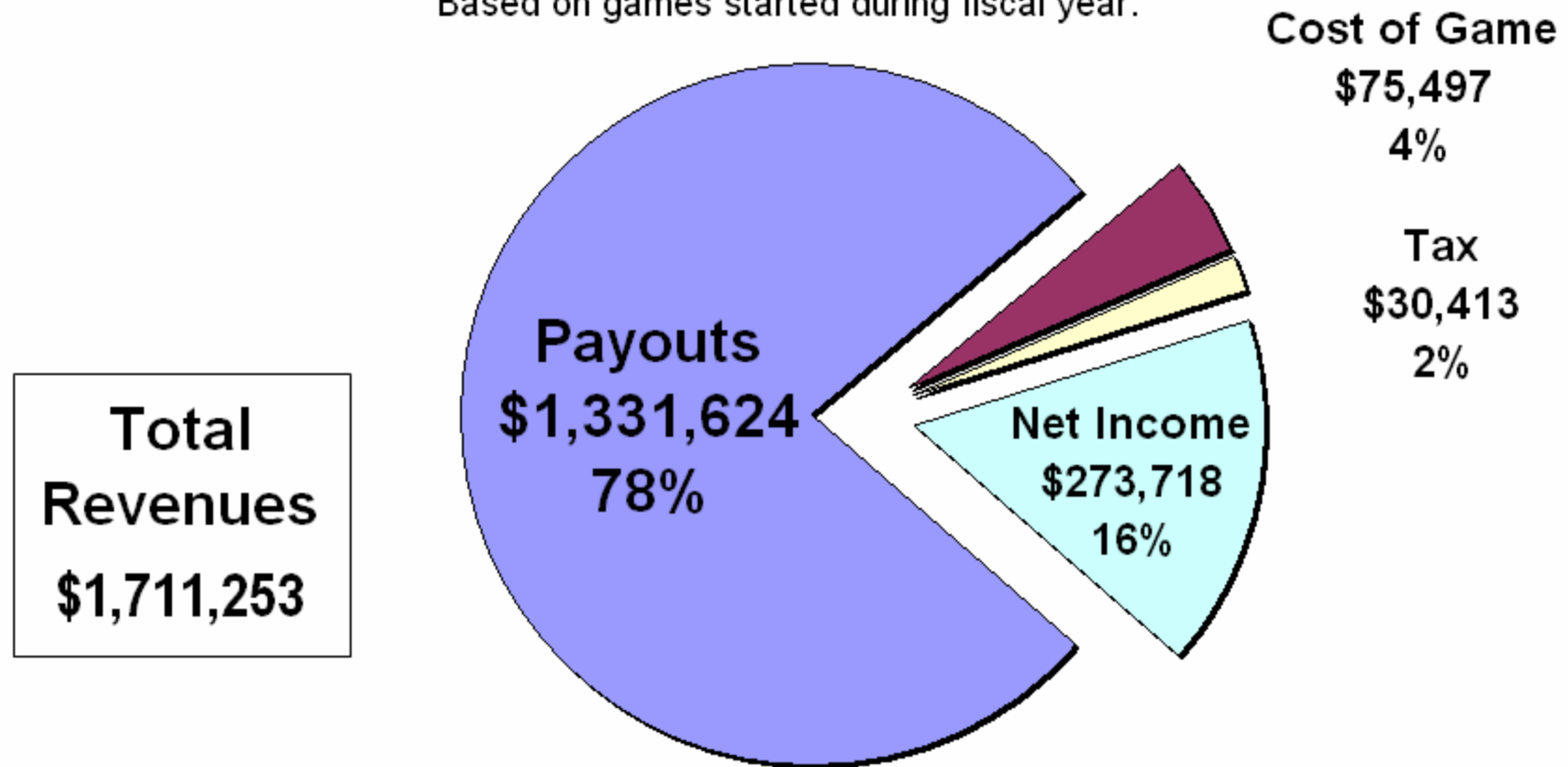
77 cents of every paper gaming dollar is paid back to the customers.

16 cents is income to the operator. 3 cents goes to the Gaming Fund.

Gaming revenues decreased 3% and income 2%, compared to tax revenues decreasing 5%.

