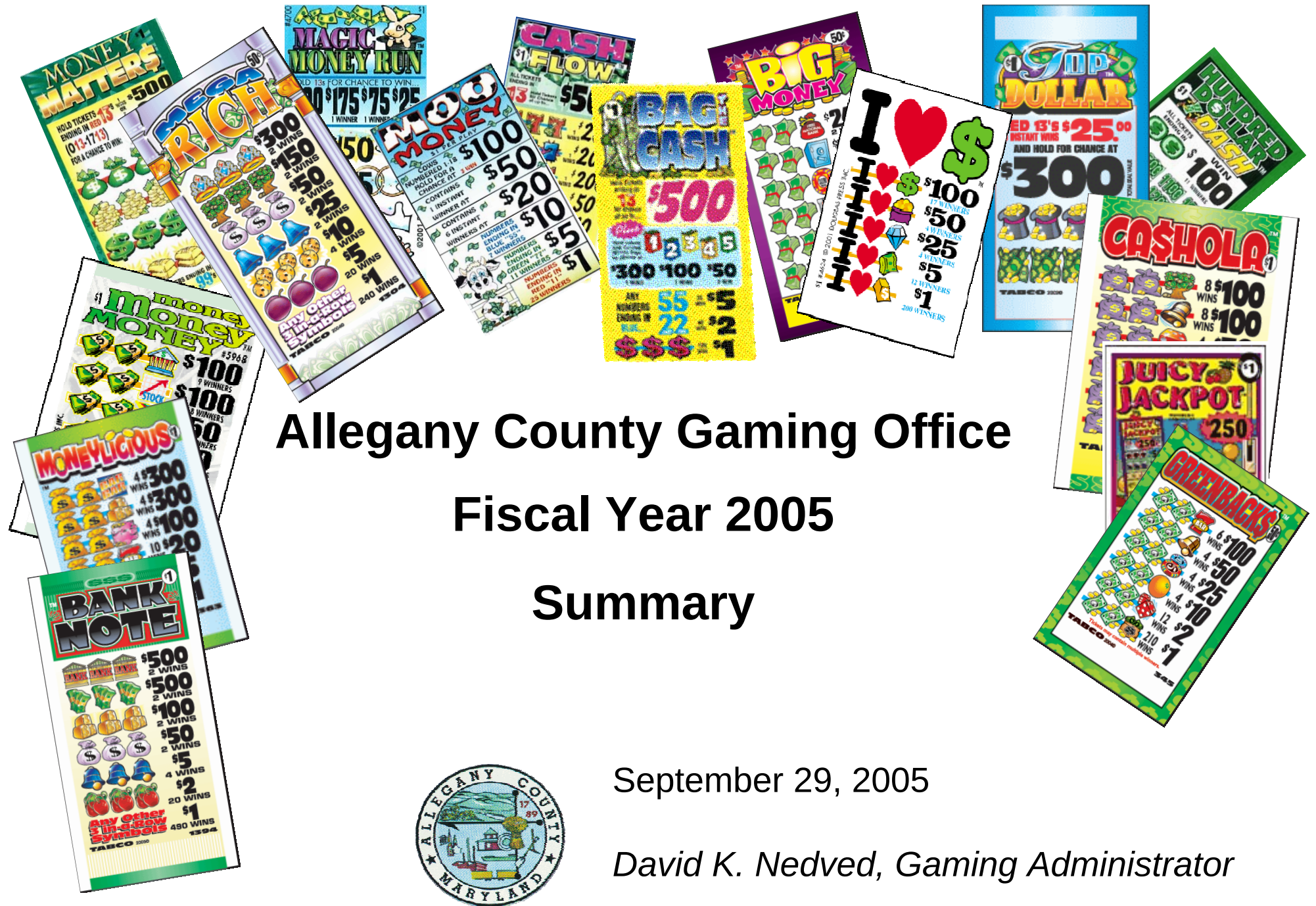
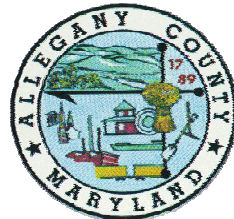




Allegany County Gaming Office Fiscal Year 2005 Summary



September 29, 2005

David K. Nedved, Gaming Administrator

Allegany County Paper Gaming Office Challenges In Fiscal Year 2005

Fine tuned the computerized system for reports and inspections.

Ensured that taxes are being collected at the time of sale.

Checked for consistency in the costs wholesalers are deducting in calculating tax.

Ensured that jackpots are being fully funded as promised by the organization to its patrons.

Allegany County Paper Gaming Office Challenges In Fiscal Year 2005

Ensured that tax-exempt games are truly so by verifying receipts with on-site inspections.

Ensured that payouts are not lower than reasonable.

Became more of a source of information to the paper gaming operators. For example, providing information on game prices being charged by wholesalers.

Allegany County Paper Games Distribution of Gaming Stickers - Fiscal Year 2005

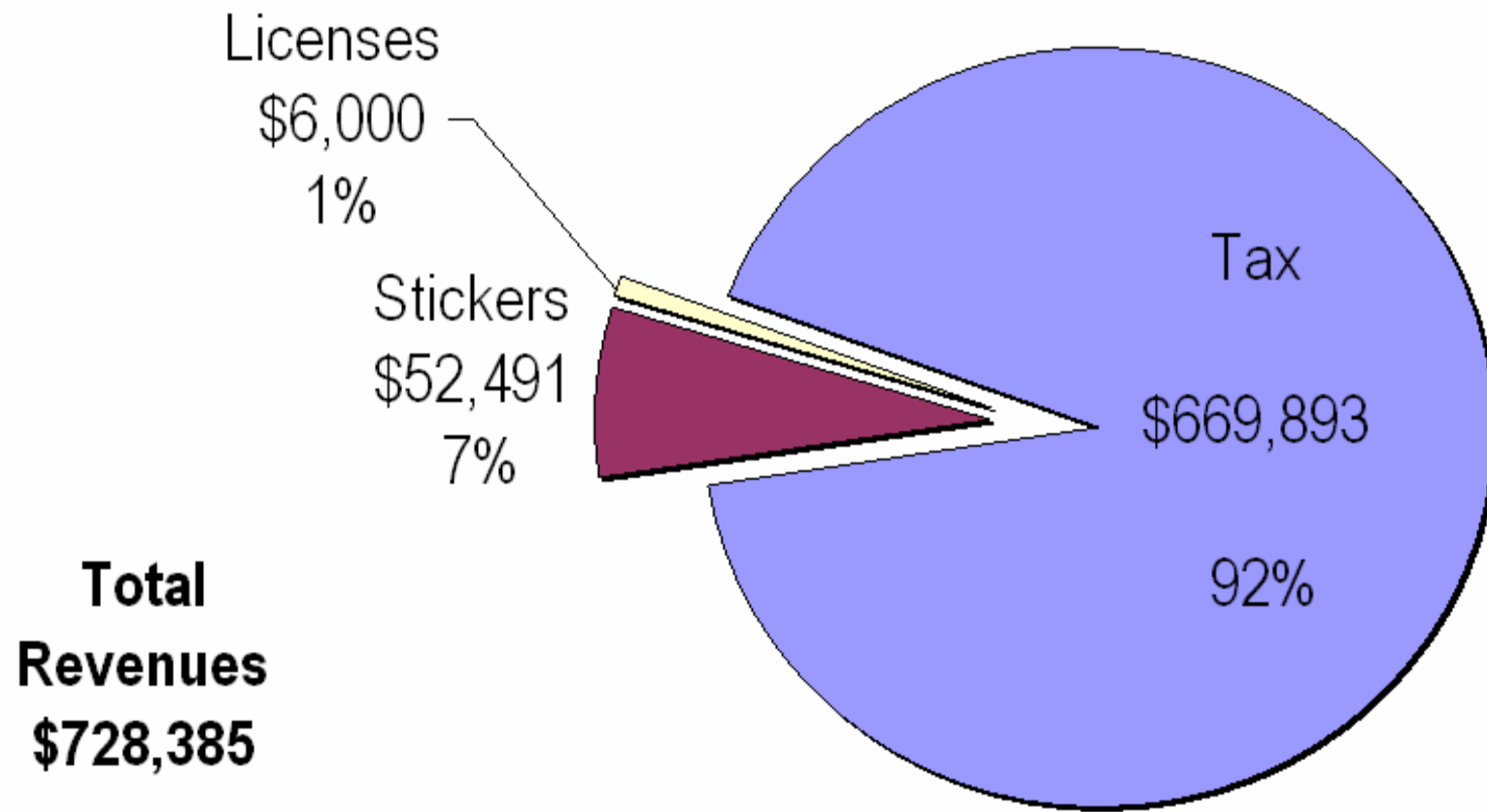
100% - 52,500 stickers were sold to "wholesalers".
\$8.70 was refunded for voided stickers,
making total revenue from sticker sales actually \$52,491.30.

97% - 50,870 stickers were attached to actual games.
215 stickers were voided.
The 1,630 unused stickers are about a 1.6 week supply.

89% - 46,591 were attached to taxable games.
The remainder were attached to games
offering merchandise as the prize
and with a gross profit of less than \$50.
This is 8% of actual games.

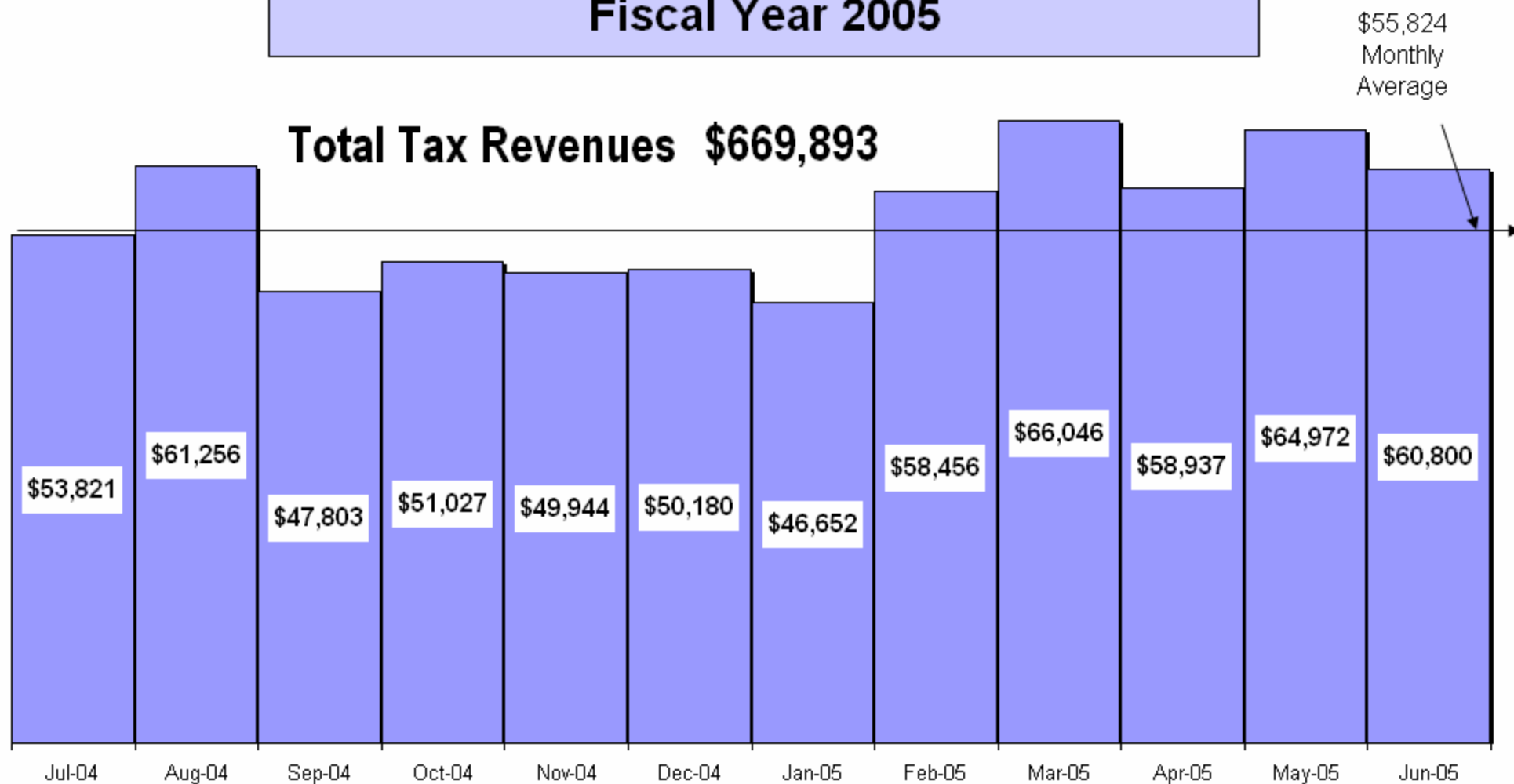
**86% - 44,935 stickered games
were played during fiscal year.**

Allegany County Paper Gaming Fund *Revenues By Type* Fiscal Year 2005



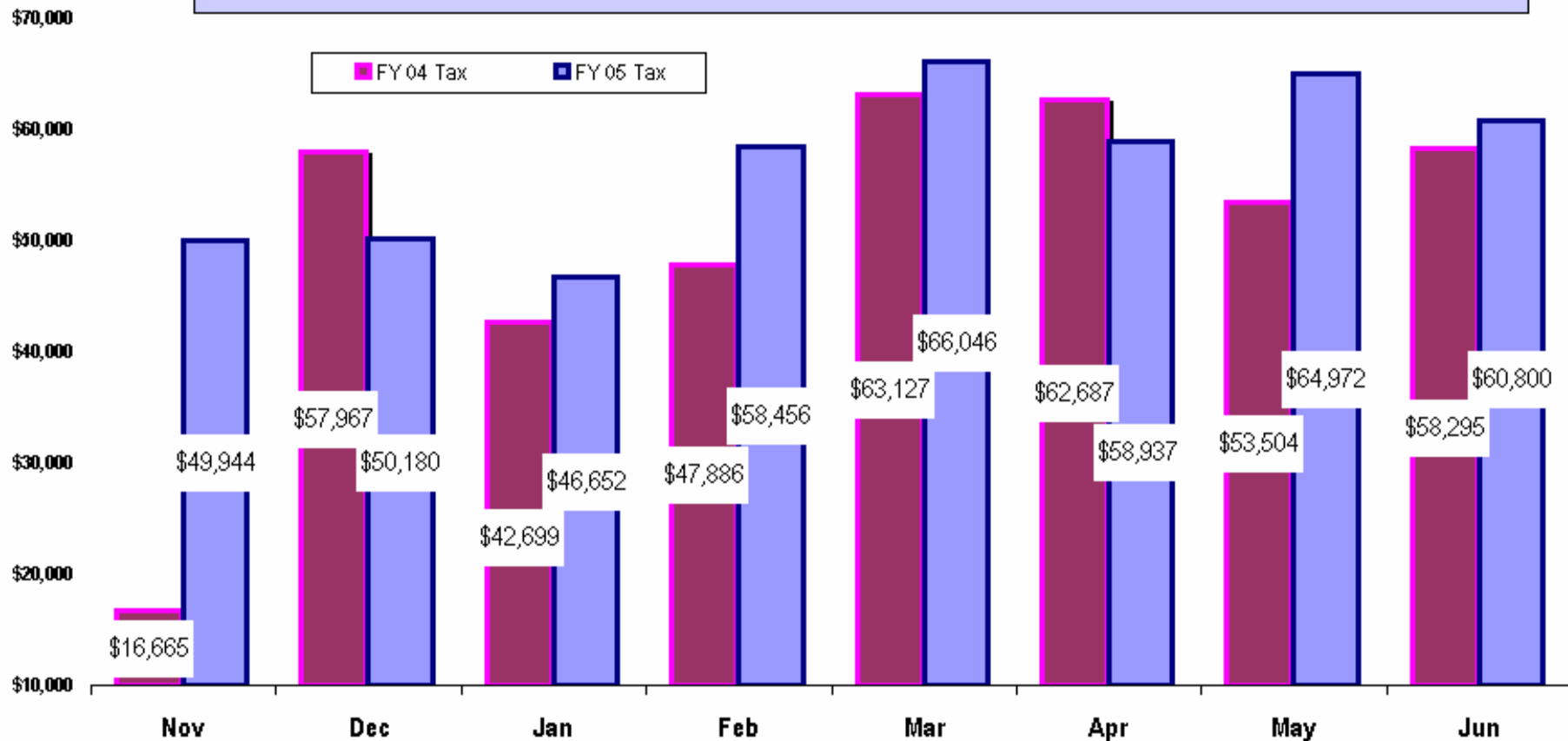
**This is the first fiscal year where taxes from paper gaming were collected for 12 months.
Last fiscal year, paper gaming was only regulated for seven months.**

