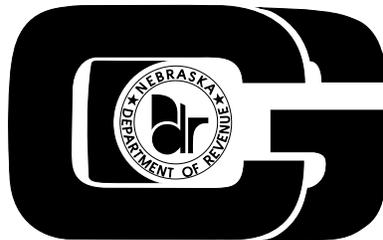




2002 Annual Report

CHARITABLE



G A M I N G

Nebraska Department of Revenue



CHARITABLE GAMING DIVISION ANNUAL REPORT 2002

In compliance with Chapter 9, section 9-1,101, R.S.Supp. 2002, the Department of Revenue submits herewith its charitable gaming annual report to the Governor, Legislature, Auditor of Public Accounts, and Attorney General. This report summarizes tax revenues received, expenses incurred, and other activities relating to the administration and enforcement of the Nebraska Bingo Act, the Nebraska County and City Lottery Act, the Nebraska Lottery and Raffle Act, and the Nebraska Pickle Card Lottery Act. This report covers the 2001-2002 Fiscal Year.



Mary Jane Egan
State Tax Commissioner



James M. Haynes
Director, Charitable Gaming and Investigative Services

This report is also available on the Nebraska Department of Revenue
Web site: www.revenue.state.ne.us

TABLE OF CONTENTS

Revenue, Budget, Expenditures, and Distributions	1
Quarterly Breakdown	2
Year in Review	3
Gaming Dollars Wagered	
Gaming Tax Revenue	
Licensing	4-7
Licensees as of June 30, 2002	4
Licensed Nonprofit Organizations and Political Subdivisions by County . . .	5
Other Licensees by County	6
Participation in Gaming Activities	7
The Games	8-13
Bingo	8
Pickle Cards	9
Lotteries and Raffles	10
County/City Lotteries	11
County/City Lottery Election and Licensing Status	12
County/City Lotteries Licensed by County	13
Administration, Audit, and Enforcement	14-16
Administrative Actions	14
Licensing Section Activity	14
Policy Section Activity	14
Audit Section Activity	15
Inspection Section Activity	16
Investigative Services Activity	16
Appendix	17-20
Ten-Year Comparison of:	
Gross Dollars Wagered (Combined)	17
Gross Dollars Wagered by Activity	18
Organizations and County/City Lotteries Licensed	19
Other Licensees	20

REVENUE, BUDGET, EXPENDITURES, AND DISTRIBUTIONS

Revenue

During the fiscal reporting period July 1, 2001 through June 30, 2002, the Department of Revenue's Bingo and Lottery Control Administration Program was self-supporting through 40 percent of the taxes collected from bingo, lottery by pickle card, county/city lottery, and lottery/raffle activities. In addition, the program received the licensing fee for each sales agent and pickle card operator, the \$1,525 biennial licensing fee for each manufacturer-distributor of lottery supplies and equipment, the \$50 decal fee for the registration of each pickle card dispensing device, and any \$30 penalty assessed for the failure to properly register such devices. Tax revenue and license fees designated to the cash fund totaled \$2,518,134 plus other revenue of \$44,718 for total cash fund revenue of \$2,562,852. Cash funds distributed for expenses of the Charitable Gaming Division totaled \$1,872,003, plus the Charitable Gaming Cash Fund distribution of \$11,631 and the Athletic Commission Cash Fund distribution of \$30,057 for the \$41,688 total expenses of the Athletic Commission. The remaining cash fund balance as of June 30, 2002, not expended or transferred to the Compulsive Gamblers Assistance Fund may be transferred annually by the Legislature to the General Fund. The program revenue accrued to the Charitable Gaming Operations Cash Fund and to the General Fund from July 1, 2001 through June 30, 2002, was as follows:

Receipt Type	Cash Fund	General Fund	Total
Tax Revenue	\$2,316,319	\$3,442,104	\$5,758,423
Fee Revenue	201,815	336,877	538,692
Total Tax and Fee Revenue	\$2,518,134	\$3,778,981	\$6,297,115
Other Revenue	44,718	0	44,718
TOTAL REVENUE	<u>\$2,562,852</u>	<u>\$3,778,981</u>	<u>\$6,341,833</u>