Distribution of Gaming Revenues* For Highest Volume Club Fiscal Year 2006

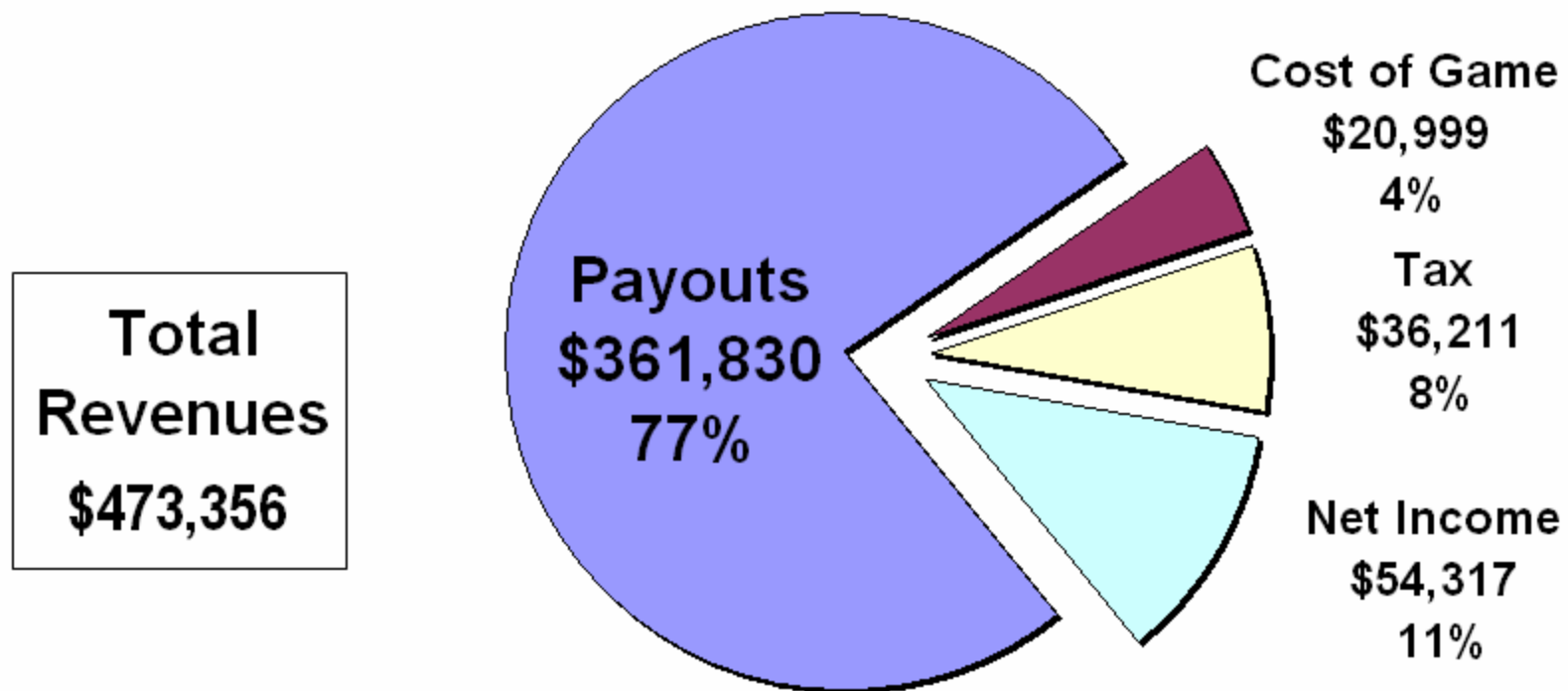
*Based on games started during fiscal year.



Highest volume club for paper gaming had \$273,718 in net income compared to \$248,727 in FY 06, a 10% increase.
Payouts are 1 % point higher because game costs are 1% point lower.

Distribution of Gaming Revenues* For Highest Volume Tavern Fiscal Year 2006

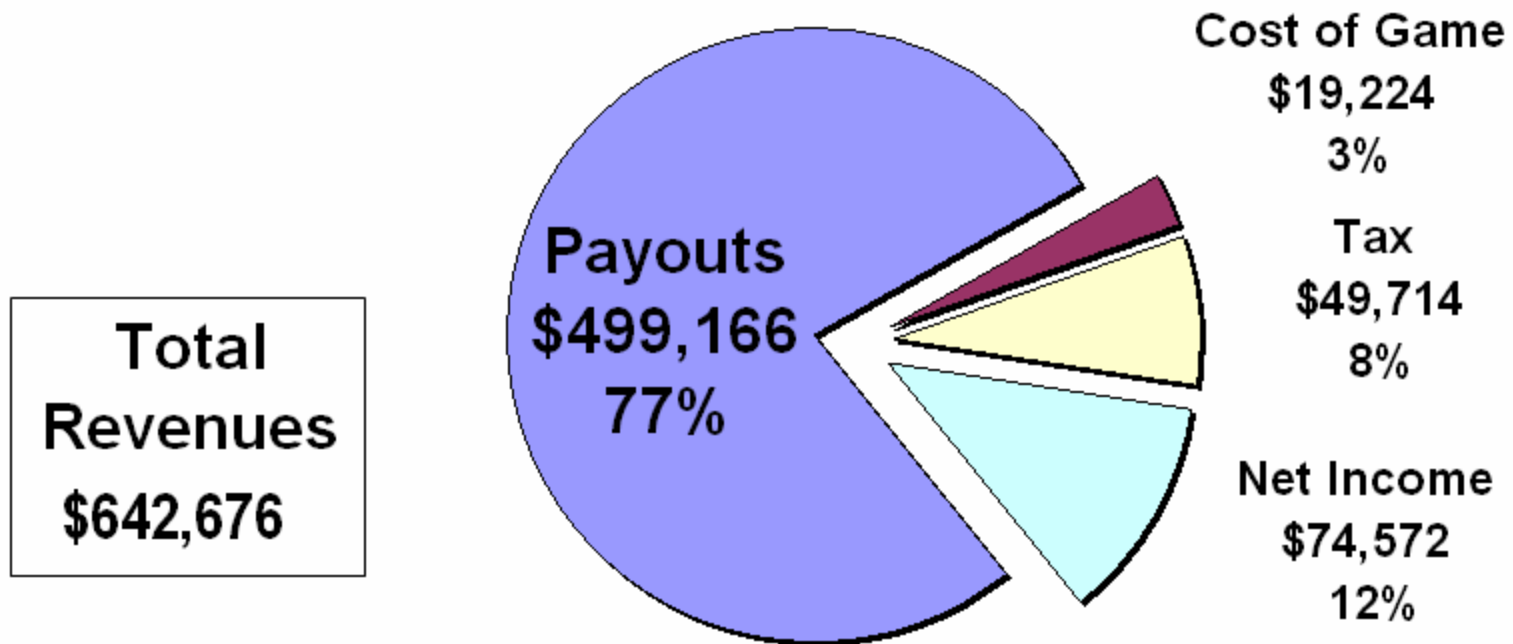
*Based on games started during fiscal year.



Highest volume tavern dropped a third for net income compared to last fiscal year. A drop in revenue explains half the decrease. The other half is explained by payouts increasing 5 points, now almost as high as for highest club. Income % is 3 points less and tax % 2 points less.