Paper Gaming Fund Tax Revenues By Month Fiscal Year 2005



**The average monthly gaming tax collection for the fiscal year was \$55,824.
The last five months outdid the average. It is not apparent yet whether these months
will traditionally be higher, or if revenues have shifted to a higher level.**

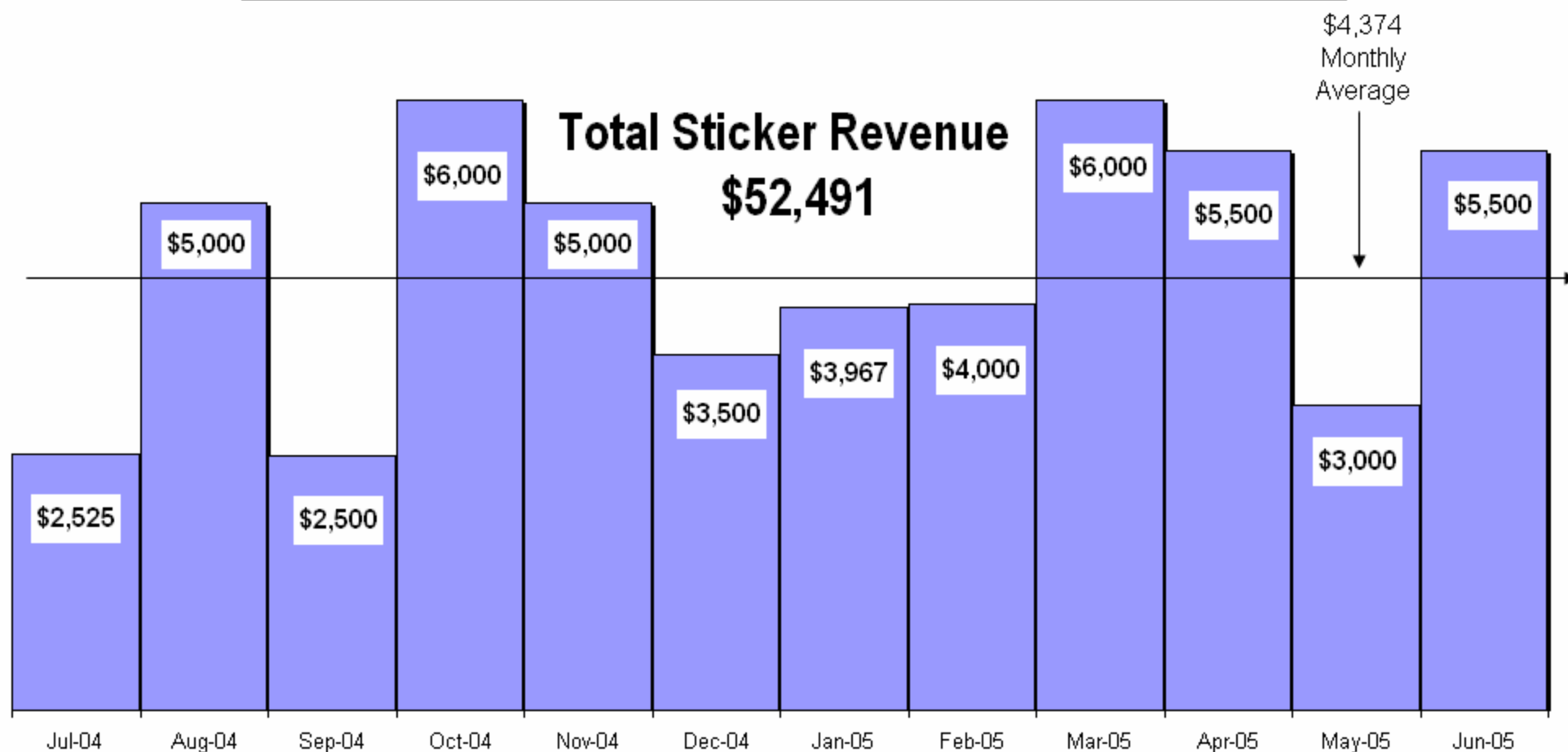
Allegany County Paper Gaming Fund *Tax Revenues By Month* - Second Year Versus First Year



Regulation was not in effect prior to November 2003.

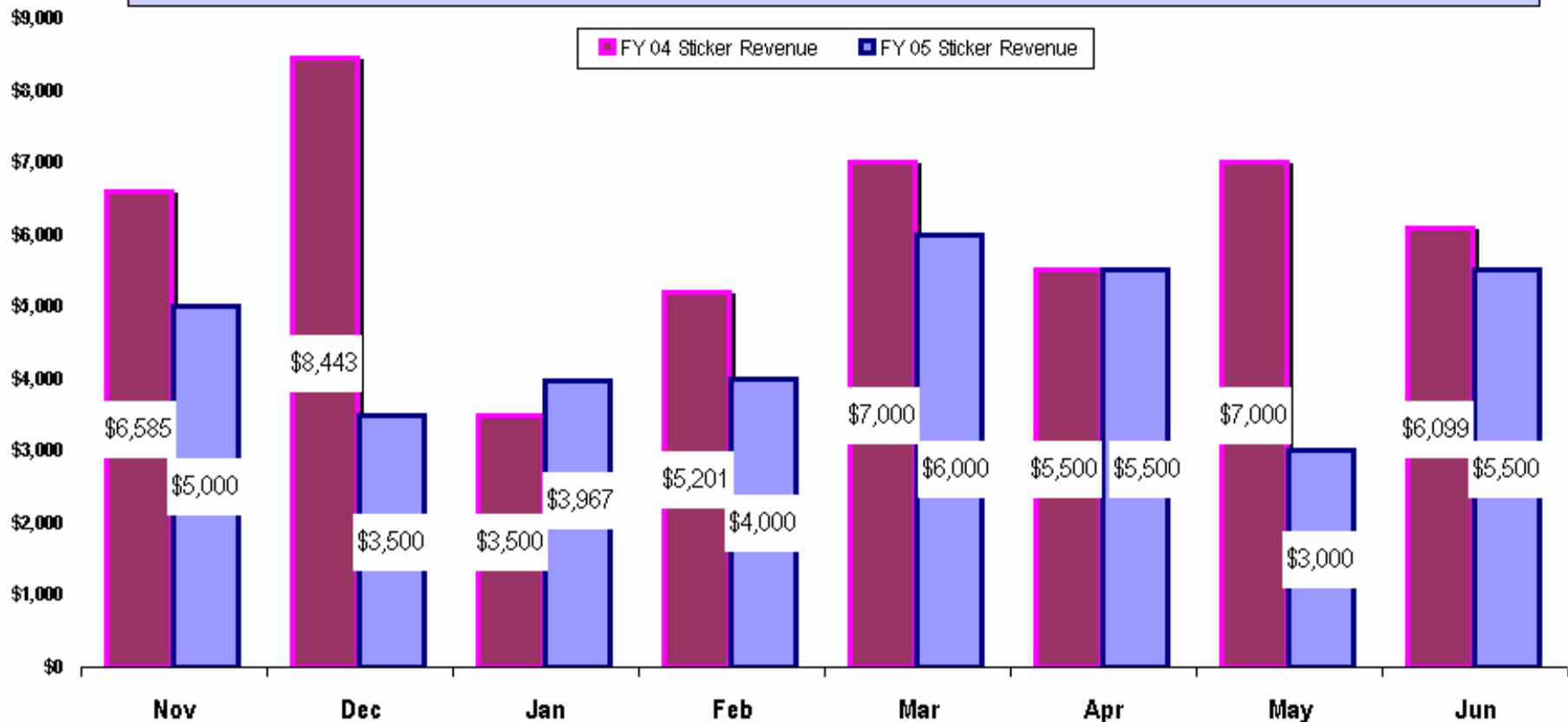
**In comparison to the first half of 2004, tax revenues were higher five out of six months.
On average, revenues were \$4,611 or 7.8% higher each month.**

Paper Gaming Fund Sticker Revenues By Month Fiscal Year 2005



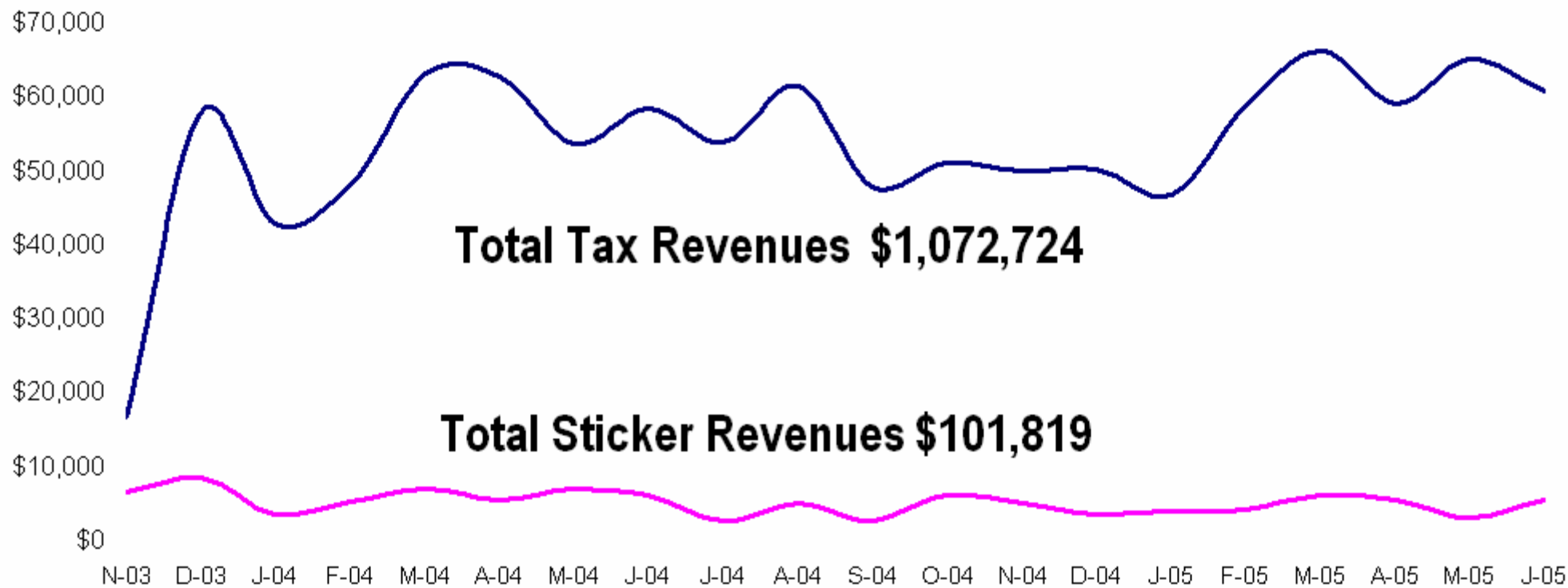
The average monthly sticker revenue for fiscal year 2005 was \$4,374.
Unlike the gaming tax revenues, there is no apparent pattern to the sticker revenues.

Allegany County Paper Gaming Fund *Sticker Revenues By Month* - Second Year Versus First Year



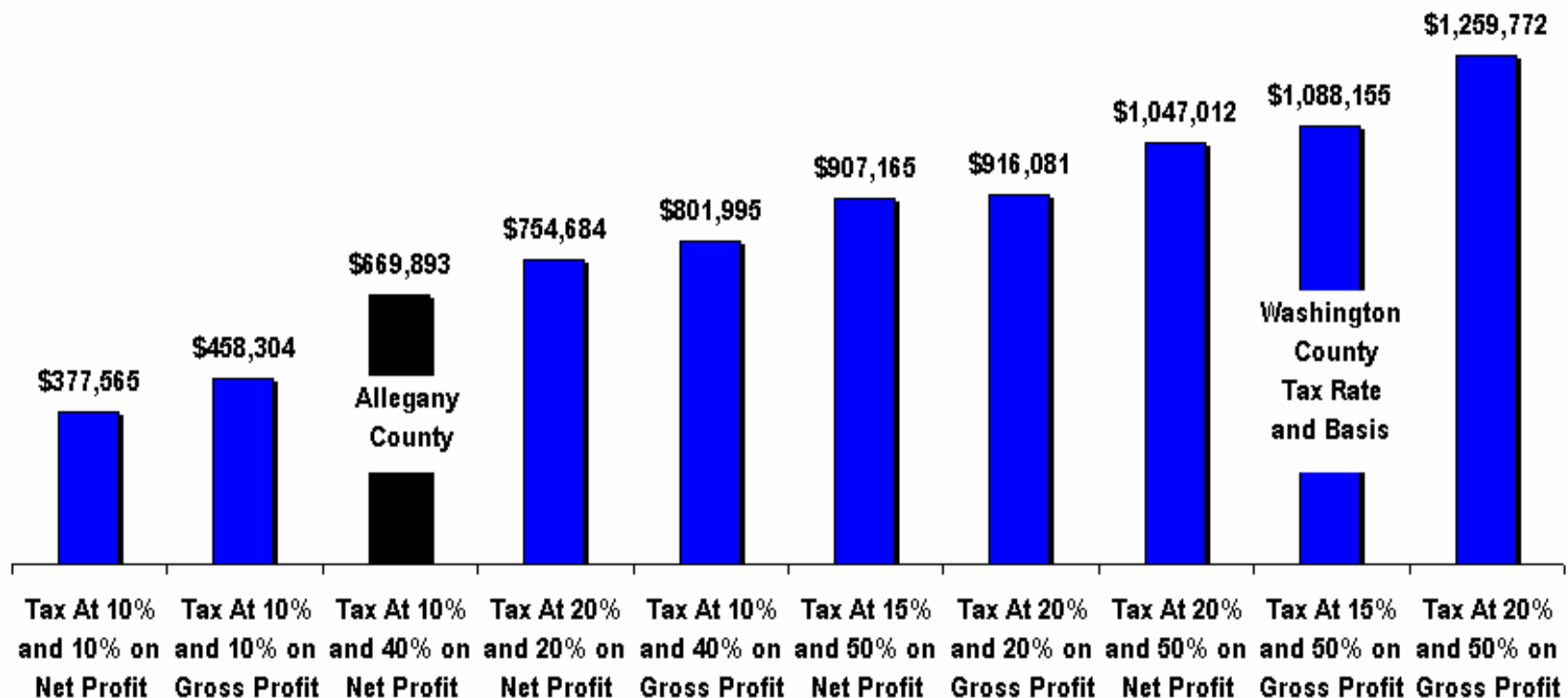
**In comparison to the first half of 2004, four of six months were lower.
It is becoming clear that the average game has become bigger for dollar value.**

Smoothed Trend of Tax Versus Sticker Revenues For Allegany County Paper Gaming Since Start of Regulation



While tax revenue shows a lot of variance, sticker revenue is a relatively flat line. Higher gaming revenues in the last few months with little change in sticker sales, means the average paper game has become bigger for dollar value.