Budget, Expenditures, and Distributions

Expenditure Type	Budgeted Amounts*	Actual Expenditures**
Personal Services	\$1,616,709	\$1,572,383
Salaries	\$1,286,885	\$1,229,797
Benefits	329,824	342,586
Operating Expenses	219,477	197,285
Travel Expenses	117,013	61,866
Capital Outlay	64,665	40,469
Total Charitable Gaming Expenses	\$2,017,864	\$1,872,003
Athletic Commission Expenses Included In the Charitable Gaming Budget and Expenditures	41,688***	41,688***
Total Expenses From Cash Funds	<u>\$2,059,552</u>	<u>\$1,913,691</u>

* Annual budget amounts for fiscal year 2001-2002.

** Actual expenses recorded on a cash basis of accounting.

*** Total expenses for the Athletic Commission were \$41,688. Of this total, \$30,057 was paid from the Athletic Commission Cash Fund and \$11,631 from the Charitable Gaming Cash Fund.

QUARTERLY BREAKDOWN

Gross Dollars Wagered

	Third Quarter 2001	Fourth Quarter 2001	First Quarter 2002	Second Quarter 2002	Total FY 2001-2002
Bingo	\$ 4,416,974	\$ 4,195,168	\$ 3,906,696	\$ 4,167,238	\$ 16,686,076
Pickle Card	17,569,331	16,442,222	18,203,500	16,087,471	68,302,524
County/City Lottery	42,094,418	43,732,852	46,251,988	44,833,720	176,912,978
Lottery/Raffle	998,852	1,314,532	1,005,660	1,243,657	4,562,701
TOTALS	<u>\$65,079,575</u>	<u>\$65,684,774</u>	<u>\$69,367,844</u>	<u>\$66,332,086</u>	<u>\$266,464,279</u>

Tax Revenues

Bingo	\$ 132,509	\$ 125,855	\$ 117,200	\$ 125,017	\$ 500,581
Pickle Card	424,468	400,308	446,318	394,967	1,666,061
County/City Lottery	841,888	874,657	925,040	896,674	3,538,259
Lottery/Raffle	19,977	26,291	20,113	24,873	91,254
TOTALS	<u>\$1,418,842</u>	<u>\$1,427,111</u>	<u>\$1,508,671</u>	<u>\$1,441,531</u>	<u>\$5,796,155*</u>

License Fees

Cash Fund	\$112,500	\$95,529	\$8,435	\$4,820	\$221,284
General Fund	234,685	74,300	9,355	7,327	325,667
TOTALS	<u>\$347,185</u>	<u>\$169,829</u>	<u>\$17,790</u>	<u>\$12,147</u>	<u>\$546,951</u>

Total Taxes and License Fees

TOTALS	<u>\$1,766,027</u>	<u>\$1,596,940</u>	<u>\$1,526,461</u>	<u>\$1,453,678</u>	<u>\$6,343,106</u>
---------------	---------------------------	---------------------------	---------------------------	---------------------------	---------------------------

* Based upon tax returns filed; actual tax revenue received was \$5,758,423.

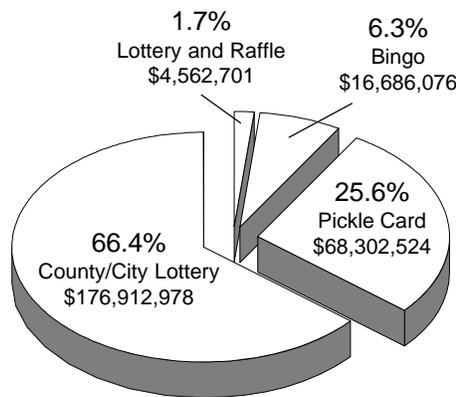
YEAR IN REVIEW

For the first year since 1994, the total dollars wagered on all charitable gaming activities increased. During the 2001-2002 reporting period, total charitable gaming dollars wagered (\$266,464,279) increased by 2.75 percent from the previous reporting period, but declined by 34.73 percent when compared to its peak year in 1994 when wagering reached \$408,222,880.