Distribution of Gaming Revenues* For Highest Volume Liquor Store Fiscal Year 2006

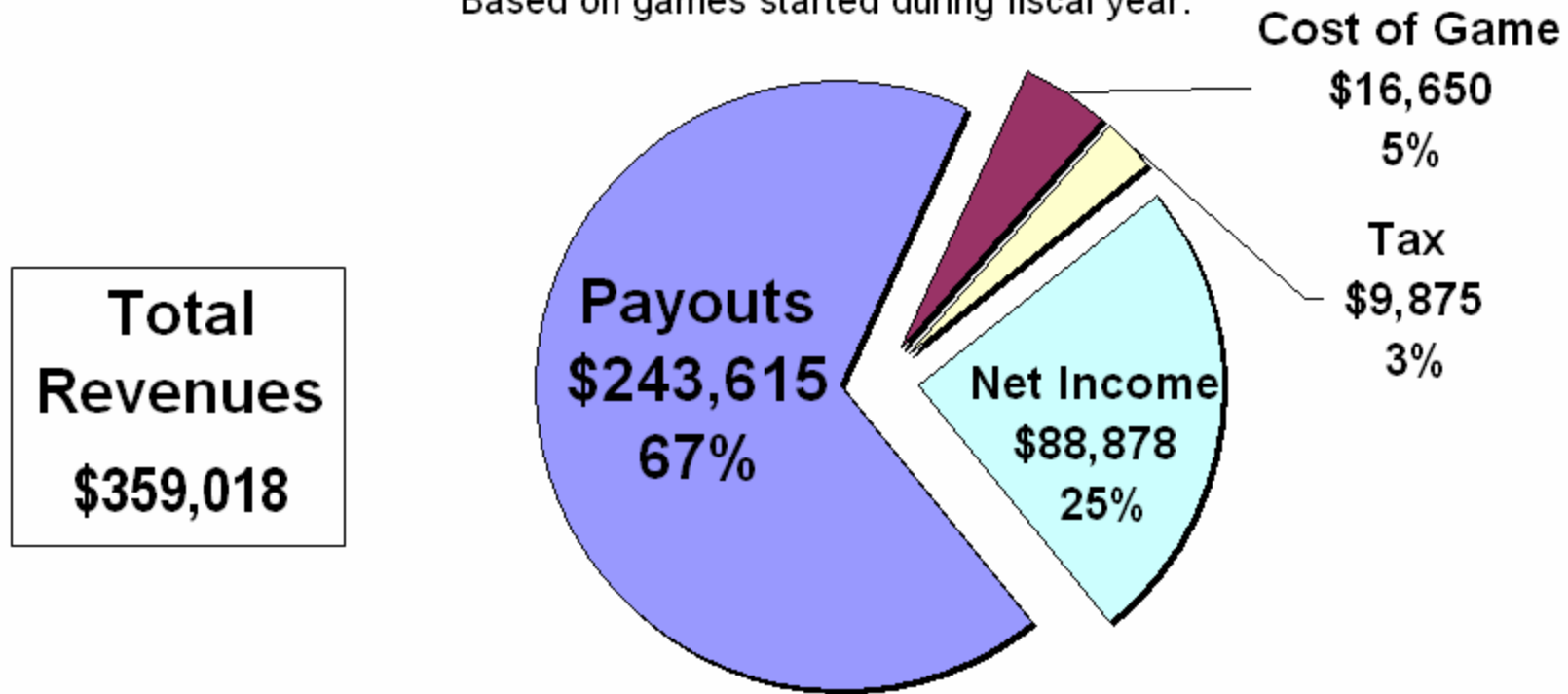
*Based on games started during fiscal year.



Highest volume liquor store for paper gaming had 2% more in net income.
This is because its revenues increased 17%.
It had to pay out 2 % points more, giving up 1 % point each in income and tax.