Allegany County Paper Gaming Tax Revenues Varying Tax Rate and Basis - Fiscal Year 2005

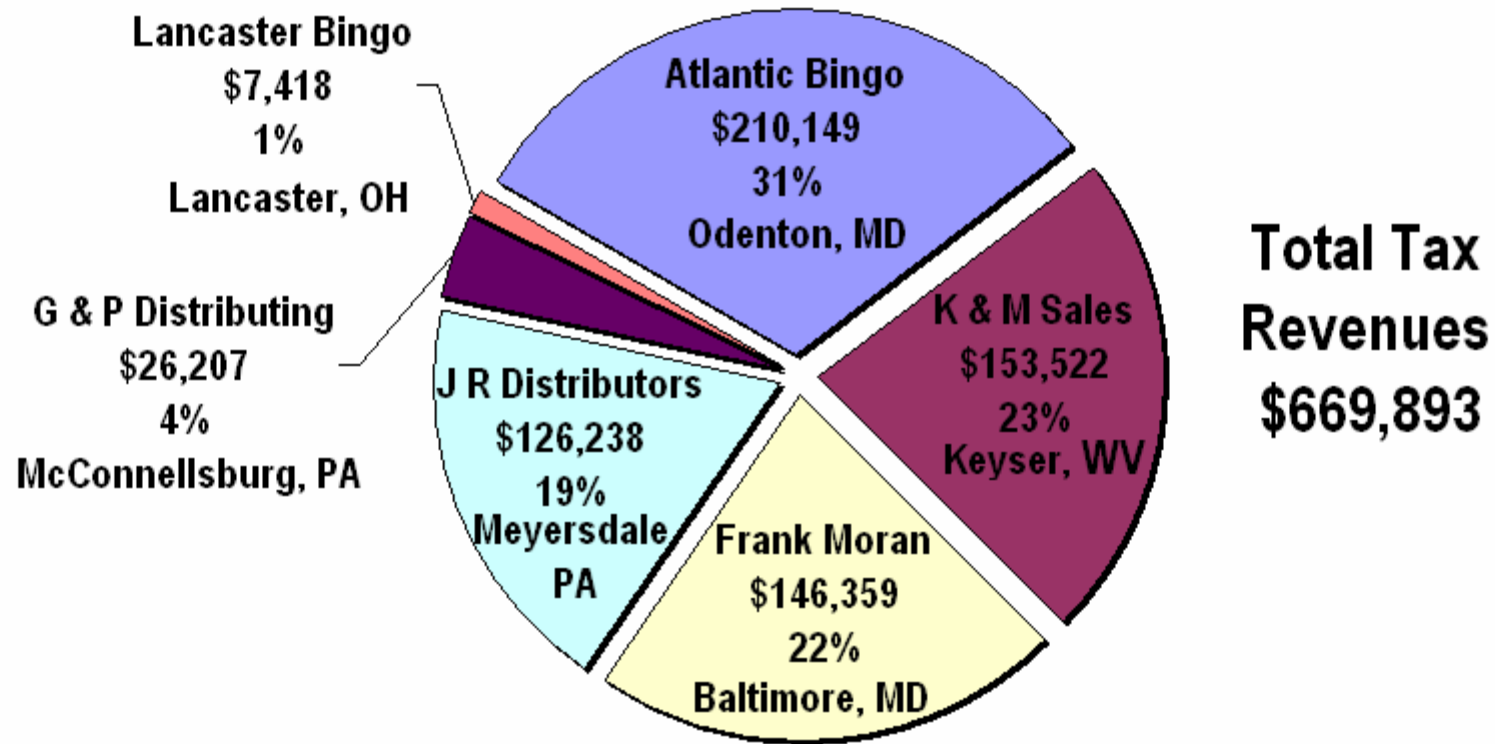


The first tax rate shown is for non-profits and the second is for for-profits.

Gross Profit is what monies are left after payouts. Net Profit is Gross Profit minus the cost of the game.

This comparison assumes that tax rate and basis doesn't impact the overall activity.

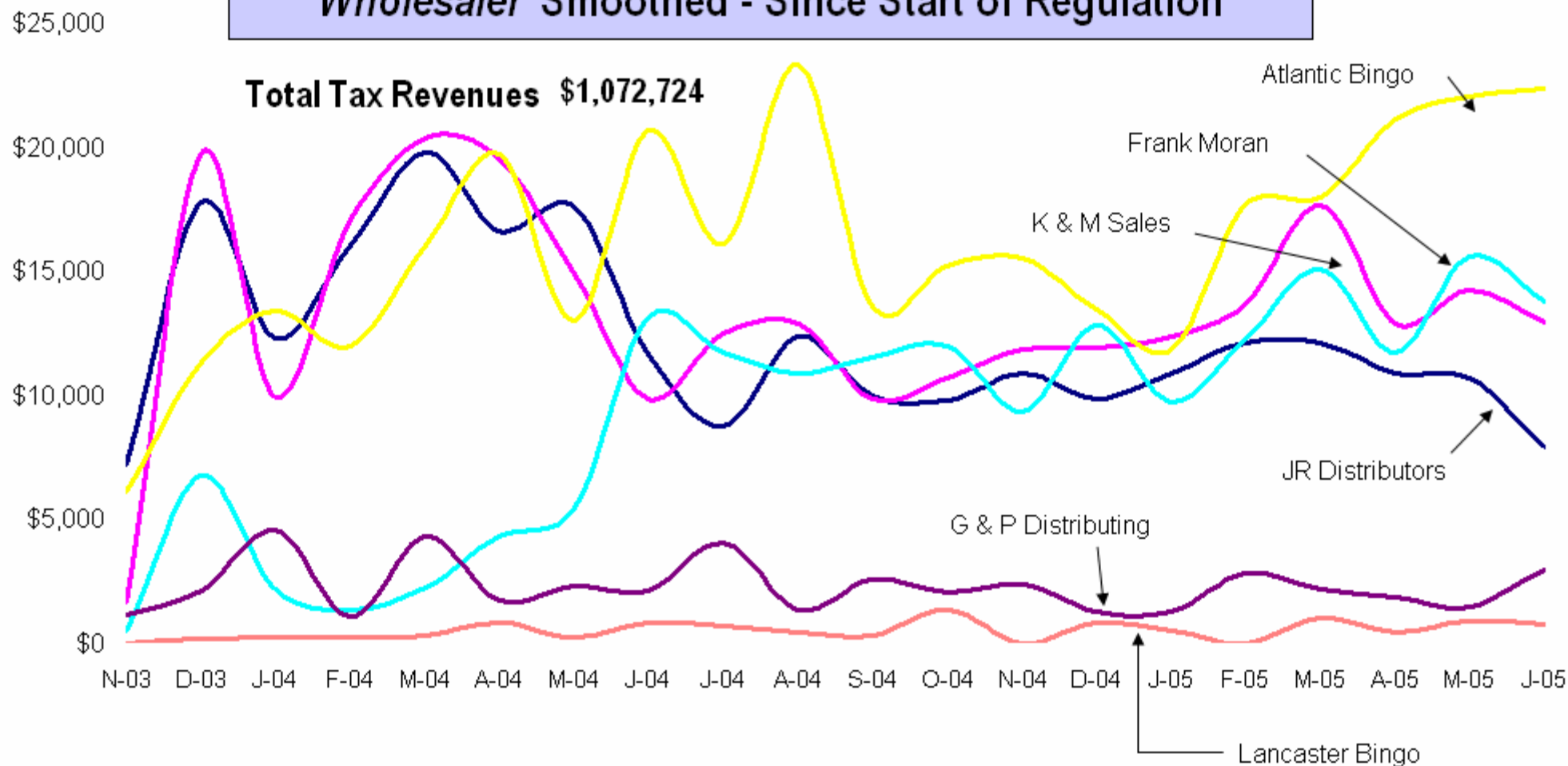
Tax Revenues By Allegany County Paper Gaming Wholesaler Fiscal Year 2005



Compared to the end of fiscal year 2004, Atlantic has gone from third to first. JR has fallen from first to fourth. Moran moved up one place from fourth to third.

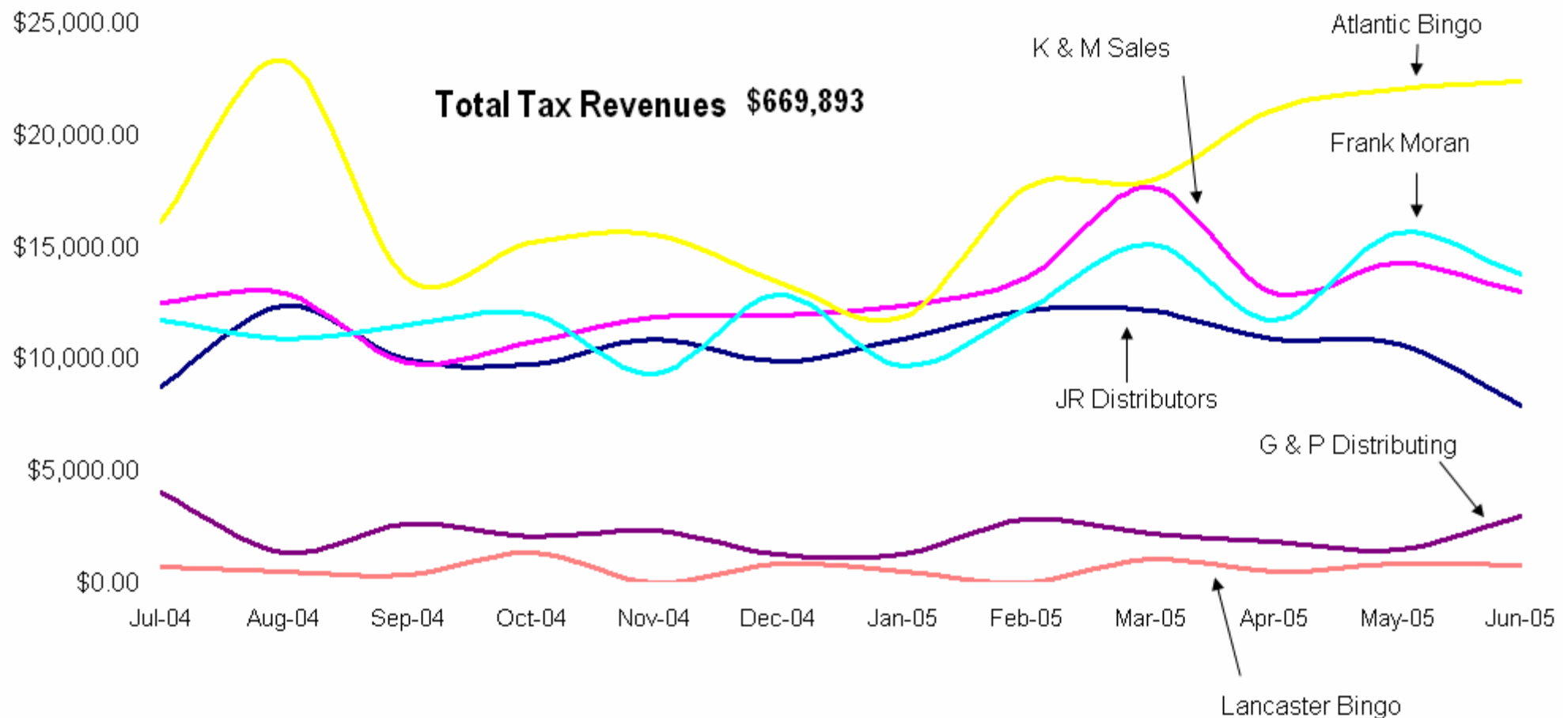
The good news for the county is that competition is strong, with none dominating.

Trend of Tax Revenues By Allegany County Paper Gaming *Wholesaler* Smoothed - Since Start of Regulation



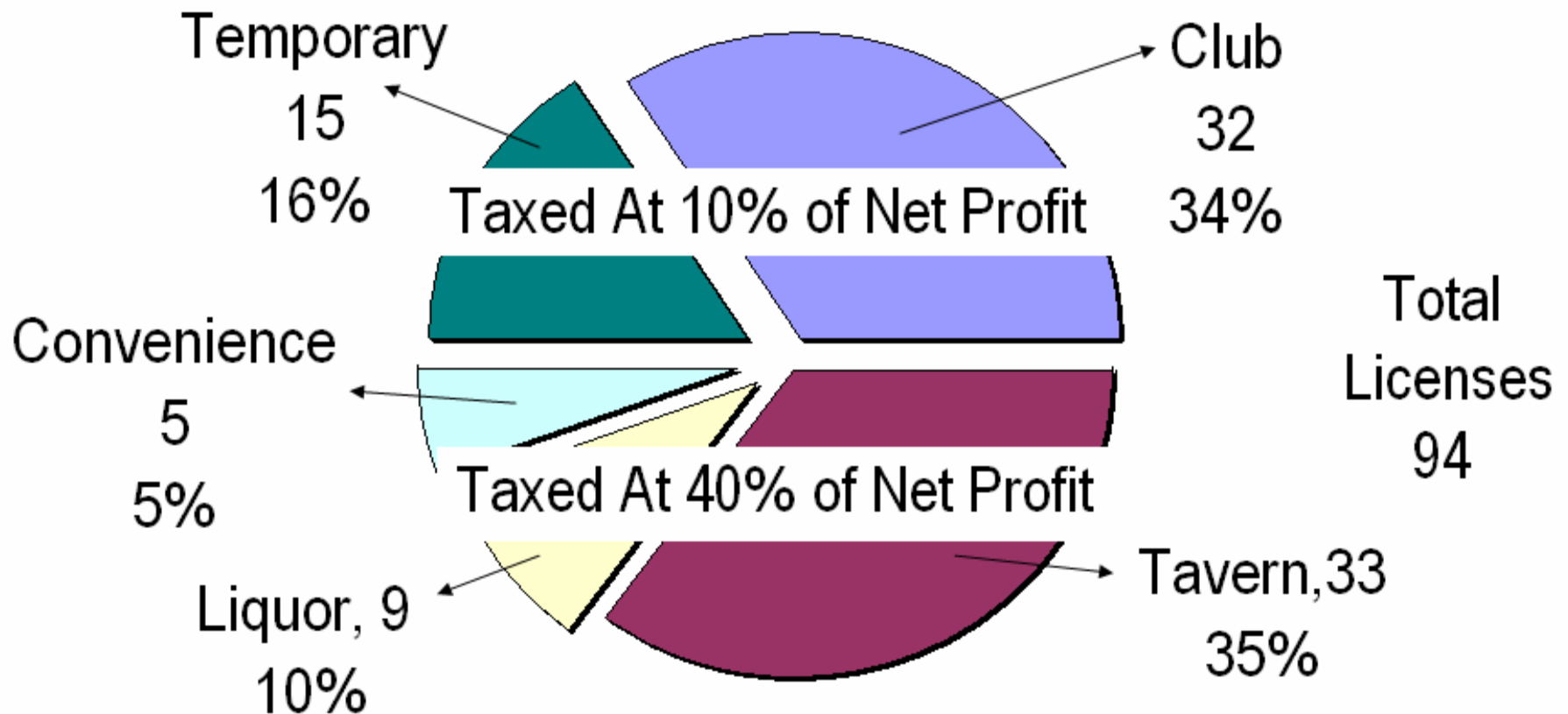
**At first it was a three way race for 1st place, but Atlantic appears to be cementing its lead.
Moran took business from both K&M and JR, now making it a three way race for second place.
Just the last month, JR shows some lost vigor.**

Trend of Tax Revenues By Allegany County Paper Gaming Wholesaler Smoothed - Fiscal Year 2005



**Looking at fiscal year 2005 only, Atlantic shows the biggest swings.
Only twice, however, was its lead challenged.
The most recent month for JR was also its lowest month.**

Allegany County Paper Gaming Operator Licenses By Type - Fiscal Year 2005

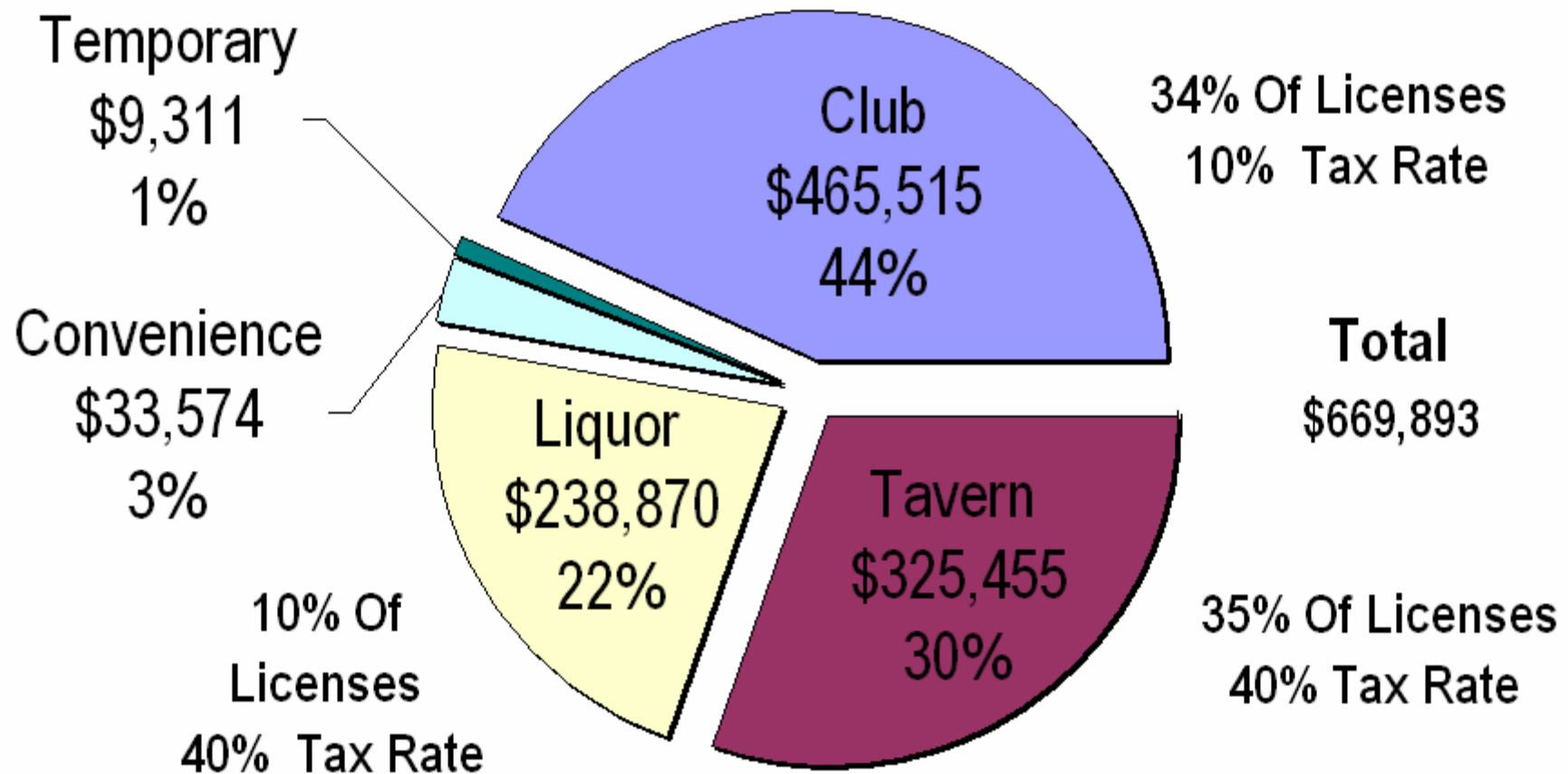


Of the 15 temporaries, 3 were issued to organizations already previously licensed in the fiscal year, and 3 resulted in no tax revenue.