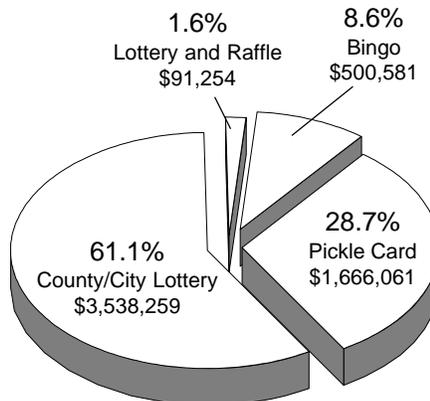
Wagering on bingo and pickle cards decreased during the reporting period while wagering on county/city lottery (keno) and lottery/raffle increased for the same period. As was the case in the previous seven reporting periods, pickle card sales showed a decline, down 4.33 percent. Bingo continued the decrease started in 1994 with a further decrease from last year of 5.41 percent. Lottery/raffle activity is at an all-time high and increased by 7.65 percent from last year. County/city lottery wagering increased for the fourth year in a row with an increase of 6.54 percent over last year. As a result of the overall increase in wagering, gaming tax revenues were also up this reporting period (2.19 percent) when compared to last year.

The ongoing in-state use of illegal video gaming devices continues to have a negative effect on legitimate charitable gaming operations in Nebraska.

Total Gaming Dollars Wagered – \$266,464,279



Total Gaming Tax Revenue – \$5,796,155*



* Based upon tax returns filed; actual tax revenue received was \$5,758,423.

2001-2002 LICENSEES

as of June 30, 2002

8	Manufacturers of Bingo Supplies/Equipment and Pickle Cards
3	Distributors of Bingo Supplies/Equipment and Pickle Cards
8	Manufacturer-Distributors of County/City Lottery Supplies and Equipment
182	Organizations Licensed to Conduct Bingo
152	Class I (Gross Receipts of less than \$150,000 per year)
30	Class II (Gross Receipts of \$150,000 or more per year)
91	Special Event Bingo Permits
575	Organizations Licensed to Conduct a Lottery by Pickle Cards
204	Class I (Selling only at own premises and/or bingo occasions)
371	Class II (Selling through pickle card operators, at own premises, and/or bingo occasions)
264	Organizations Licensed to Conduct Lotteries and Raffles
128	Counties, Cities or Villages Licensed to Conduct a Lottery
126	County/City Lottery Operators
530*	County/City Sales Outlet Locations
3,982**	County/City Lottery Workers
1,146	Utilization of Funds Members (Bingo, Pickle Cards, Lottery/Raffle)
41	Gaming Managers (Bingo)
10	Commercial Lessors (Bingo)
14	Commercial Bingo Halls
567	Sales Agents (Pickle Cards)
1,250	Pickle Card Operators
1,752	Pickle Card Operator Authorizations
<hr/>	
8,911	TOTAL LICENSEES

* Based on total number of licenses issued for 2002-2004 biennial licensing period.