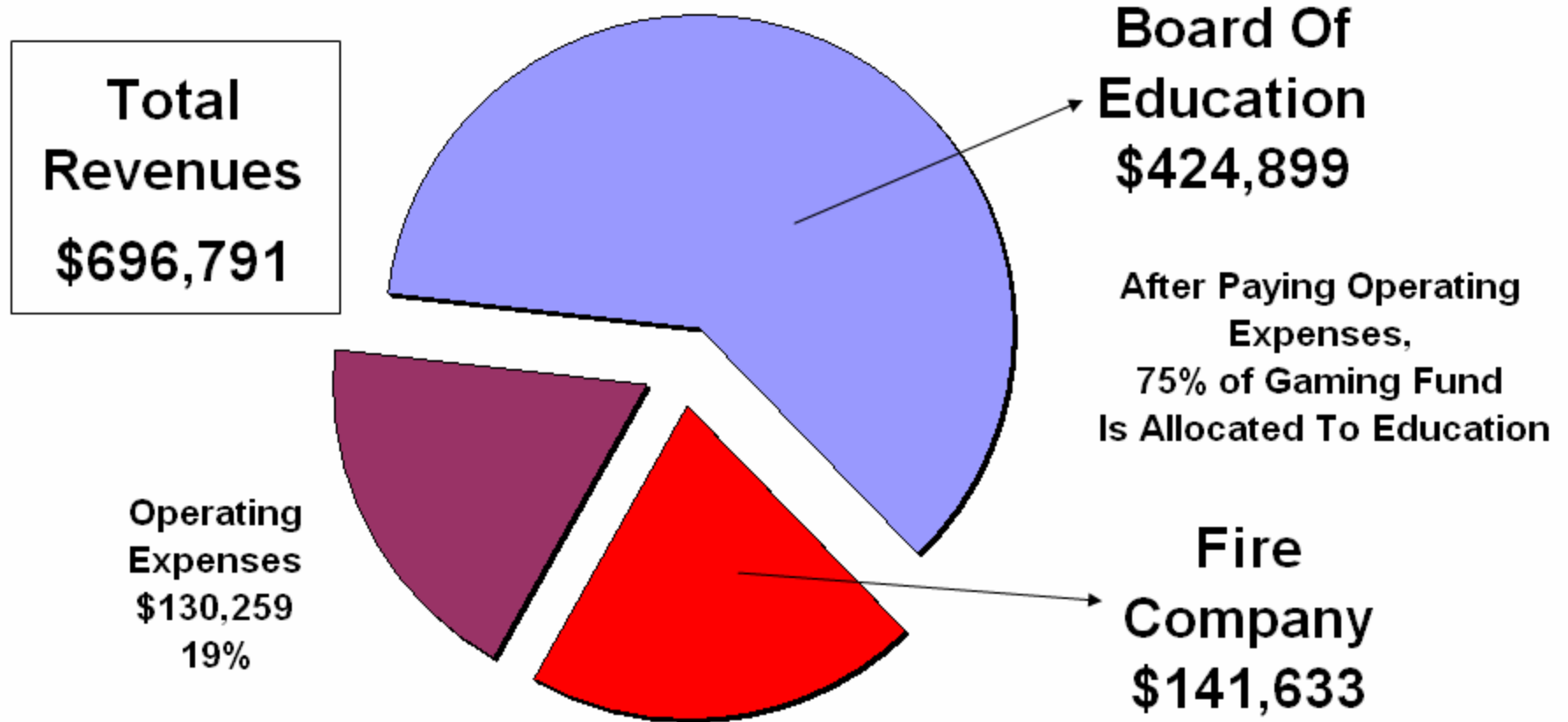
Distribution of Gaming Revenues* For Highest Volume Temporary Operator Fiscal Year 2006

*Based on games started during fiscal year.



Highest volume temporary operator for paper gaming had a 27% increase in net income. Its revenue increased 11%, and its payouts decreased 3 % points giving it 3 % points more in income. Compared to highest vol. club, this operator is 9 % pts. higher for income due to 11 % pts. less in payouts

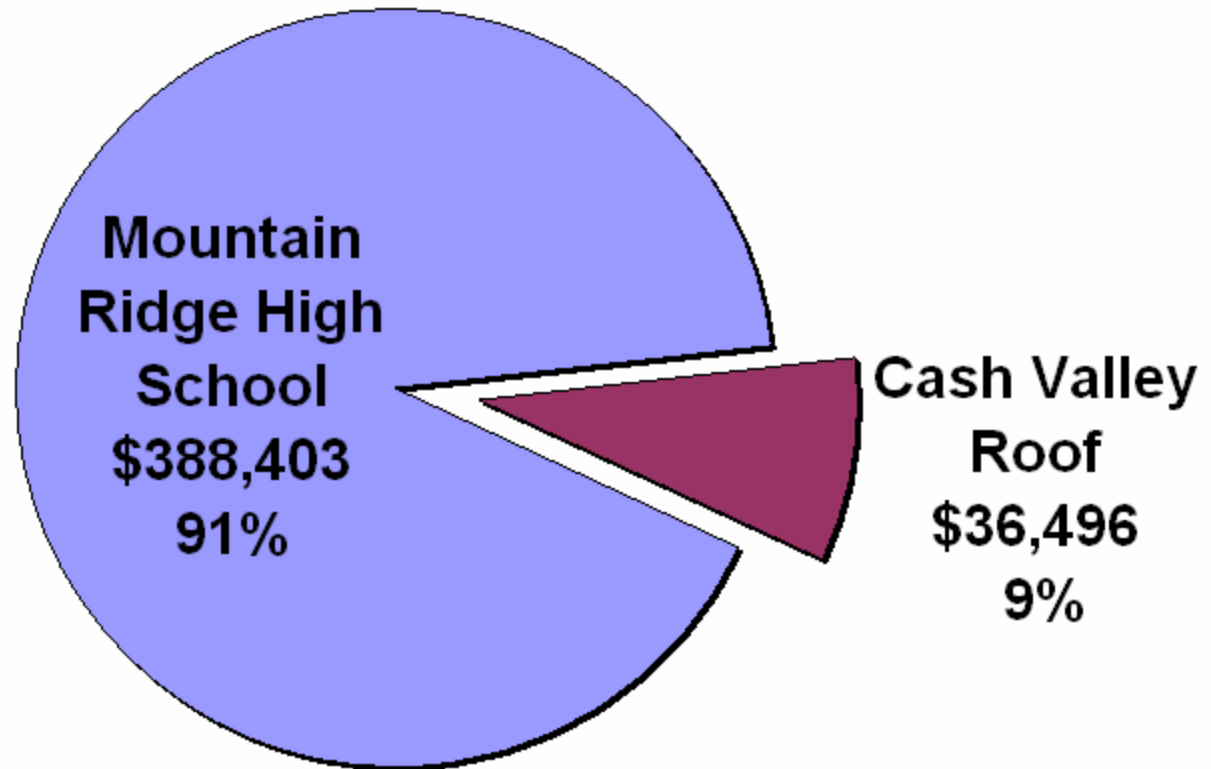
Allegany County Gaming Fund Distribution Fiscal Year 2006



Operating expenses were supported by \$51,600 in sticker revenues and \$6,000 in wholesaler license fees.
This left \$72,659 being supported by gaming taxes, 11% of gaming taxes.
\$566,533 was allocated to the education and fire boards.