For Fiscal Year 2004, 78 licenses were issued.

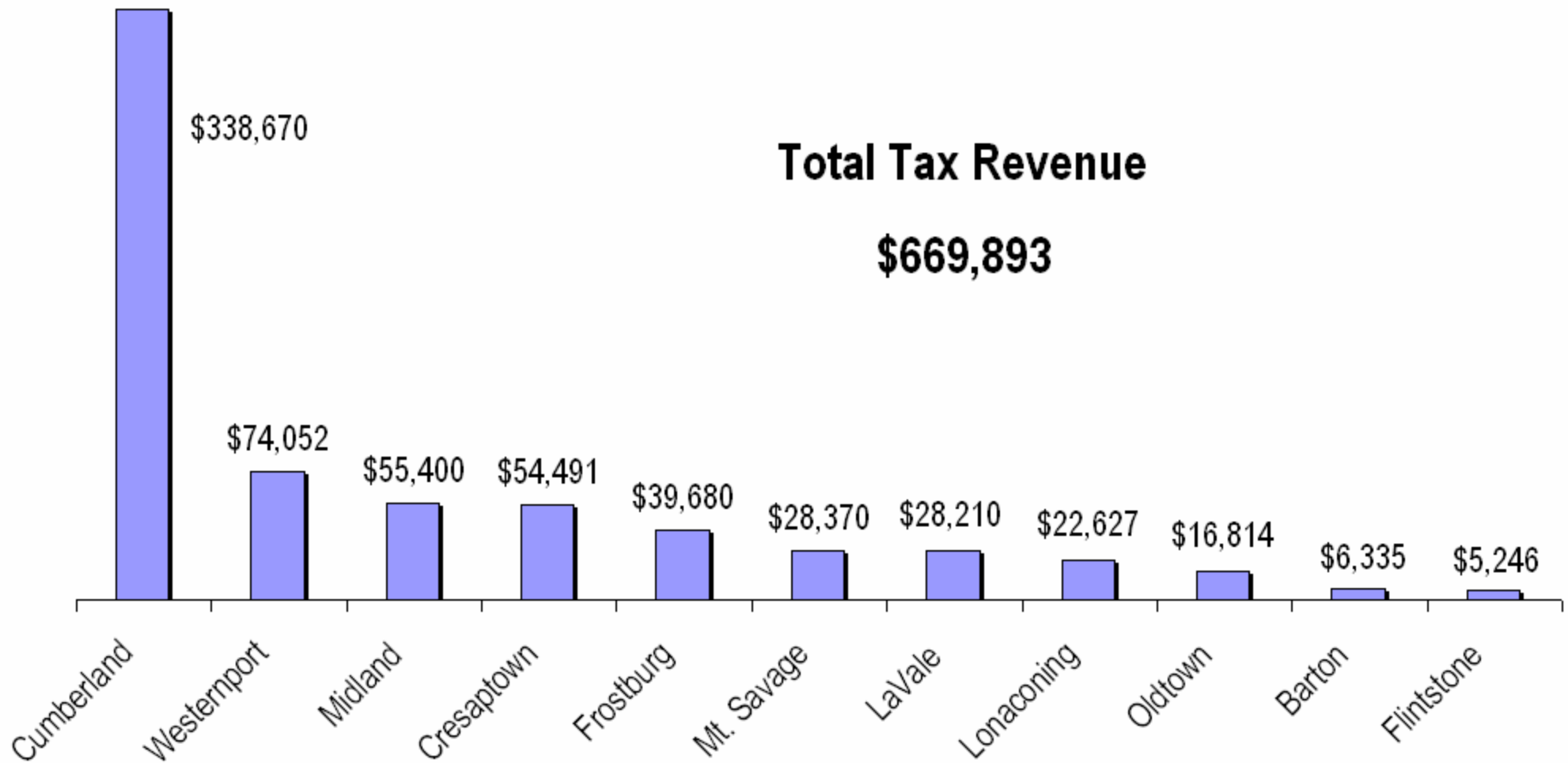
6 temporary, 4 convenience, 6 liquor, 30 tavern, and 32 club were issued.

***Tax Revenues By Allegany County Paper Gaming Operator
Type - Fiscal Year 2005***



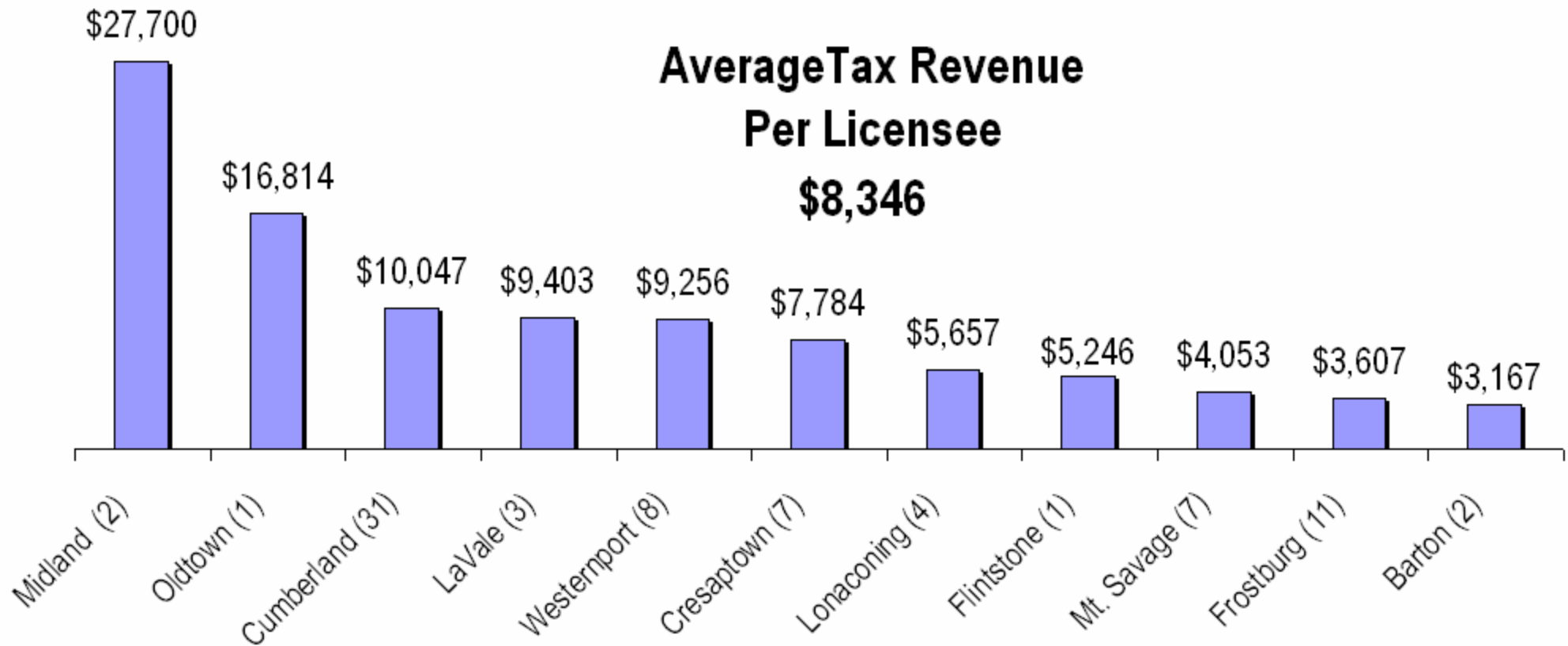
Tax revenue % for taverns continues to be less than their license %, despite being taxed at higher rate.

Allegany County Paper Gaming Operator *Tax* Revenues By General Area - Fiscal Year 2005



Frostburg does relatively little paper gaming considering its second for population.

Allegany County Paper Gaming Operator *Tax* Revenues By General Area Per Year-Round Licensee - Fiscal Year 2005



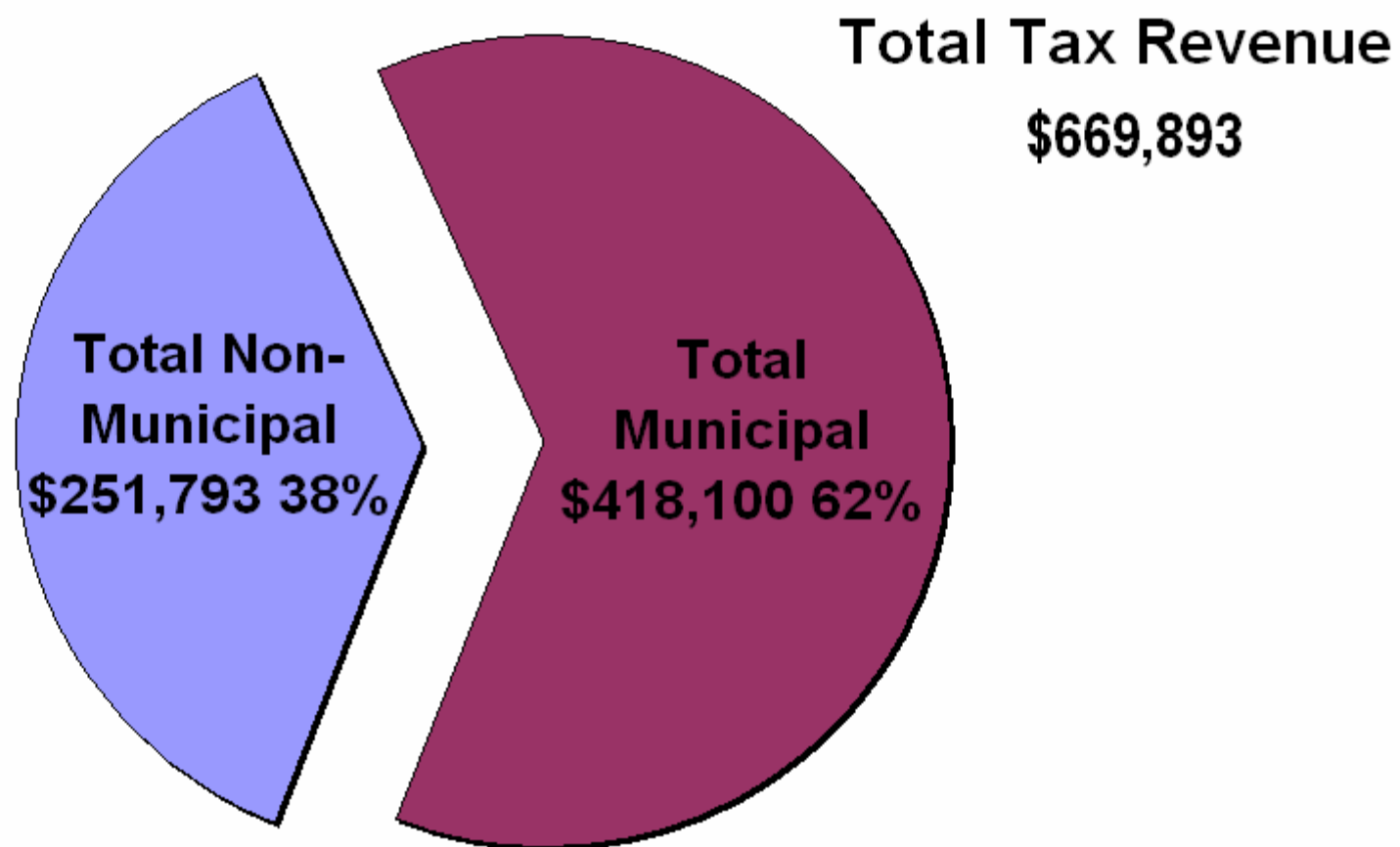
Result on graph is tax revenue for area divided by number of licensed year-round operators in area for fiscal year, number in parenthesis.

The licensed operators were counted only if they provided tax revenues.

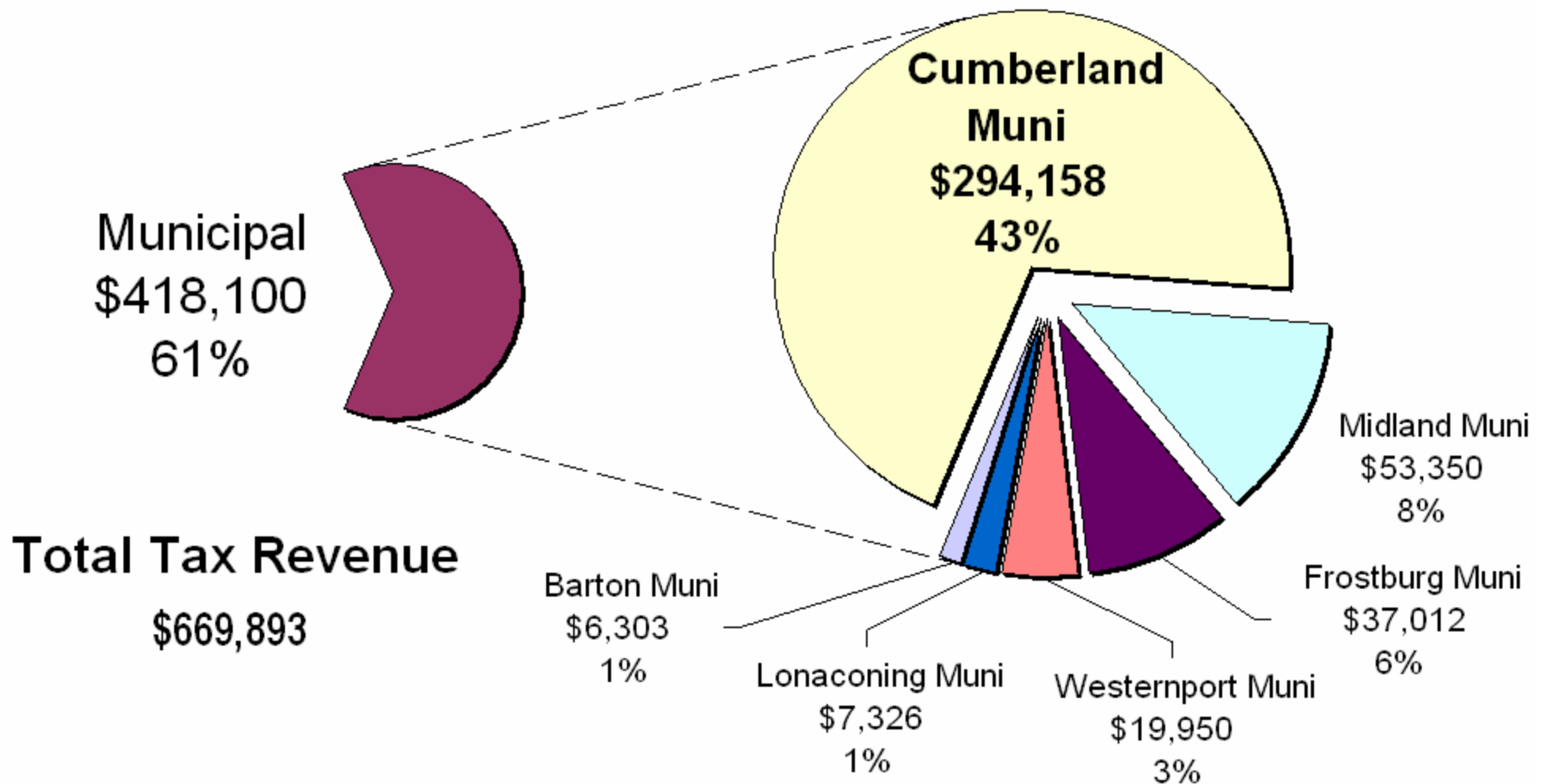
The tax revenue of \$27,225 from nine temporary operators was excluded.