** Based on total number of active licenses as of June 30, 2002.

LICENSED NONPROFIT ORGANIZATIONS AND COUNTY, CITY, OR VILLAGE LOTTERIES BY COUNTY

as of June 30, 2002

COUNTY	BINGO		PICKLE		Lottery/ Raffle	Co/City Lottery	COUNTY	BINGO		PICKLE		Lottery/ Raffle	Co/City Lottery
	Class I	Class II	Class I	Class II				Class I	Class II				
Adams	4	1	7	8	6	1	Jefferson	2		3	4		1
Antelope	1		1	3	2	1	Johnson	1		1	1		1
Arthur				1		1	Kearney				2		
Banner							Keith	2		2	6	1	1
Blaine							Keya Paha						
Boone	3		3	4	4		Kimball	1		2	1	1	1
Box Butte	4		3	2	1	2	Knox	4			2	1	3
Boyd				1			Lancaster	7	7	12	42	28	7
Brown	1			1	1	1	Lincoln	2		5	6	7	5
Buffalo	4	1	4	9	5	2	Logan			1			
Burt	1		3	2			Loup				1		
Butler	1		1	9	7	2	Madison	6		5	9	5	1
Cass	3		4	9	4	2	McPherson						
Cedar	2			3	2	2	Merrick	2		2	5		
Chase	4		2			2	Morrill			1		2	1
Cherry	1		1	1		1	Nance	1		2	3	2	
Cheyenne	1		1	3	2	3	Nemaha			2	1		1
Clay			1	4	1		Nuckolls	1		3	2		2
Colfax	6		4	2	6	3	Otoe	4		1	7	1	3
Cuming	4		2	4	2	1	Pawnee			1	1		
Custer	1			2			Perkins						2
Dakota		3	2	6	2	2	Phelps	2		2	3	2	1
Dawes			1			2	Pierce	2		1	3		
Dawson	7		5	5	2	1	Platte	2	1	5	6	13	3
Deuel	1		1	1		1	Polk			1	2		
Dixon				1	1		Red Willow	4		4	2	4	1
Dodge	6		7	13	8	3	Richardson	1		3	4	2	
Douglas	5	12	38	51	80	7	Rock	1		1			
Dundy							Saline	1		2	9	4	2
Fillmore	4		2	6		3	Sarpy		2	5	20	8	6
Franklin	1			1		2	Saunders	3		3	10	9	6
Frontier	1			1		1	Scotts Bluff	4	1	5	3	5	5
Furnas				2	2	3	Seward				5	2	
Gage	4		3	5	3	3	Sheridan	1		1	1	3	1
Garden	1		1				Sherman	2		2	4	1	1
Garfield	1		1	1			Sioux						
Gosper						1	Stanton	1		1	1		
Grant			1				Thayer	2		2	3		3
Greeley	2			3	3	3	Thomas						
Hall	5	2	10	8	8	2	Thurston				1		
Hamilton	1			3	1		Valley	3		2	3	1	
Harlan	1			2		1	Washington	1		4	2	3	2
Hayes							Wayne	1		1	3	2	
Hitchcock	2		2	1		3	Webster				4		
Holt	3		1	5	2	2	Wheeler						1
Hooker							York	1		3	3	1	2
Howard	1		1	3	1	1	TOTAL	152	30	204	371	264	128