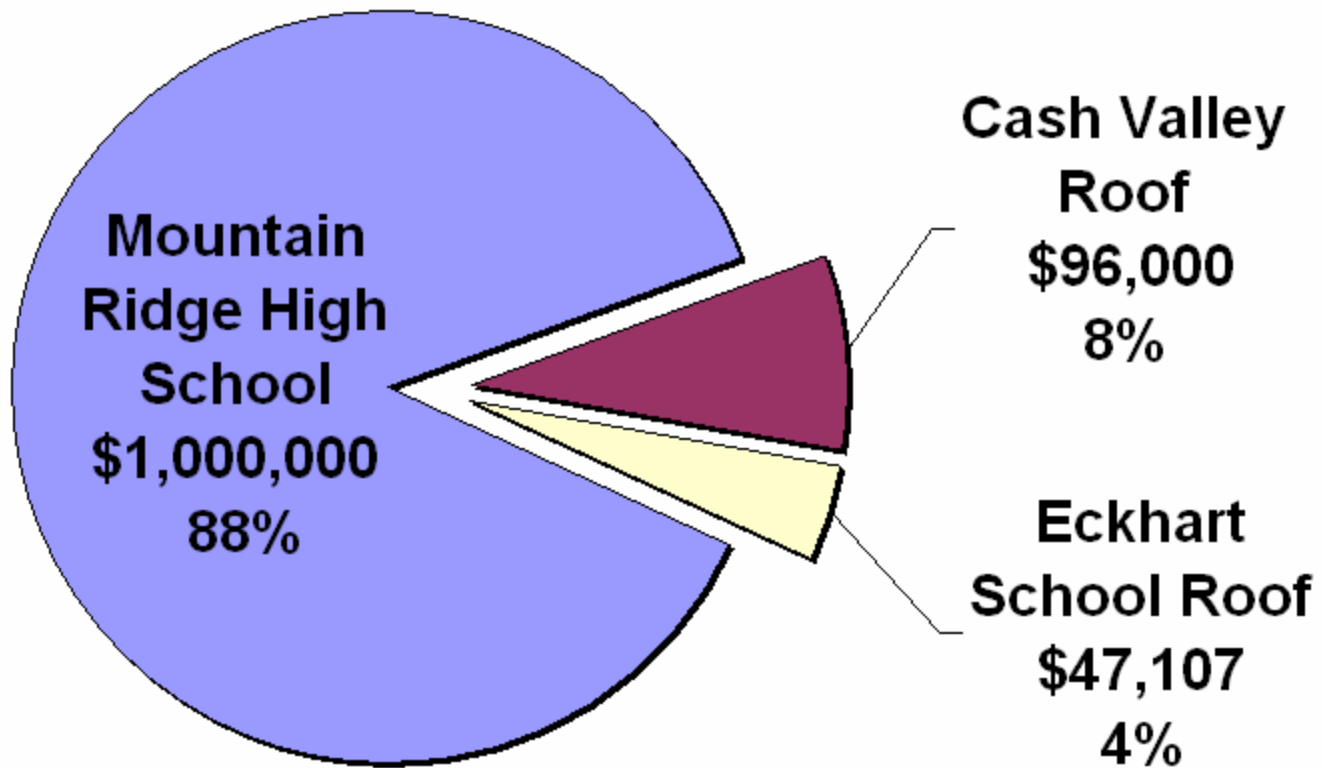
**Education Allocations For Allegany County
Gaming Fund Fiscal Year 2006**