Looking at tax revenue per year around operator shows Midland and Oldtown as the highest volume

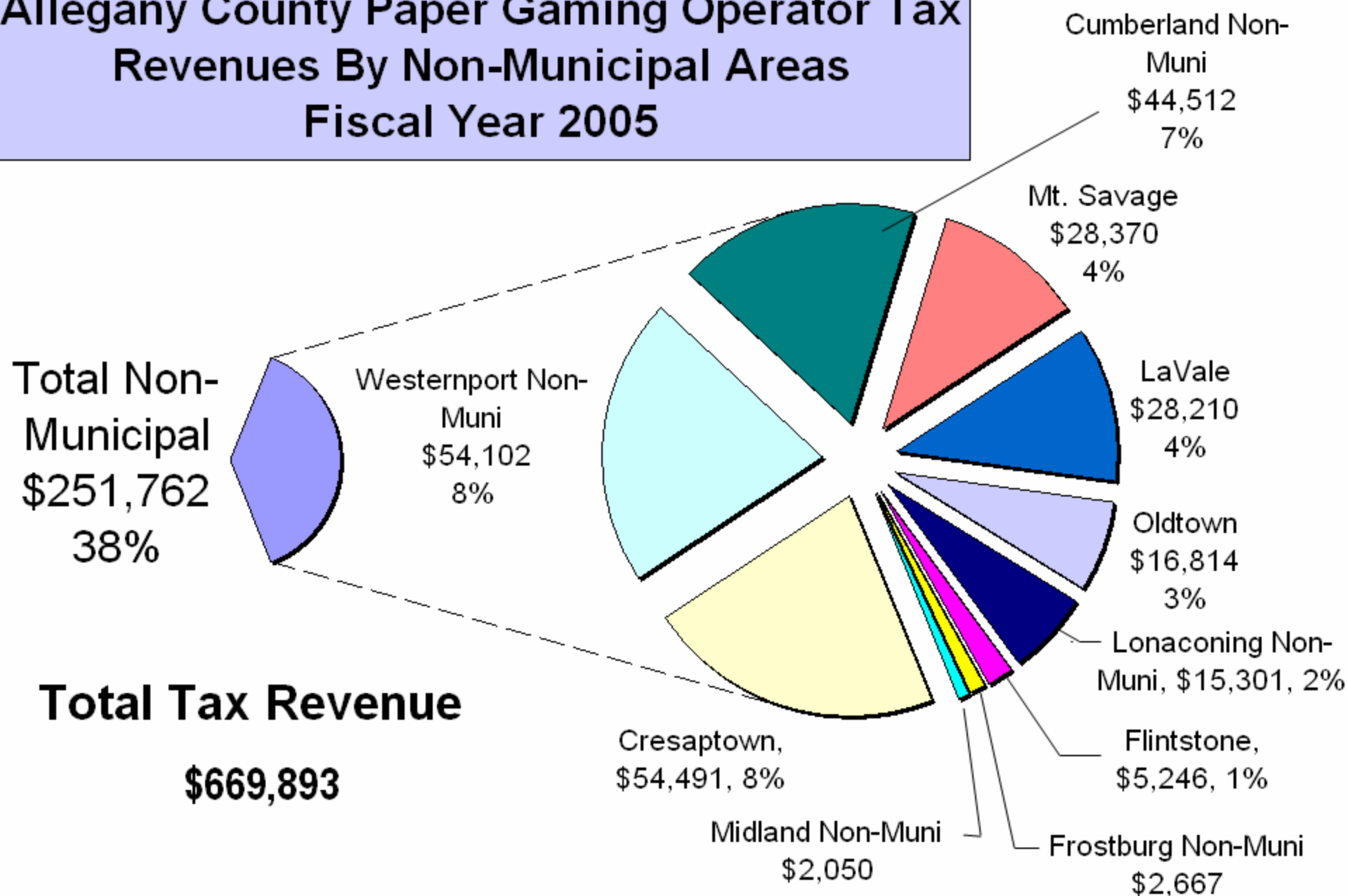
**Allegany County Paper Gaming Operator Tax
Revenues *Municipal Versus Non-Municipal*
Fiscal Year 2005**



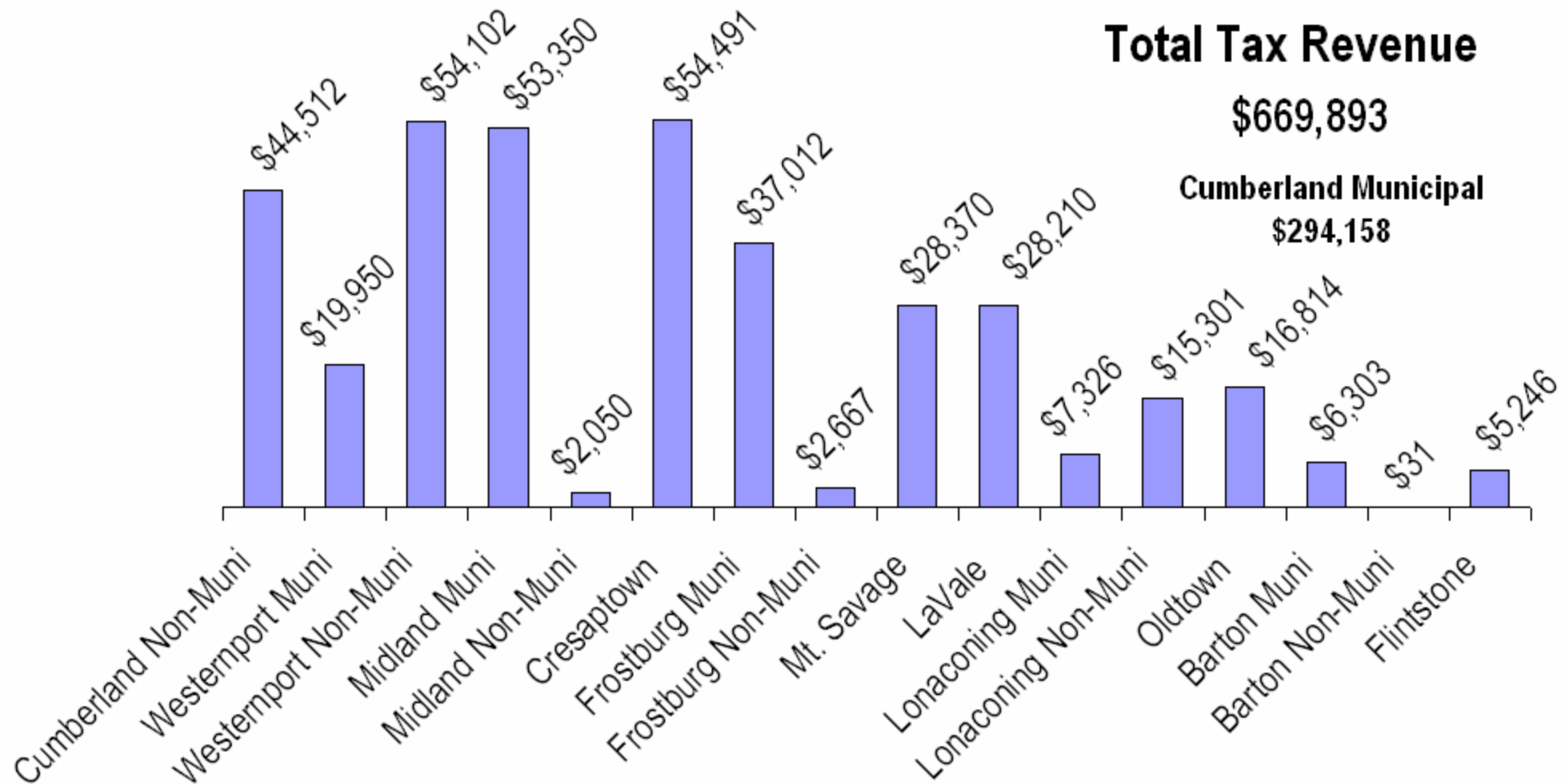
**Allegany County Paper Gaming Operator
Tax Revenues By *Municipal Areas*
Fiscal Year 2005**



Allegany County Paper Gaming Operator Tax Revenues By Non-Municipal Areas Fiscal Year 2005



Tax Revenues By Allegany County Paper Gaming Operator By Area *Excluding Cumberland Municipal* Fiscal Year 2005

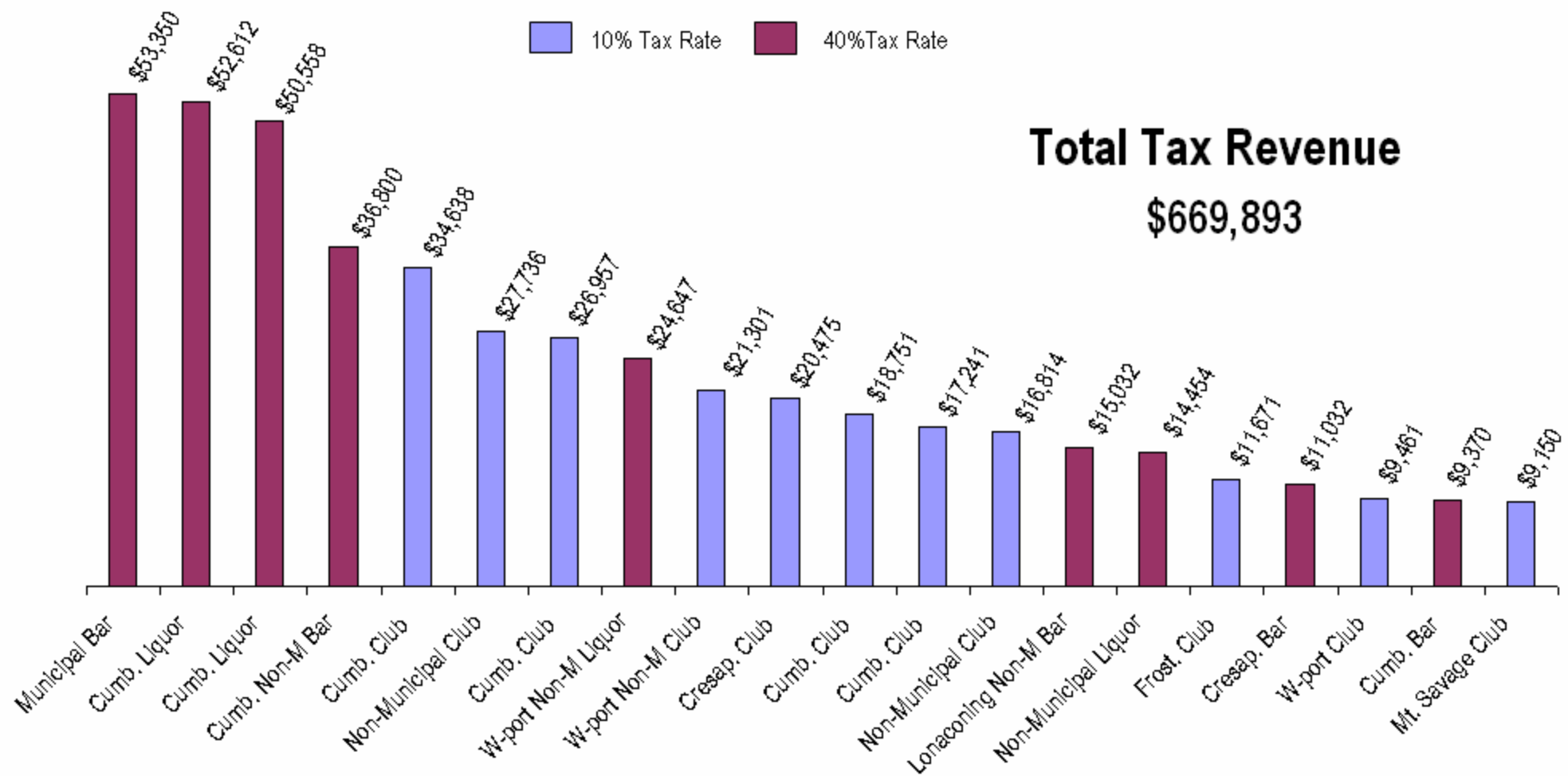


**Westernport Non-Municipal, Midland Municipal and Cresaptown are the highest for tax revenue,
after Cumberland Municipal.**

Tax Revenues By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2005

10% Tax Rate 40% Tax Rate

Total Tax Revenue
\$669,893

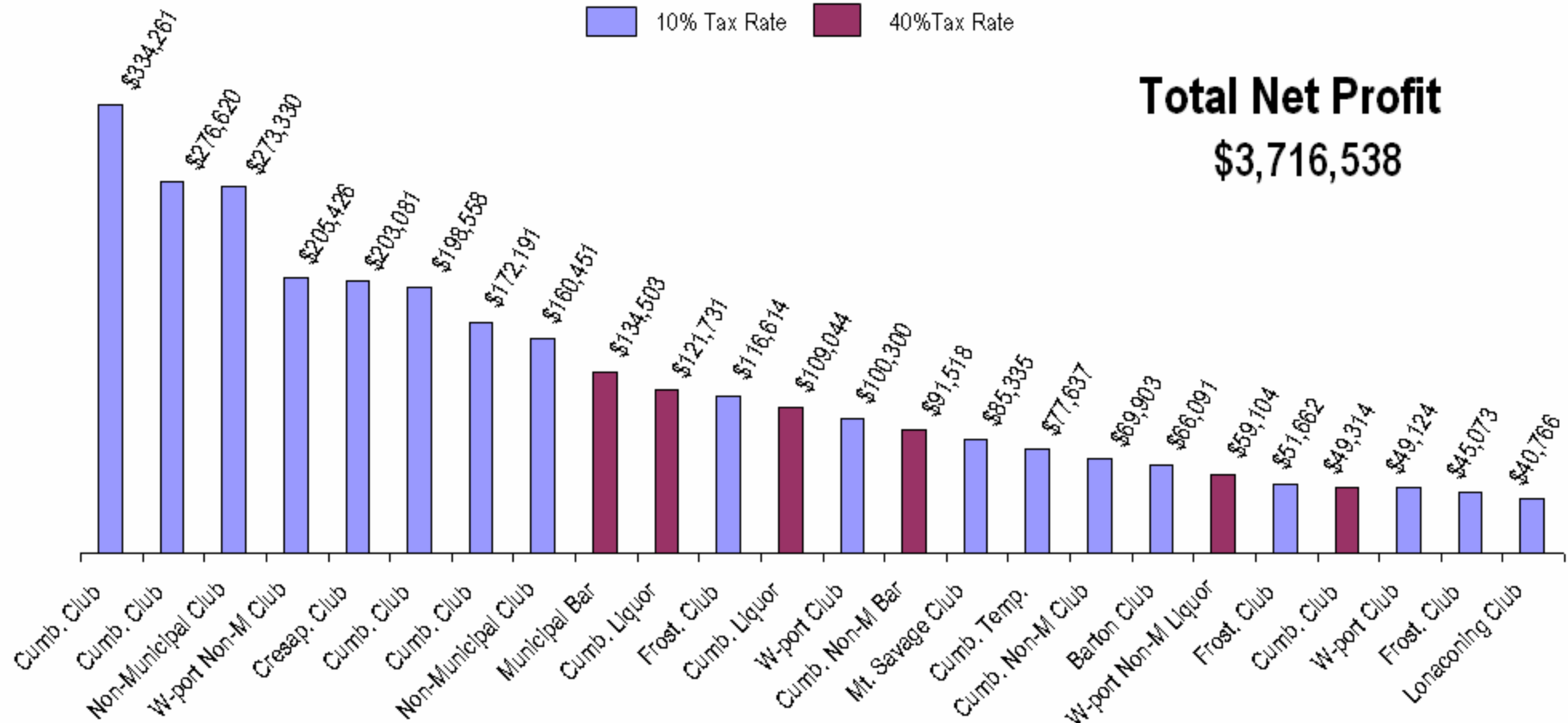


Nine of the top 20 for tax revenue are for-profit organizations.