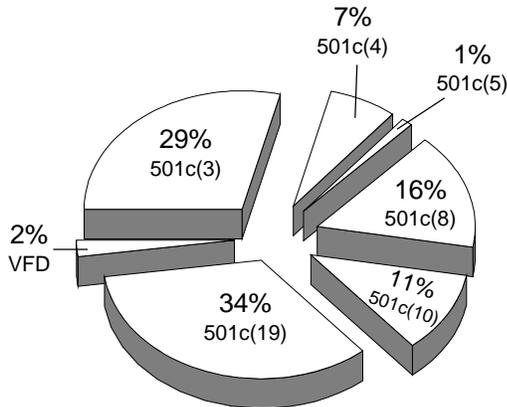
LICENSED SALES AGENTS, GAMING MANAGERS, AND PICKLE CARD OPERATORS, BY COUNTY

as of June 30, 2002

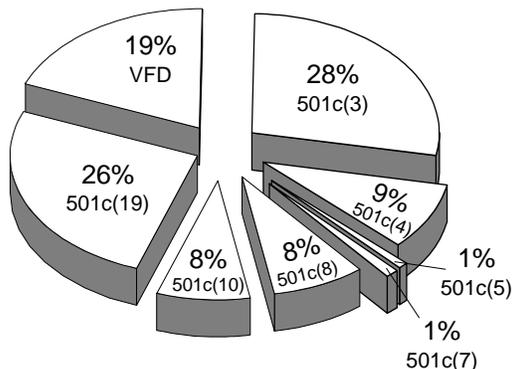
COUNTY	SALES AGENTS	GAMING MANAGERS	PICKLE CARD OPERATORS	COUNTY	SALES AGENTS	GAMING MANAGERS	PICKLE CARD OPERATORS
Adams	26	1	16	Jefferson	7		9
Antelope	4		4	Johnson	1		7
Arthur	1			Kearney	2		5
Banner				Keith	8		13
Blaine				Keya Paha			1
Boone	6		9	Kimball	2		4
Box Butte	2		7	Knox	3		8
Boyd	1		3	Lancaster	76	10	136
Brown	1		2	Lincoln	12		28
Buffalo	13	1	22	Logan			1
Burt	2		5	Loup	1		1
Butler	9		15	Madison	13		29
Cass	12		19	McPherson			
Cedar	3		8	Merrick	5		10
Chase			3	Morrill			2
Cherry	3		11	Nance	3		8
Cheyenne	5		6	Nemaha	1		5
Clay	6		9	Nuckolls	2		3
Colfax	2		9	Otoe	11		20
Cuming	6		15	Pawnee	1		2
Custer	2		5	Perkins			2
Dakota	9	4	15	Phelps	4		4
Dawes			3	Pierce	5		13
Dawson	6		15	Platte	8	1	34
Deuel	1		3	Polk	2		11
Dixon	1		9	Red Willow	4		13
Dodge	20		50	Richardson	5		6
Douglas	90	14	289	Rock			
Dundy			1	Saline	10		20
Fillmore	9		8	Sarpy	29	4	57
Franklin	2		5	Saunders	13		20
Frontier	2		3	Scotts Bluff	5	1	25
Furnas	3		4	Seward	6		19
Gage	8		20	Sheridan	2		3
Garden			1	Sherman	5		3
Garfield	1		4	Sioux			
Gosper			3	Stanton	1		4
Grant				Thayer	4		6
Greeley	3		6	Thomas			1
Hall	17	5	32	Thurston	1		2
Hamilton	3		8	Valley	3		4
Harlan	4		9	Washington	4		8
Hayes				Wayne	5		8
Hitchcock	2		6	Webster	4		8
Holt	6		12	Wheeler			2
Hooker			1	York	5		6
Howard	3		4	TOTAL	567	41	1,250

ORGANIZATIONS PARTICIPATING IN GAMING ACTIVITIES

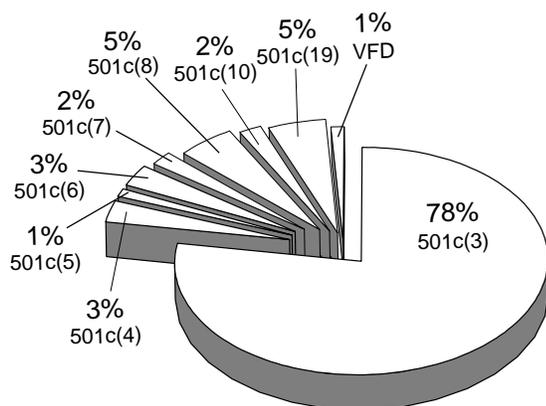
Bingo



Pickle



Lottery/Raffle



The following is a brief explanation of the Internal Revenue Code section 501(c) exemptions.

- 501(c)(3)** Corporations, funds, or foundations organized and operated exclusively for religious, charitable, scientific, or educational purposes, to foster amateur sports competition, or for the prevention of cruelty to children or animals.
- 501(c)(4)** Civic leagues or nonprofit organizations promoting social welfare or local associations of employees.
- 501(c)(5)** Labor, agricultural, or horticultural organizations.
- 501(c)(6)** Business leagues or chambers of commerce.
- 501(c)(7)** Clubs organized for pleasure or recreation.
- 501(c)(8)** Fraternal beneficiary societies, orders, or associations which provide for payment of life, sick, accident, or other benefits to the members or their dependents.
- 501(c)(10)** Domestic fraternal societies, orders, or associations which do not provide for payment of life, sick, accident, or other benefits.
- 501(c)(19)** A post or organization of past or present members of the Armed Forces of the U.S., or an auxiliary unit.