**Total
Education
Allocation
\$424,899**

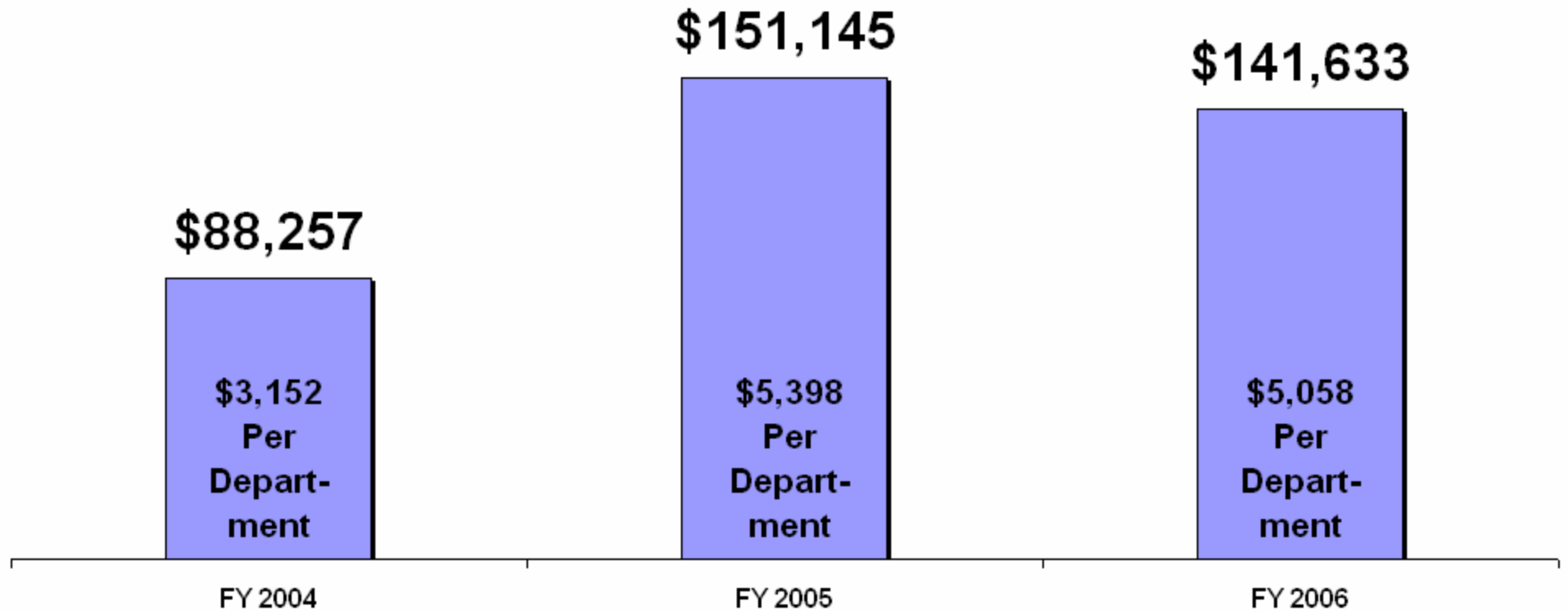


**Education Allocations Form
Allegany County Gaming Fund
Fiscal Years 2004, 2005 and 2006 Combined**

**Total
Education
Allocation
\$1,143,107**



**Fire Allocations From The Paper Gaming Fund
Fiscal Years 2004, 2005, 2006**



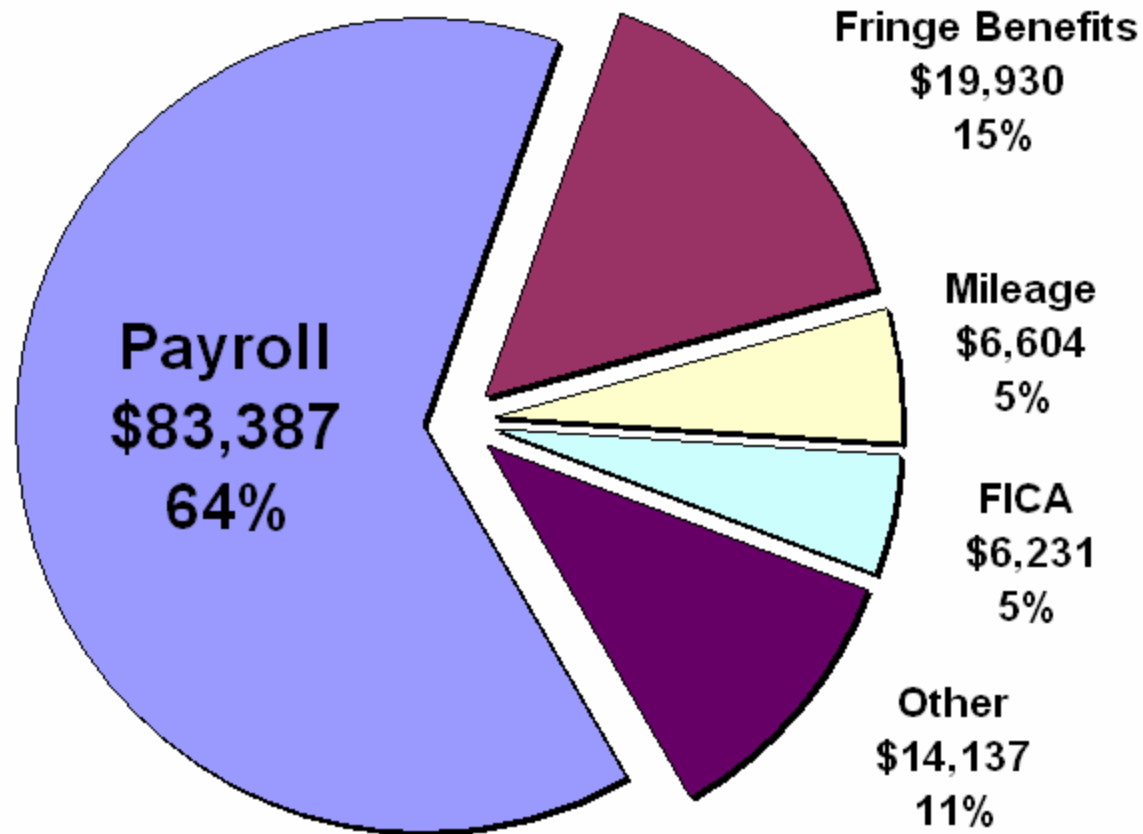
Total Fire And Rescue Allocation = \$381,036