Net Profit By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2005

10% Tax Rate 40% Tax Rate

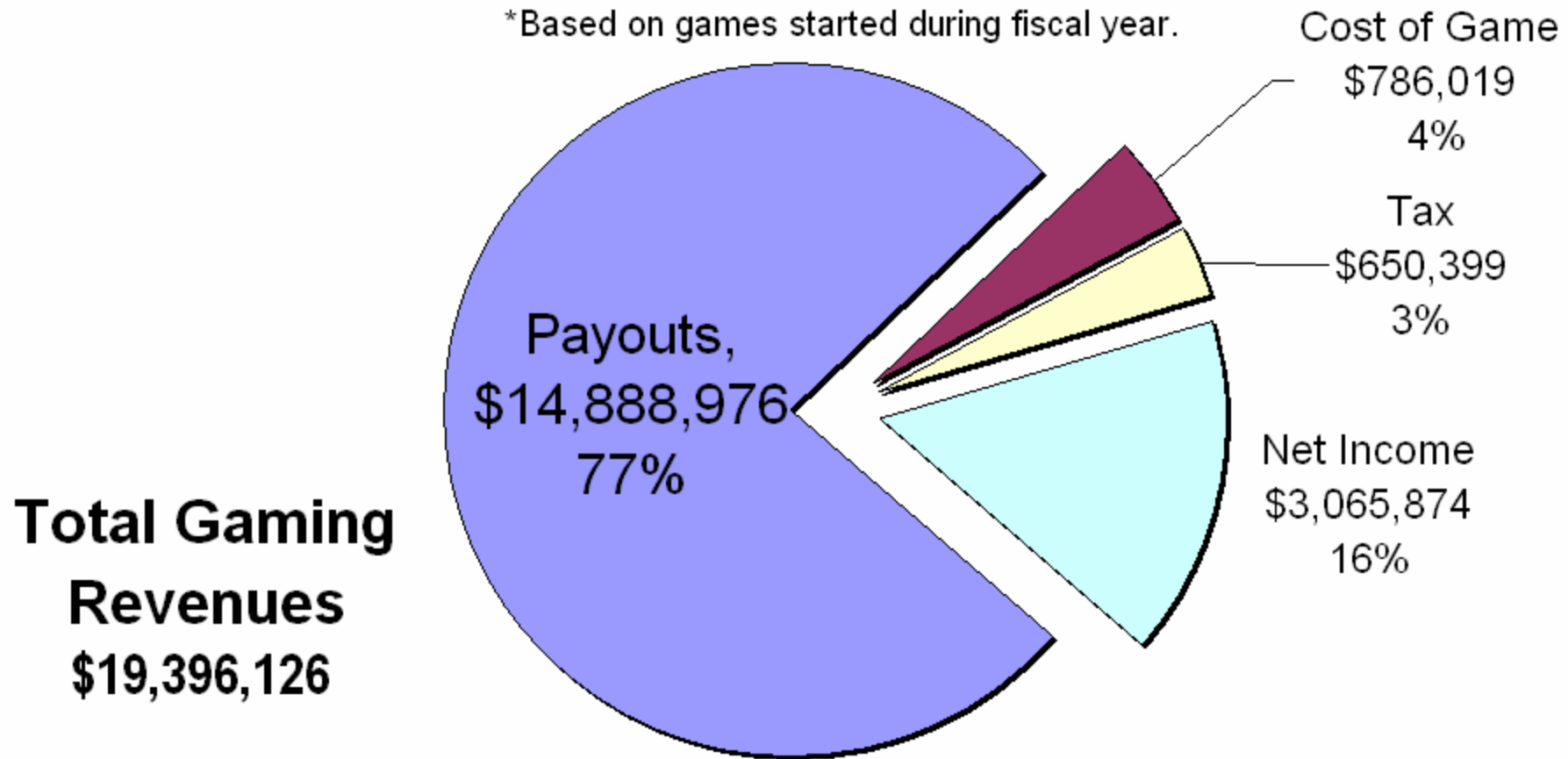
Total Net Profit
\$3,716,538



The top 20 for net profit is dominated by clubs. Only 6 of the for-profit operators make the top 20.

Distribution of Operator Gaming Revenues* Fiscal Year 2005

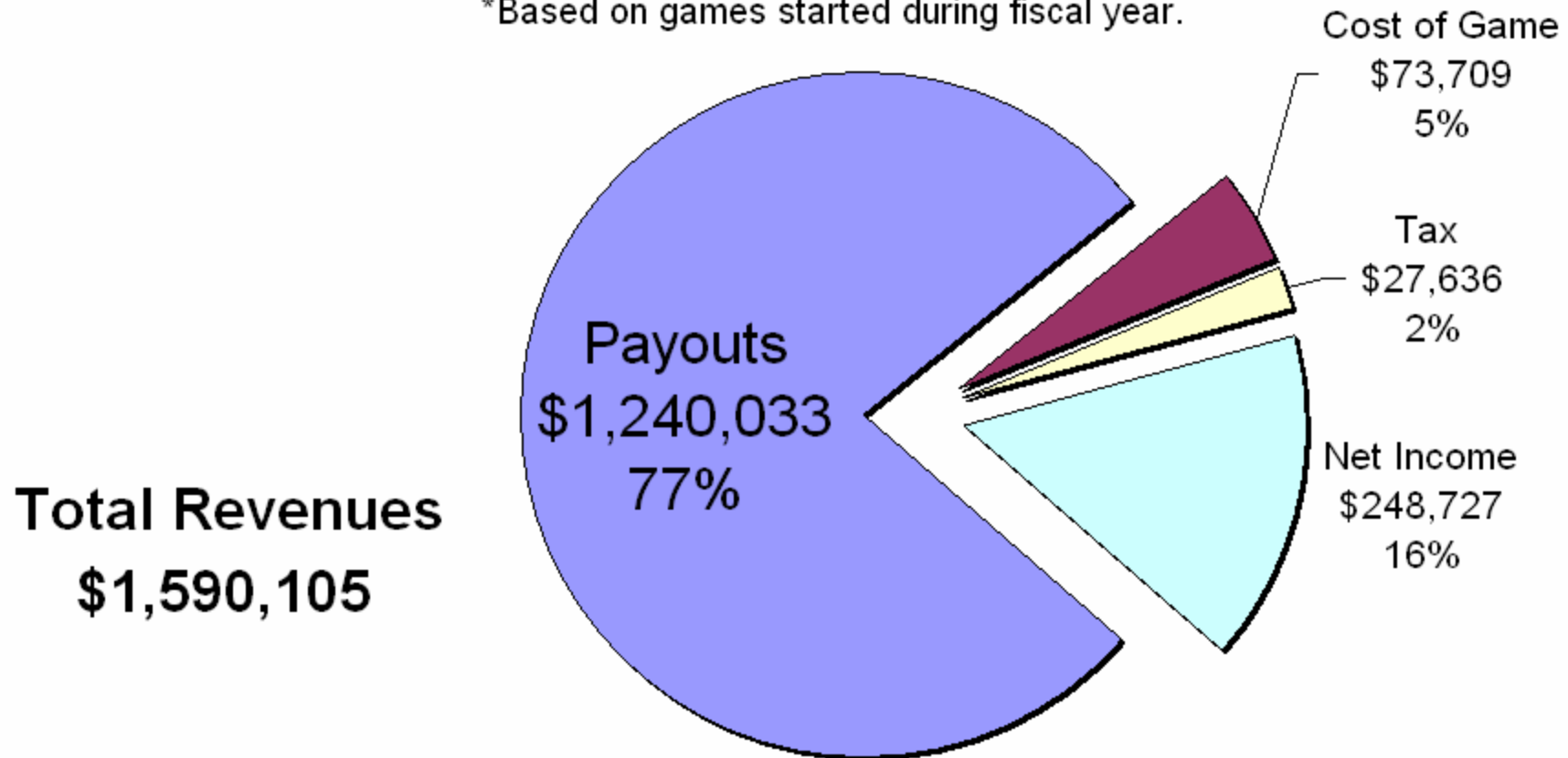
*Based on games started during fiscal year.



**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.**

Distribution of Gaming Revenues* For Highest Volume Club Fiscal Year 2005

*Based on games started during fiscal year.



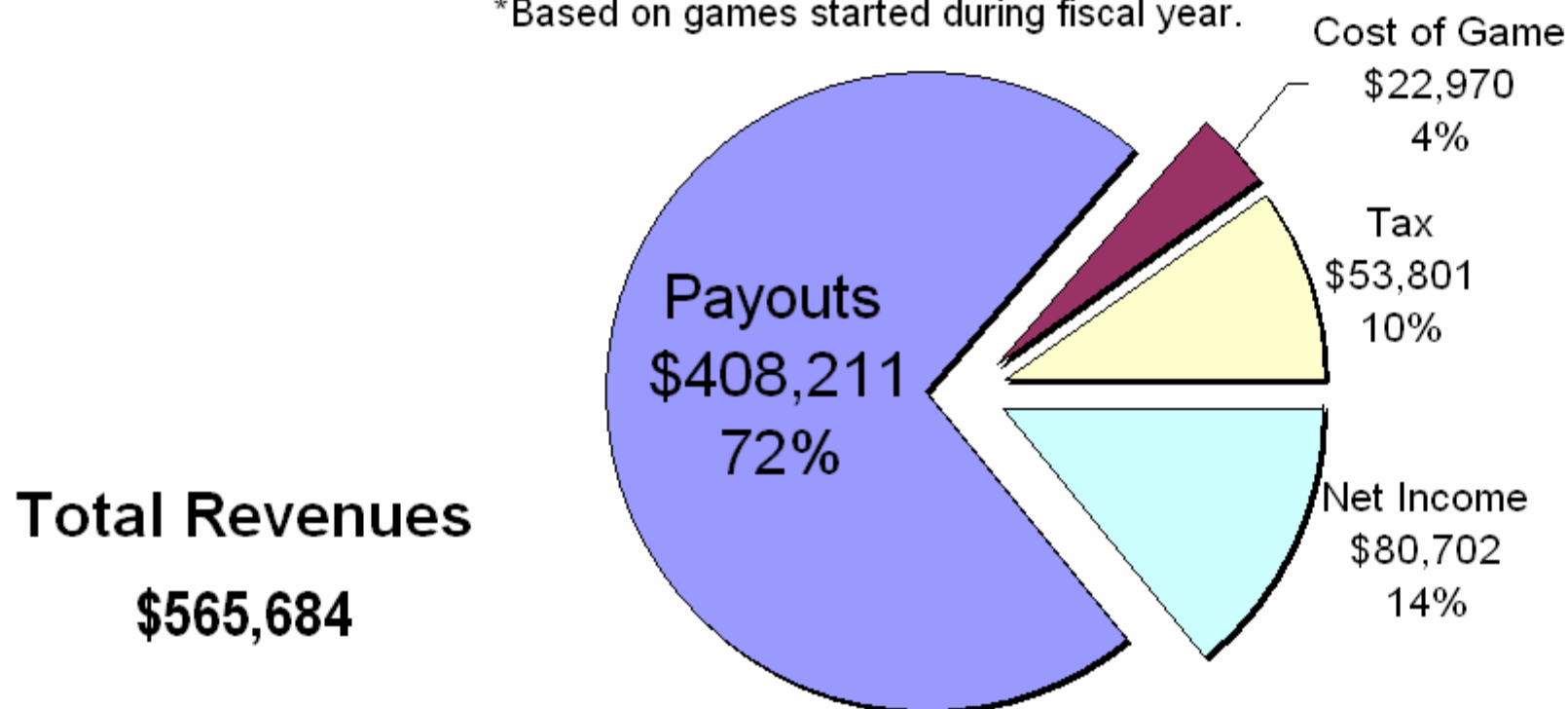
Highest volume club for paper gaming had \$248,727 in net income.

Two cents of every dollar collected went to the Gaming Fund.

The relatively high percentage of payouts helps give the club more volume.

Distribution of Gaming Revenues* For Highest Volume Tavern Fiscal Year 2005

*Based on games started during fiscal year.



Highest volume tavern for paper gaming had \$80,702 in net income.

Ten cents of every dollar collected went to the Gaming Fund.

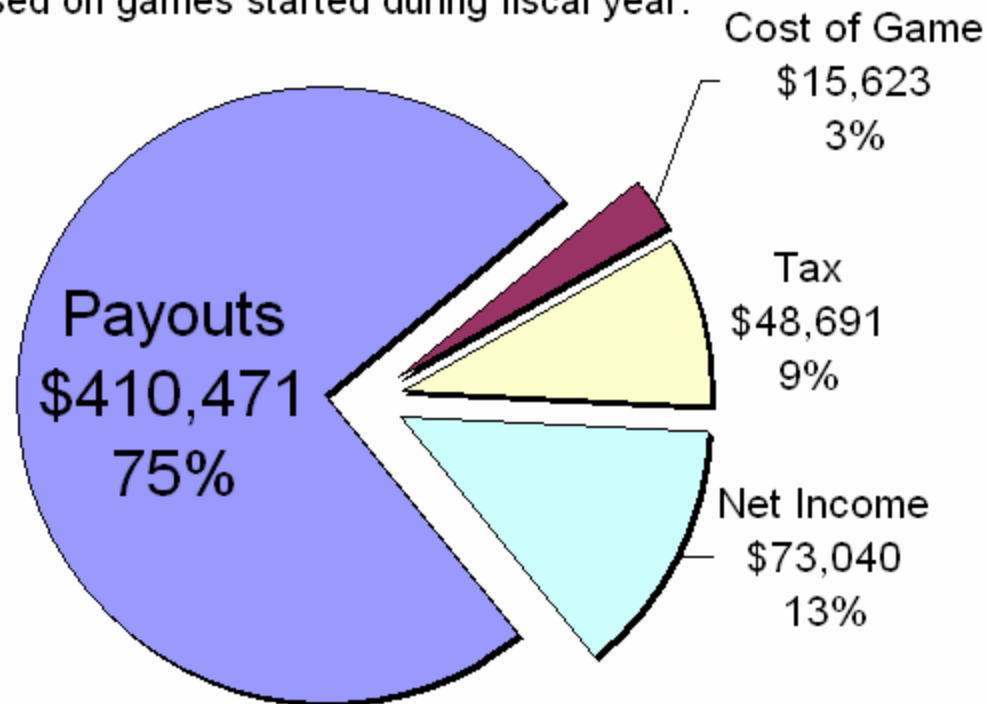
The tavern makes almost as much % as the high volume club despite higher taxes.

It does this by a lower % for payouts and cost of games.

Distribution of Gaming Revenues* For Highest Volume Liquor Store Fiscal Year 2005

*Based on games started during fiscal year.