Also eligible: Volunteer Fire Departments (VFD)

Only those organizations holding an exemption under section 501(c)(3), (4), (5), (8), (10), or (19), or a volunteer fire department may apply for a license to conduct bingo or a lottery by the sale of pickle cards. Additionally, a section 501(c)(7) organization is eligible to apply for a pickle card license.

An organization holding any section 501(c) exemption or a volunteer fire department may apply for a license to conduct lotteries or raffles.

THE GAMES

Bingo

For the ninth consecutive year, wagering on bingo in Nebraska declined. Bingo gross receipts for the reporting period were \$16,686,076, bingo's lowest wagering total in 15 years. Bingo gross receipts were down 5.41 percent from the previous reporting period.

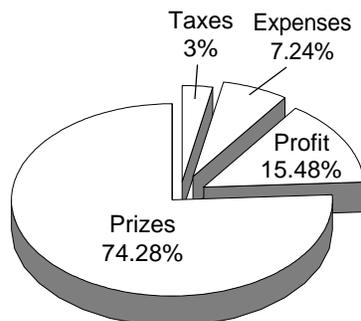
Class I bingo receipts at \$4,576,461 were up this reporting period by .3 percent from the previous reporting period. This contrasts with a decrease in the number of organizations holding a Class I bingo license (152 this period as compared to 161 last year). Class II bingo receipts for the reporting period totaled \$12,109,615, a decrease of 7.4 percent from the previous reporting period. A decrease also occurred in the number of licensees for Class II bingo (30 this period as compared to 33 last year). Although bingo suffered a 12 percent decrease in attendance when compared to last year, the average player spend actually increased from \$21.78 to \$23.42. The increase in player spend was most apparent in the Class II halls using electronic bingo card monitoring devices.

Both Class I and Class II bingo showed an increase in net income this reporting period as compared to last year. In fact, Class I licensees showed an increase in gross receipts, prizes paid, bingo expenses, taxes, and profit this fiscal year. In contrast, Class II licensees had a decrease in gross receipts, prizes paid, bingo expenses, and taxes while reporting an increase in profit this reporting period when compared to last year. Another significant statistic to note in the bingo area during this reporting period is that for the fourth time since the Charitable Gaming Division started publishing annual reports (1990), Class II bingo actually showed a net profit. (Typically bingo acts as a loss leader for an organization's pickle card sales at the bingo occasion.) Class I and Class II both also experienced an increase in net profit percentage of bingo gross receipts. The Class I bingo profit percentage increased from 14.38 percent last year to 15.48 percent this year and Class II bingo profit percentage increased from 1.6 percent to 2.27 percent this year. This is the third annual report without any local bingo tax on these receipts due to a legislative change effective January 1, 1999, which eliminated the local bingo tax of 1 percent of the gross receipts.

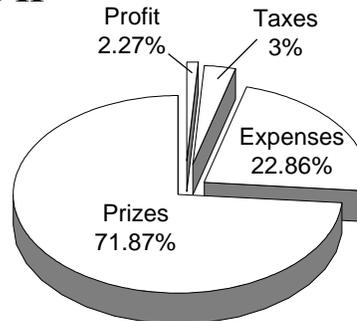
Although the figures on this page do not include attendance, wagering, prizes, or expenses for Special Event Bingo, it is noteworthy to mention its existence. Special Event Bingo is a charitable gaming option that became available in October of 1994 and which allows an organization to forego the requirement of obtaining a regular bingo license if it wants to conduct bingo only once or twice a year at a special function, such as a county fair or school fun night. As organizations have become more familiar with Special Event Bingo, many have dropped their Class I bingo licenses, obtaining a Special Event Bingo permit instead. Special Event Bingo is exempt from the tax, record keeping, and reporting requirement in place for Class I and Class II bingo licensees. It appears that the number of Special Event Bingo permits issued during this reporting period, 91, has stabilized as it was only 1 percent less than the number issued last year.