Divided Equally Between 28 Fire and Rescue Departments

Total Fire and Rescue Allocation Per Department = \$13,608

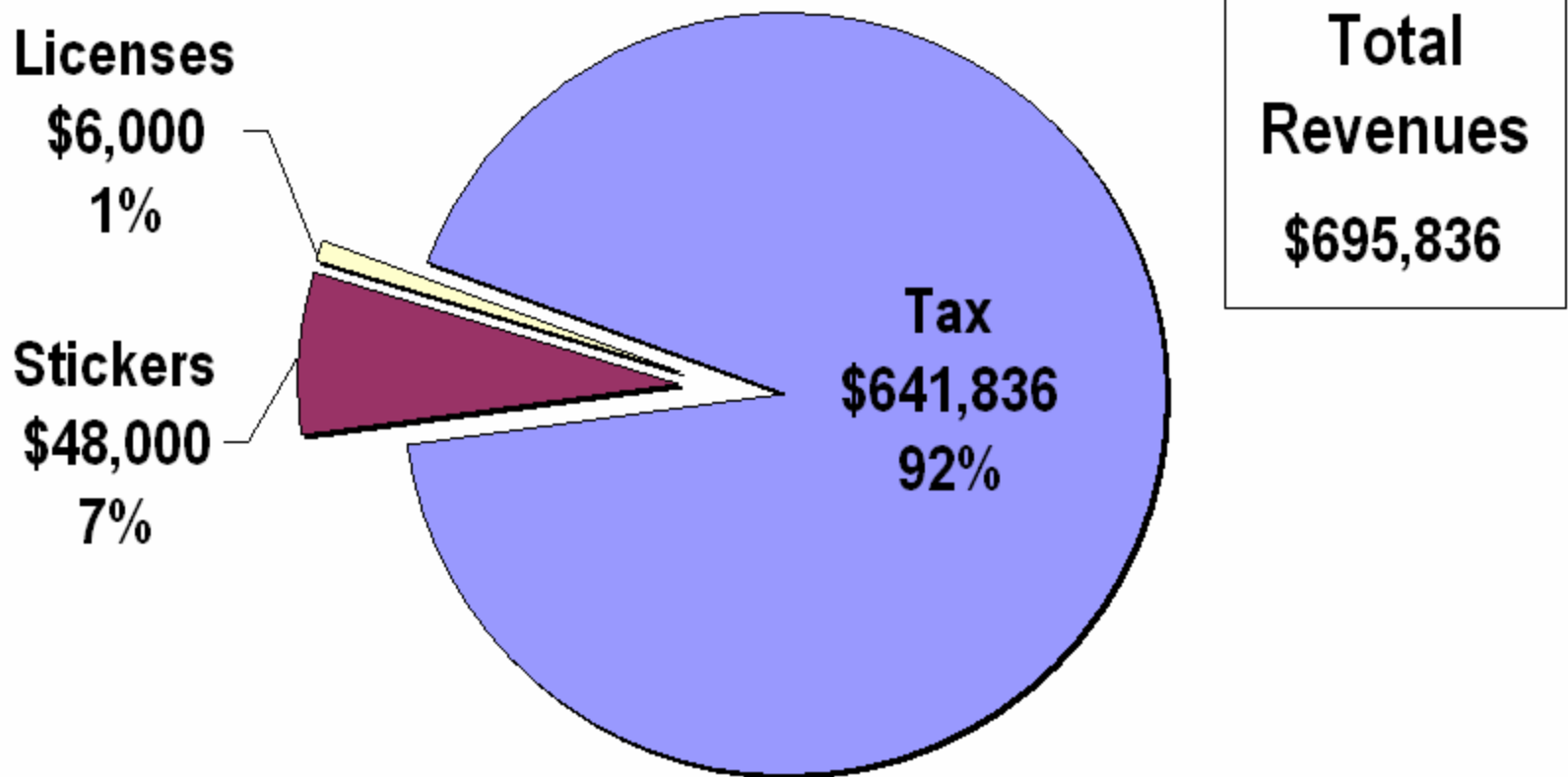
Expenses For Allegany County Gaming Office Fiscal Year 2006

**Total
Expenses**
\$130,289



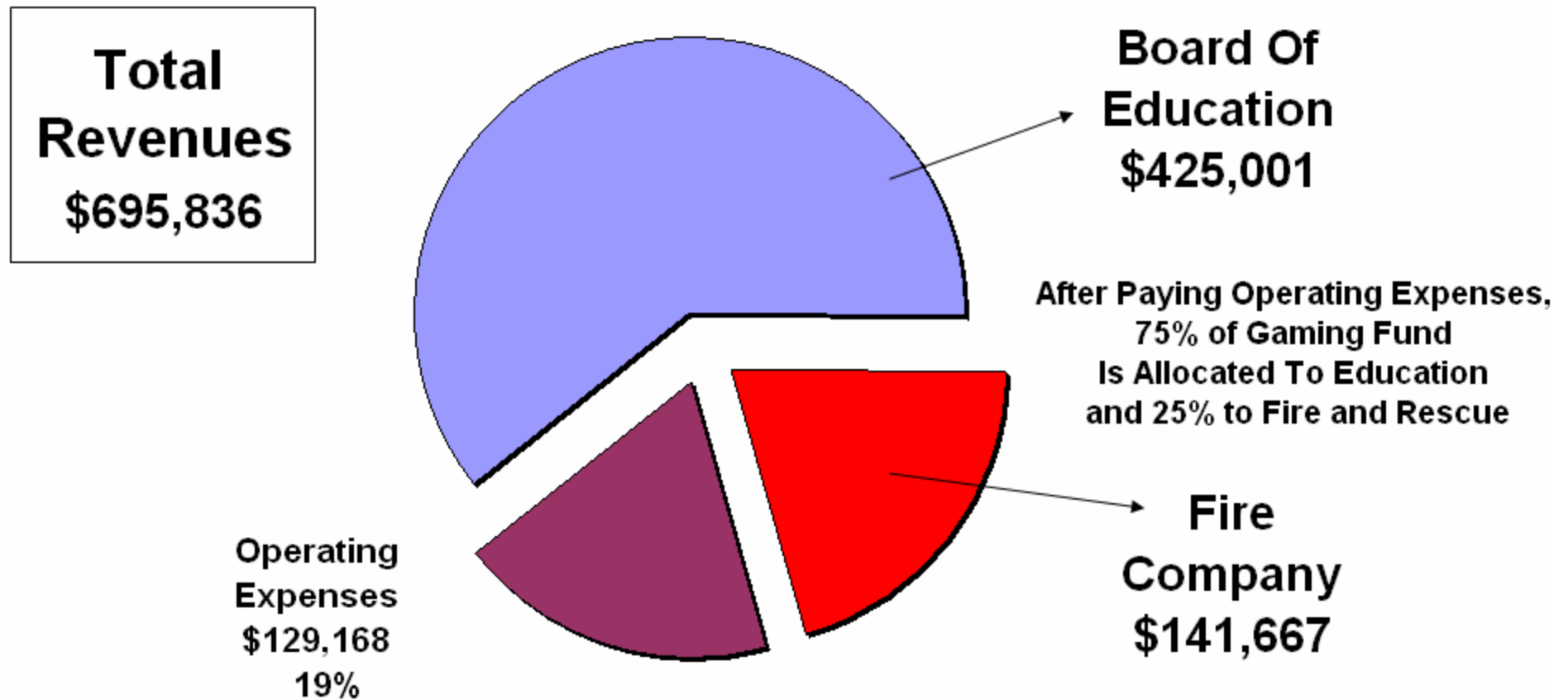
Mileage costs for the Gaming Office have decreased monthly from \$922 in FY04, to \$640 last year, to \$550 this year. The change is due to reducing the number of Inspectors from two to one, a more appropriate level.