Total Revenues
\$547,824



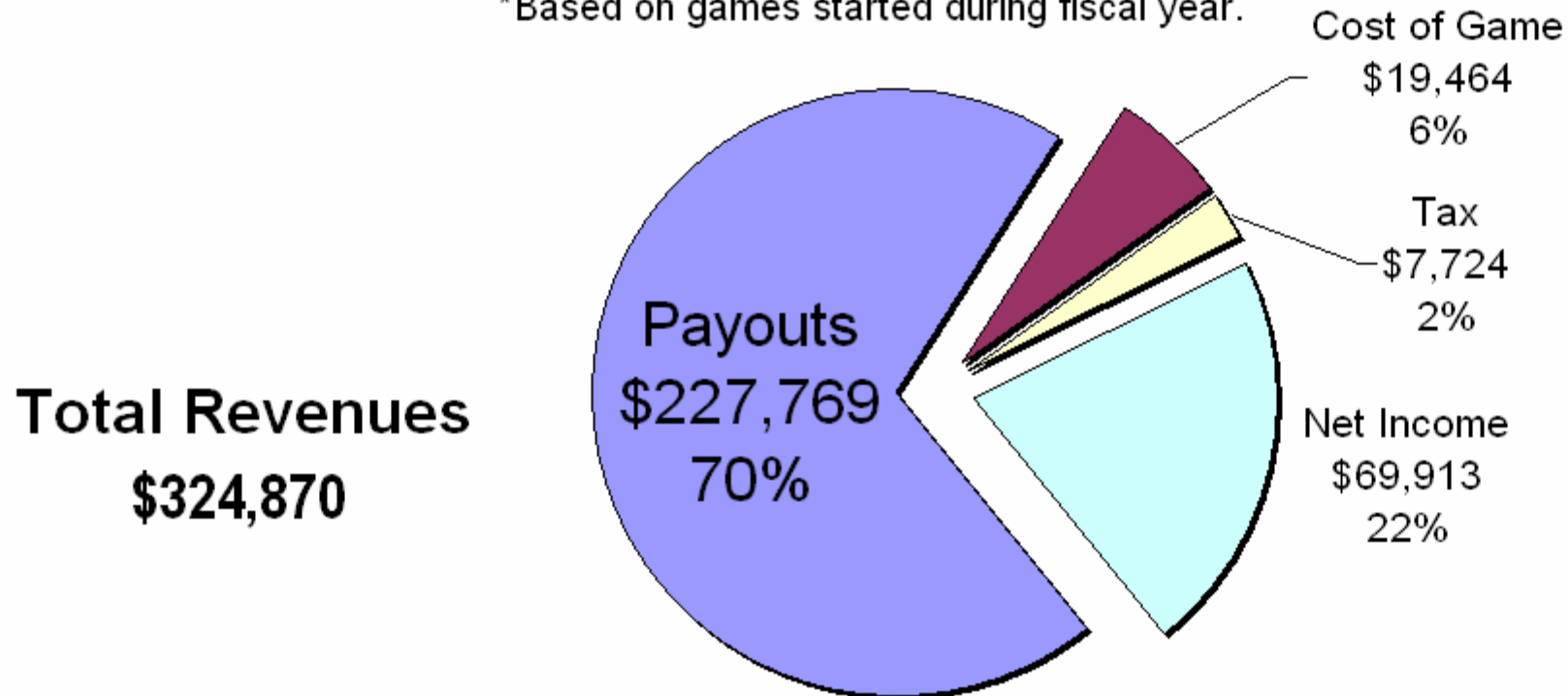
Highest volume liquor store for paper gaming had \$73,040 in net income.

Nine cents of every dollar collected went to the Gaming Fund.

The liquor store doesn't have as high a % for income as the high volume tavern,
because of a higher payout %.

Distribution of Gaming Revenues* For Highest Volume Temporary Operator Fiscal Year 2005

*Based on games started during fiscal year.



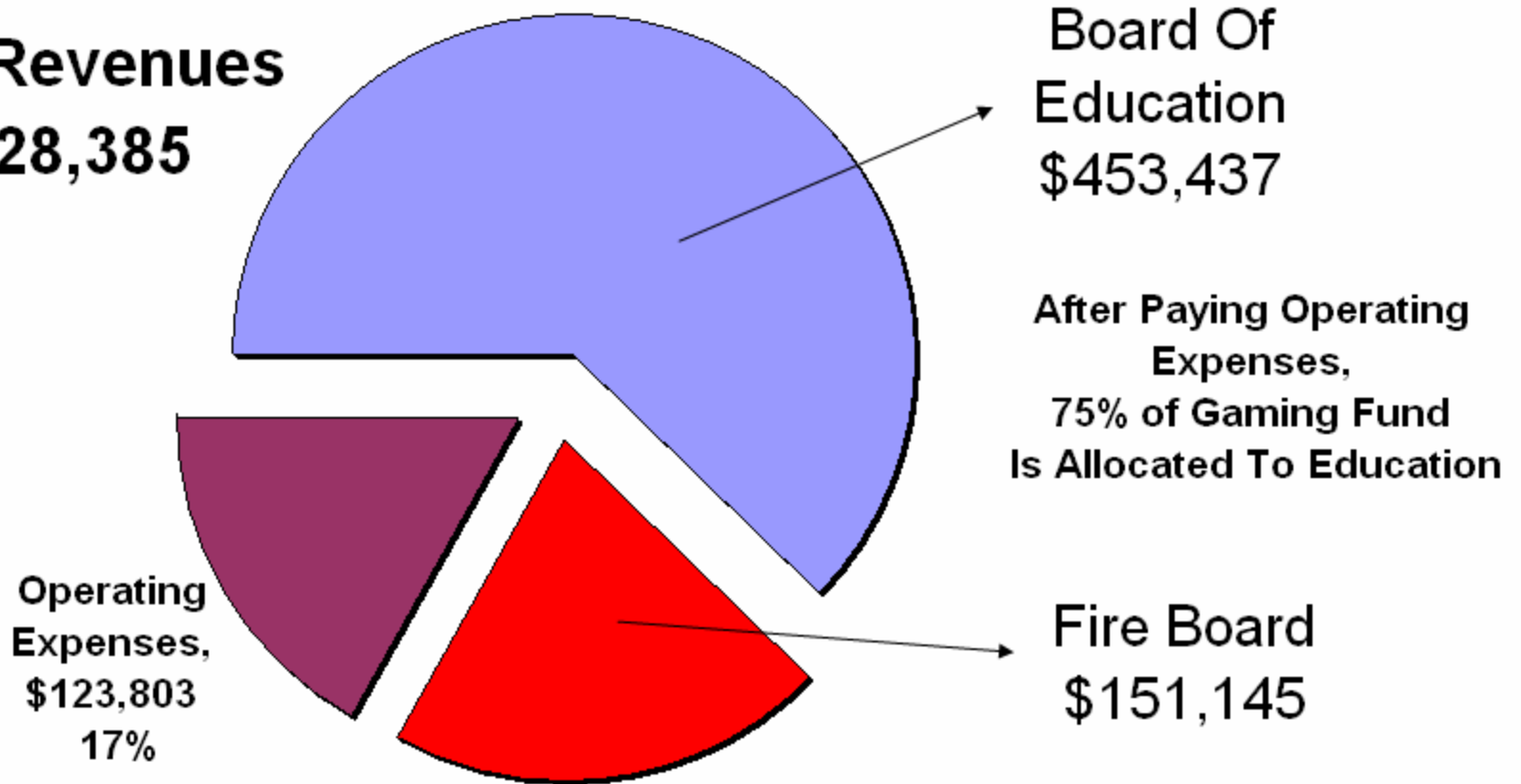
Highest volume temporary operator for paper gaming had \$69,913 in net income.

Two cents of every dollar collected went to the Gaming Fund.

**The temporary operator has a much higher income % than the high volume club
because of a much lower payout %.**

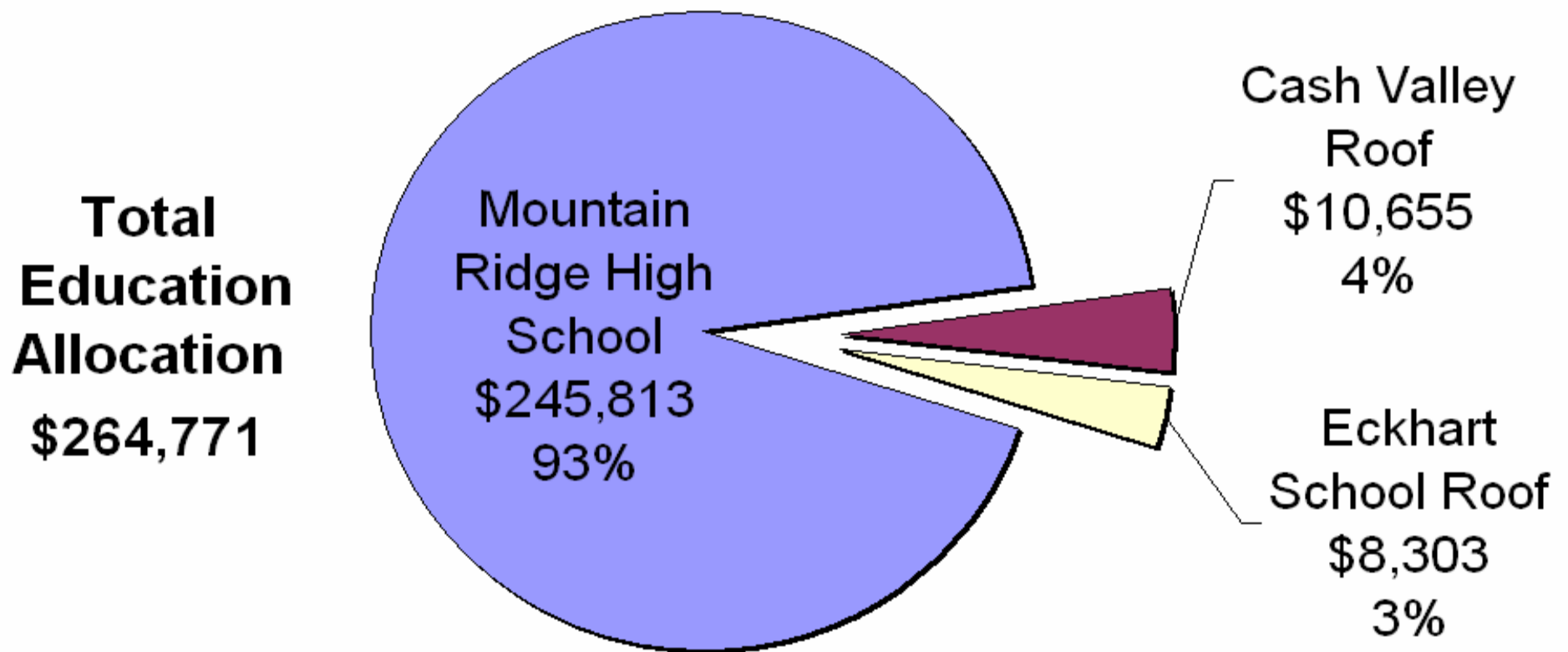
Allegany County Gaming Fund Distribution Fiscal Year 2005

**Total Revenues
\$728,385**



Operating expenses were supported by \$52,491 in sticker revenues.
This left \$71,312 being supported by gaming taxes, 11% of gaming taxes.
\$604,582 will be allocated to the education and fire boards.

Education Allocations For Allegany County Gaming Fund Fiscal Year 2004

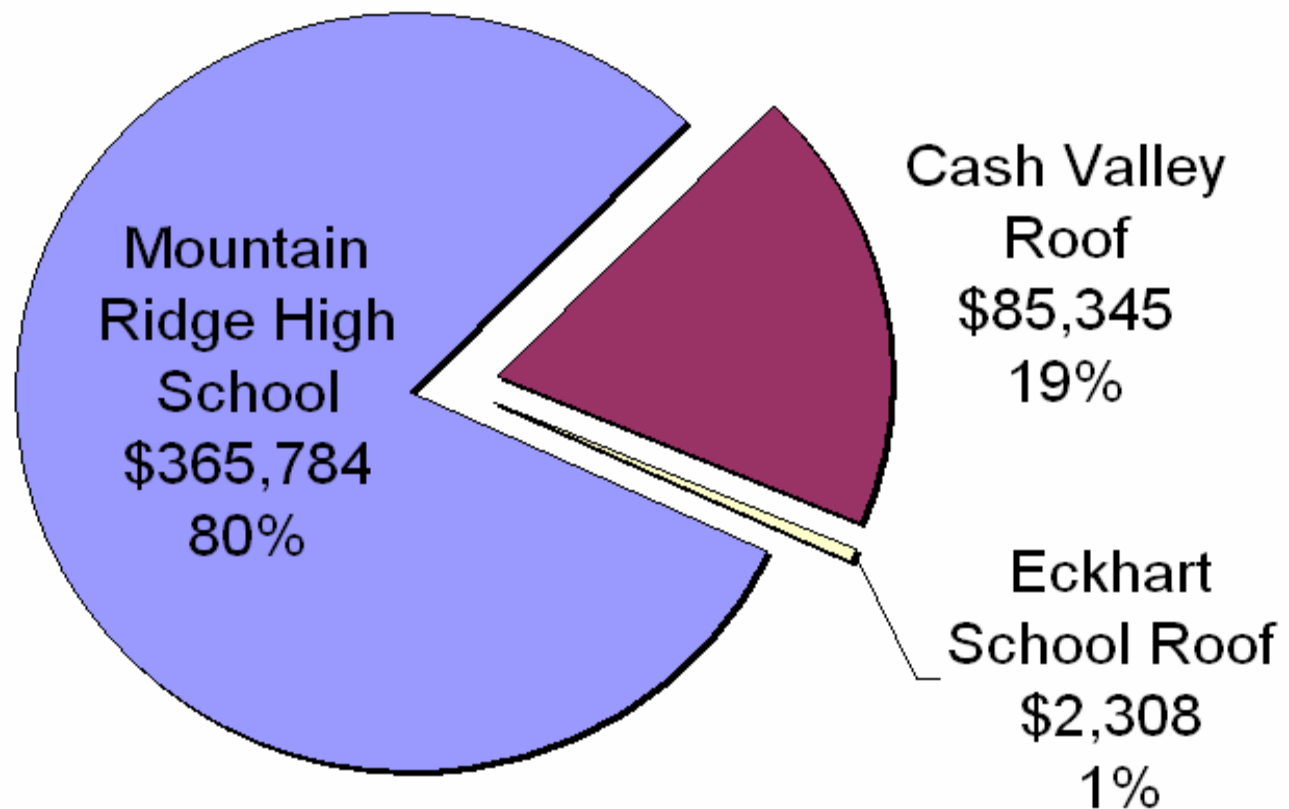


The total allocation for the fire and rescue board for fiscal year 2004 was \$88,257.

The money was divided equally between 28 companies, \$3,152 per company.

Education Allocations For Allegany County Gaming Fund Fiscal Year 2005

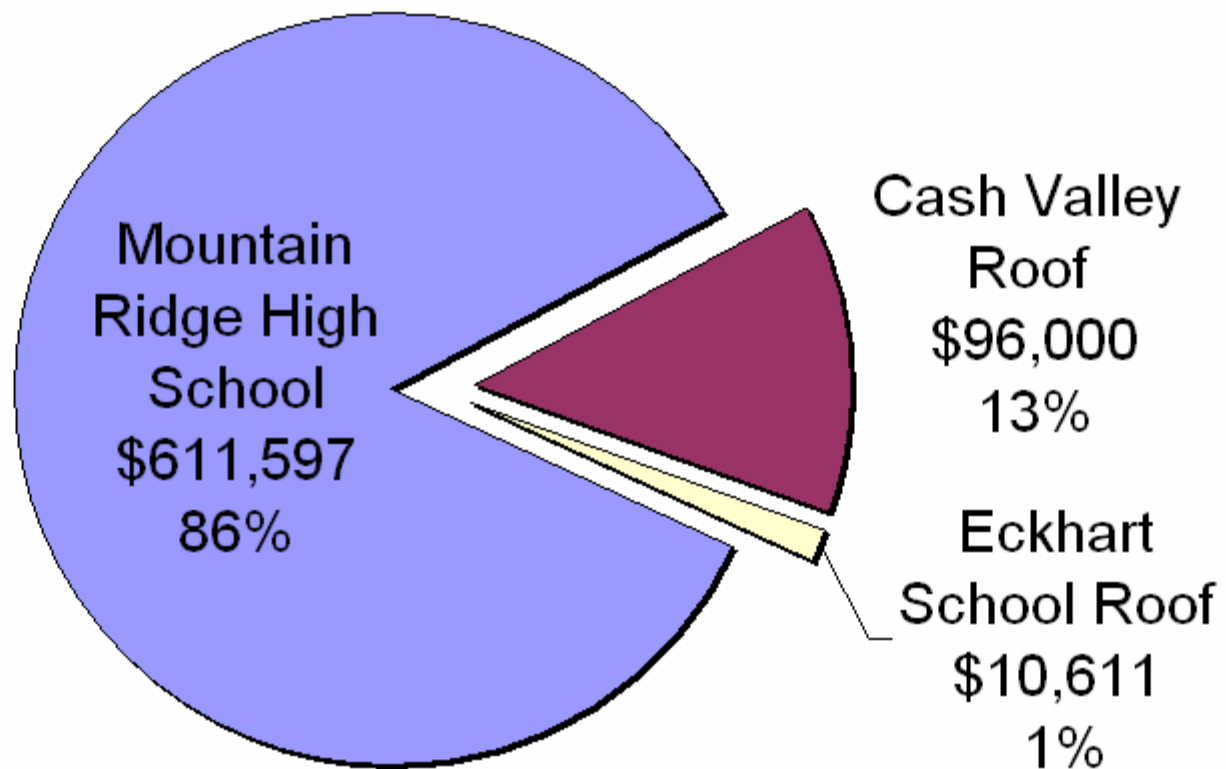
**Total
Education
Allocation
\$453,436**



The total allocation for the fire and rescue board for fiscal year 2005 was \$151,145.
The money was divided equally between 28 companies, \$5,398 per company.