	CLASS I	CLASS II	TOTAL
Bingo Gross Receipts	\$4,576,461	\$12,109,615	\$16,686,076
Prizes	3,399,373	8,703,179	12,102,552
Expenses	331,535	2,768,577	3,100,112
Taxes	137,293	363,288	500,581
Profit	\$ 708,260	\$ 274,571	\$ 982,831

Class I



Class II



Number of Occasions Conducted	10,452
Attendance Reported	712,548
Average Player Spend Per Occasion	\$23.42*

*Does not include player spend on pickle cards sold at the bingo occasions.

Pickle Cards

As has been the case for the past seven reporting periods, total pickle card sales in Nebraska declined during the reporting period, totaling \$68,302,524. This is a 4.33 percent decrease compared to the previous reporting period, and marked the fourth consecutive year that pickle card sales failed to reach \$100,000,000. Overall, pickle card sales are down 61.49 percent from their peak during the 1994 reporting period when sales hit \$177,359,919. Conjointly, the number of pickle card units sold during the reporting period also declined (down 4.36 percent) with only 33,239 units reported sold as compared to 34,755 for the previous reporting period.

Class I licensees, those selling pickle cards only at their designated premises (club facility) and bingo occasions, reported a decrease in sales of 4.02 percent, falling from \$13,864,233 last year to \$13,306,502 this year. For the same period, Class II licensees, those selling primarily through pickle card operators, had a similar decrease in sales of 4.40 percent, dropping from \$57,527,286 last year to \$54,996,022 this year. The number of organizations licensed to conduct a lottery by the sale of pickle cards also decreased again this reporting period (down from 603 to 575), with decreases in both Class I and Class II licensees.

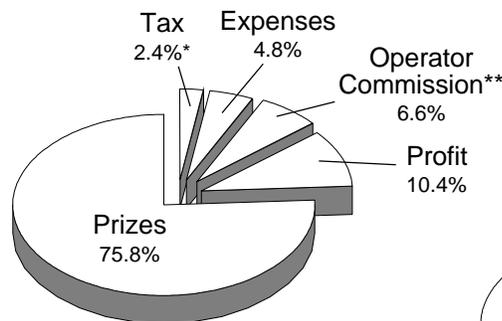
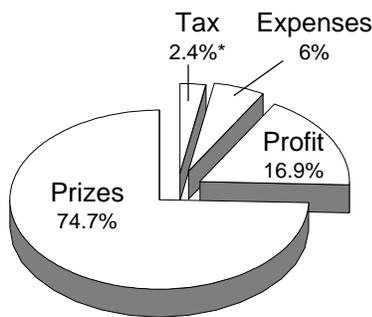
A majority of the pickle cards sold in Nebraska continue to be through pickle card operators (see pie chart on the right below), although there was a slight decrease in that percentage this reporting period (down from 74 percent to 73 percent). For the seventh consecutive year, the number of licensed pickle card operators continued to drop, going from 1,354 last year to 1,250 this year. The number of pickle card dispensing devices registered during the reporting period also declined from last year, dropping by 3.47 percent (1,475 devices registered this period as compared to 1,528 for the same period last year).

No significant changes were seen this reporting period as compared to last with respect to the percentage distribution of pickle card gross proceeds for both Class I and Class II licensees (see pair of pie charts on the left below.)

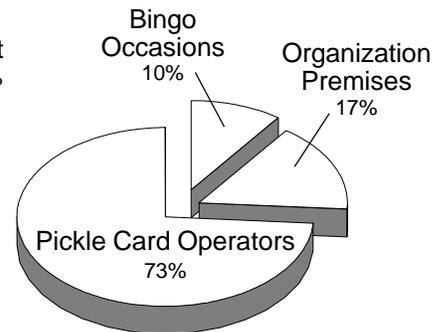
	CLASS I	CLASS II	TOTAL
Pickle Card Gross Proceeds	\$13,306,502	\$54,996,022	\$68,302,524
Prizes	9,944,568	41,701,192	51,645,760
Operator Commissions	N/A	3,610,187	3,610,187
Expenses	792,278	2,650,640	3,442,918
Taxes	324,577	1,341,484	1,666,061
Profit	\$ 2,245,079	\$ 5,692,520	\$ 7,937,598

Class II

Class I



Where Pickle Cards are Sold



Pickle Card Dispensing Devices Registered	1,475
Number of Pickle Card Units Sold	33,239

* The statutory pickle card tax rate is ten percent of definite profit, which translates to approximately 2.4 percent of gross proceeds.