**Allegany County Paper Gaming Office Expected Revenues
By Type - Fiscal Year 2007**



The expected revenue of \$695,836 for Fiscal Year 2007 compares to an actual revenue of \$696,791 for Fiscal Year 2006, almost the same result.

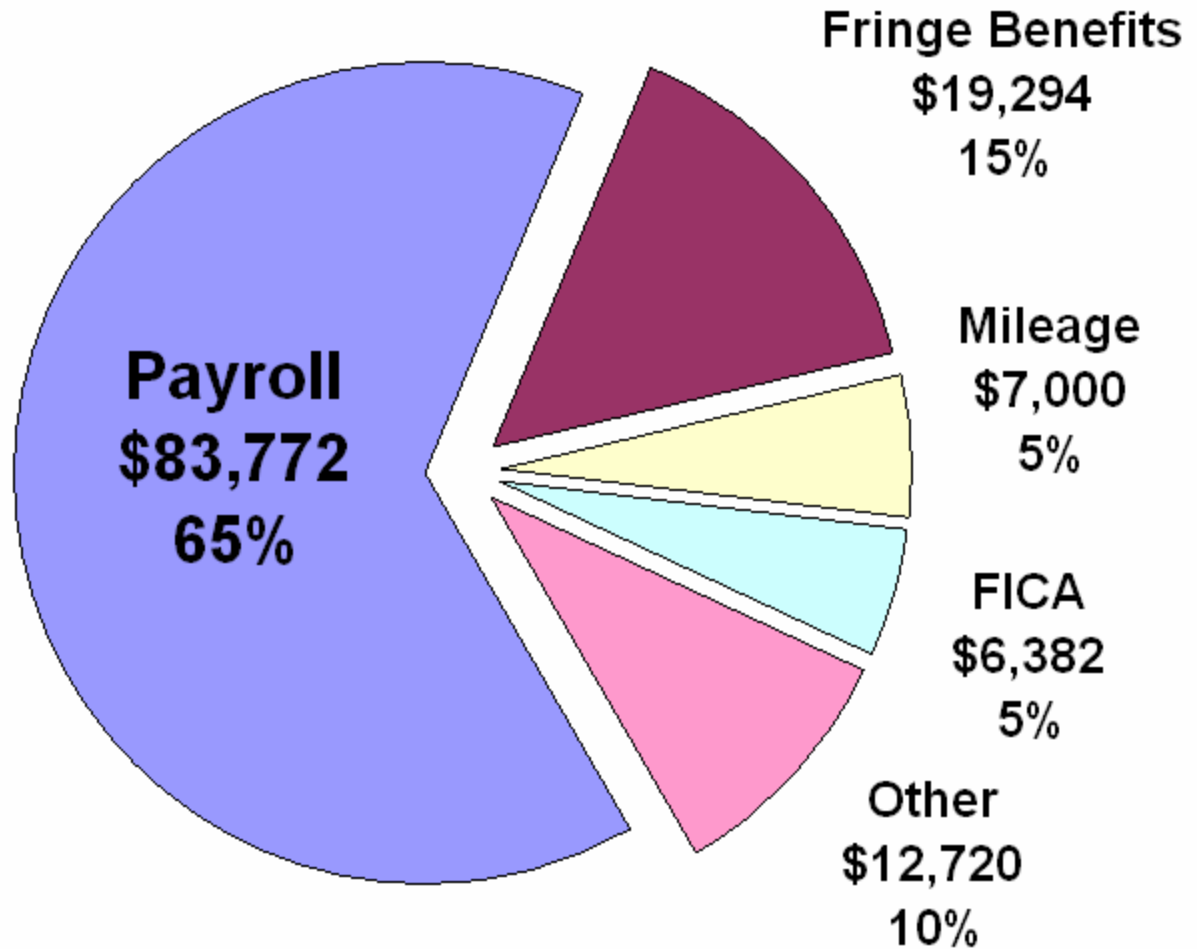
Allegany County Gaming Projected Fund Distribution - Fiscal Year 2007



**\$566,668 is projected to be allocated to the education and fire boards combined.
This is almost the same amount allocated in FY 06, \$566,532.**

Budgeted Expenses For Allegany County Gaming Office - Fiscal Year 2007

**Total
Budgeted
Expenses
\$129,168**



Budgeted expenses for FY 07 are 1% lower than actual expenses for FY 06.

Allegheny County Inspections of Paper Game Operators Fiscal Year 2006

1,035 Inspections

79 operators, so each operator inspected 13 times on average, or 1.09 times a month.

No More Than 2 Inspections Conducted In The Same Area In One Day

except occasionally for Cumberland, which has 42% of the operators.

Inspections Spread Over The Week, Every Day Of The Week

No more than 20% of inspections occurred on a particular day of the week.

No Patterns Are Allowed To Develop For Any Particular Operator For Inspections

Day of the week for inspection is checked against average daily.

Time of day is checked against a variance.

Conclusion

This presentation and prior ones are available on-line at
www.gov.allconet.org/gaming/presentations

The public is also invited to e-mail the Gaming Administrator at
dnedved@allconet.org.