**Education Allocations For
Allegany County Gaming Fund
Fiscal Years 2004 and 2005 Combined**

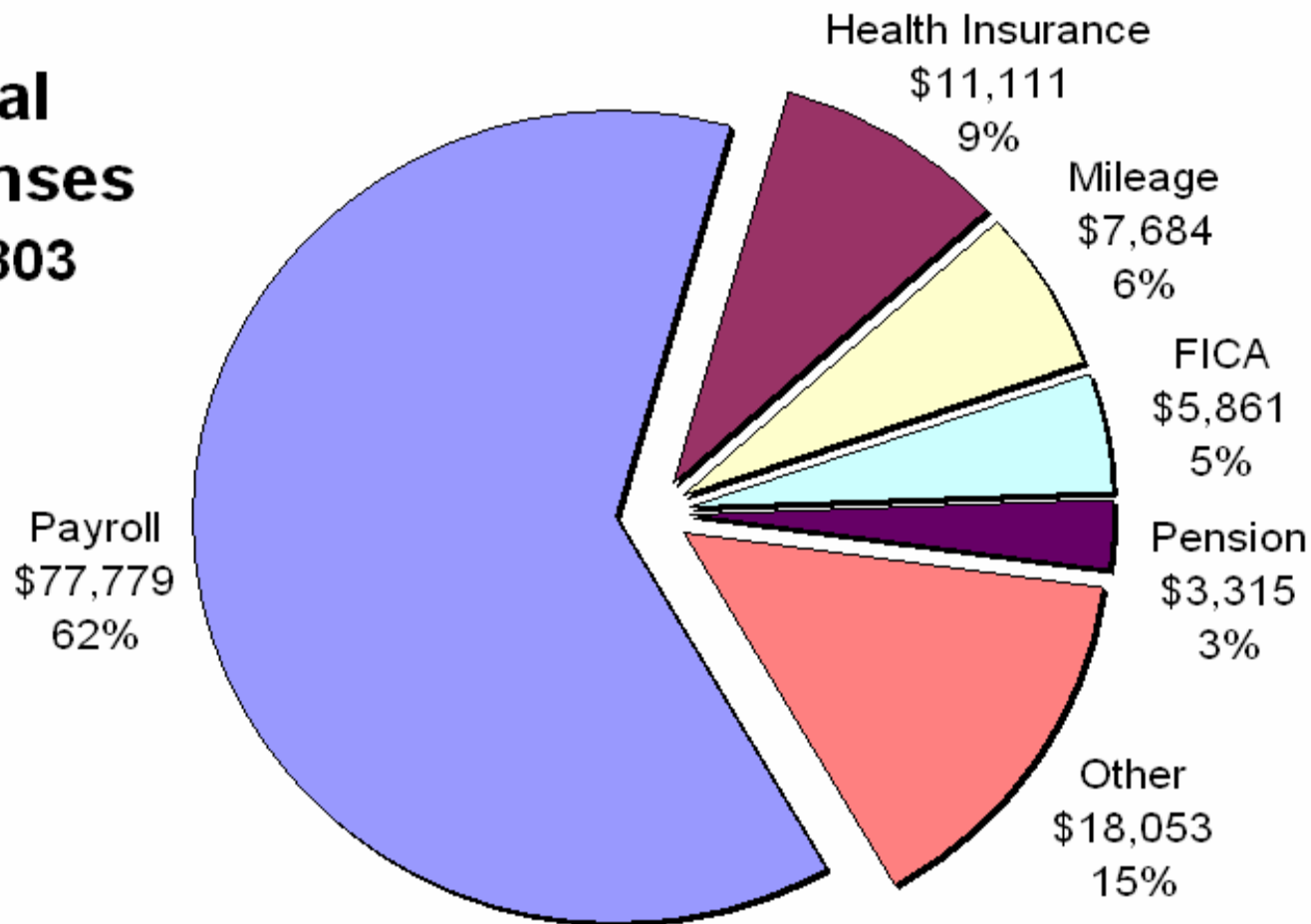
**Total
Education
Allocation
\$718,208**



**The total allocation for the fire and rescue board for fiscal years 2004 and 2005 was \$239,403.
The money was divided equally between 28 companies, \$8,550 per company.**

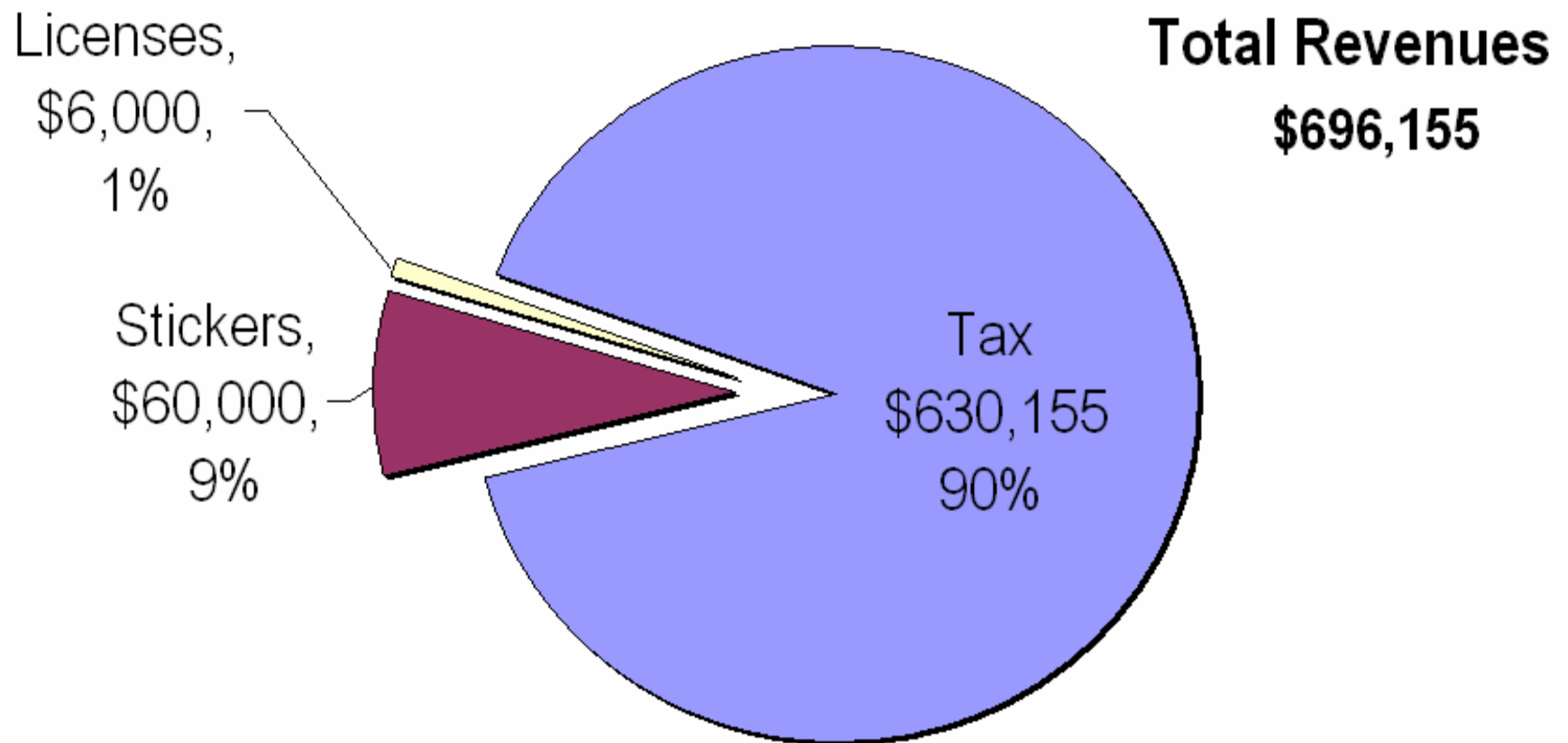
Expenses For Allegany County Gaming Office Fiscal Year 2005

**Total
Expenses
\$123,803**



The mileage costs for the Gaming Office have decreased compared to fiscal year 2004, from \$922 to \$640 monthly. 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 2006

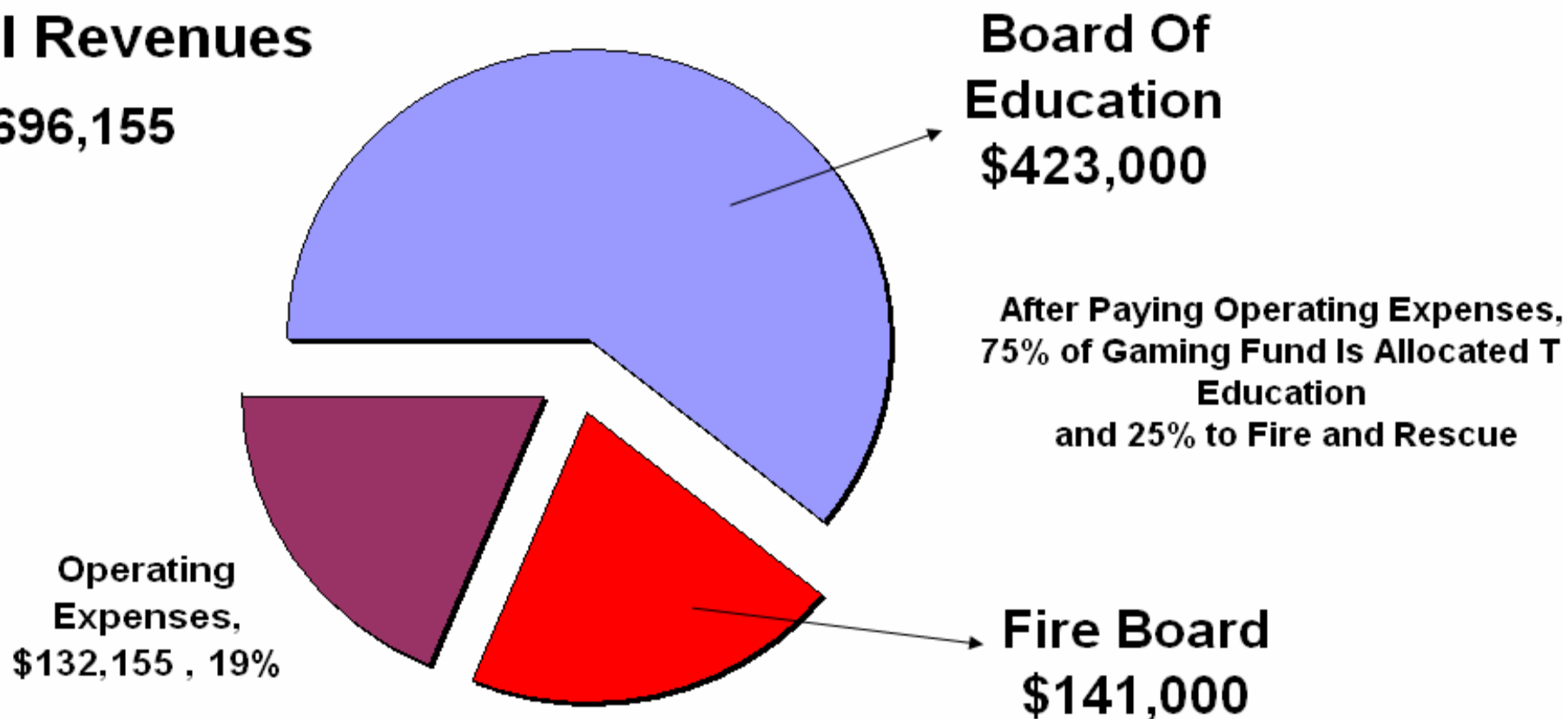


The expected revenue of \$696,155 for Fiscal Year 2006 compares to an actual revenue of \$728,385 for Fiscal Year 2005, 4% lower. The more conservative figure allows for an economic downturn.

Allegany County Gaming Projected Fund Distribution Fiscal Year 2006

Total Revenues

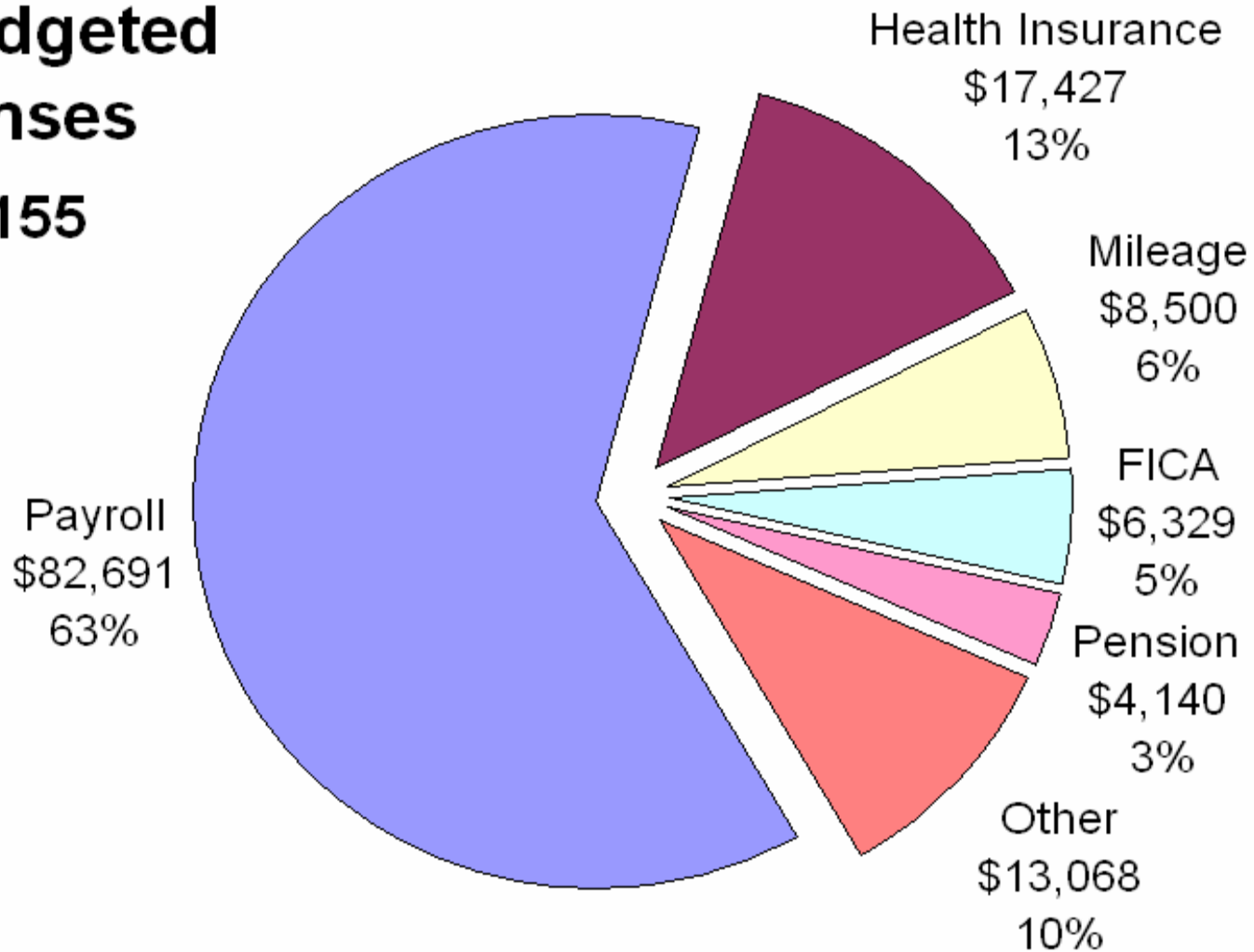
\$696,155



\$564,000 is projected to be allocated to the education and fire boards.

Budgeted Expenses For Allegany County Gaming Office - Fiscal Year 2006

**Total Budgeted
Expenses**
\$132,155



Allegany County Inspections of Paper Game Operators Fiscal Year 2005

1,180 Inspections

80 operators, so each operator inspected 15 times on average, or 1.2 times a month.

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

except occasionally for Cumberland, which has 44% 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.

Allegany County Paper Gaming Office Challenges In Fiscal Year 2006

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

Ensure that taxes are 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. Informing wholesalers of discrepancies, but also increasing compliance through the use of fines.

Allegany County Paper Gaming Office Challenges In Fiscal Year 2006

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

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

Continue to ensure consistency in the costs wholesalers are deducting in calculating tax.

Allegany County Paper Gaming Office Challenges In Fiscal Year 2006

Formalize the dispersion to operators of information the Gaming Office collects by providing each one with their own copy of the fiscal year report. The operator's report would identify the operator among all the operators listed, yet still keep the information for other operators confidential.

Conclusion

This presentation is 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.