** The statutory maximum allowed for a pickle card operator commission is 30 percent of definite profit, which translates to approximately 7 percent of gross proceeds.

Lotteries and Raffles

Lottery/raffle gross proceeds have reached a new high at \$4,562,701. The lottery/raffle combined gross proceeds represent an increase of more than 7.65 percent when compared to the same period last year. Last year's proceeds had also set a new peak at \$4,238,281 or more than an 11 percent increase over the previous period. In the five prior periods (the years ended between 1995 and 1999), gross proceeds had held fairly steady between the 3 and 3.5 million dollar mark. Separating the two activities, the sale of lottery tickets (primarily cash prize drawing) increased 3.81 percent while the sale of raffle tickets (primarily merchandise prize drawing) jumped 17.76 percent. We caution, however, that due to the relatively small volume of lottery/raffle activity in comparison to the other charitable gaming activities, one or two large lotteries or raffles per reporting period can have a significant impact on the percent of increase or decrease for this program.

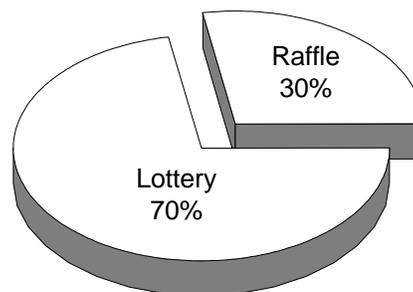
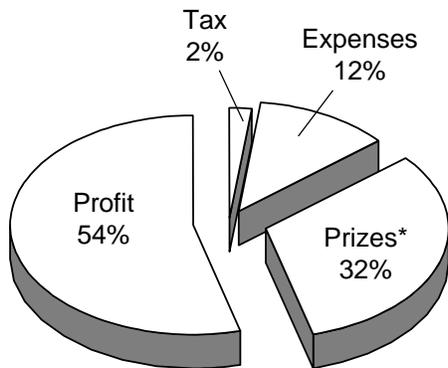
The total number of lottery/raffle licensees increased by more than 8 percent during this reporting period (264 this period compared to 243 last year). Most of the increase in licenses may be attributable to increased compliance with licensing requirements through our enhanced educational efforts of the organizations that are subject to licensing.

This is the fourth year we have illustrated the percentage of dollars spent on lottery versus raffle tickets as reflected in the pie chart on the right below. This pie chart clearly demonstrates, at least with respect to licensed lotteries and raffles, drawings for cash or primarily cash prizes are far more prevalent than drawings for merchandise prizes.

Several shifts in the percentage distributions of the lottery/raffle gross proceeds were seen this reporting period, as illustrated in the pie chart on the left below. Expenses increased from 3 percent last year to 12 percent this year. This substantial increase was primarily due to the increased advertising expenses and to the food and refreshments served at banquets where some drawings occur. Prizes paid decreased from 37 percent last year to 32 percent this year. The net result is that profits showed a decrease from 58 percent last year to 54 percent this year.

It should be noted that the figures on this page represent only lotteries with gross proceeds (ticket sales) exceeding \$1,000 and raffles with gross proceeds exceeding \$5,000. Nonprofit organizations conducting lotteries or raffles with gross proceeds equal to or below these thresholds are not required to file reports with the Department or pay any lottery/raffle tax. A significant number of lotteries and raffles conducted in Nebraska fall within the non-reportable category.

Lottery Gross Proceeds	\$3,187,193
Raffle Gross Proceeds	1,375,508
Total Gross Proceeds	\$4,562,701
Prizes	1,454,265
Expenses	558,998
Total Taxes	91,254
Profit	\$2,458,184



* Actual prizes awarded equaled 47 percent of the total gross proceeds; however, of this 47 percent, 10 percent of the prizes awarded were donated prizes.

County/City Lotteries

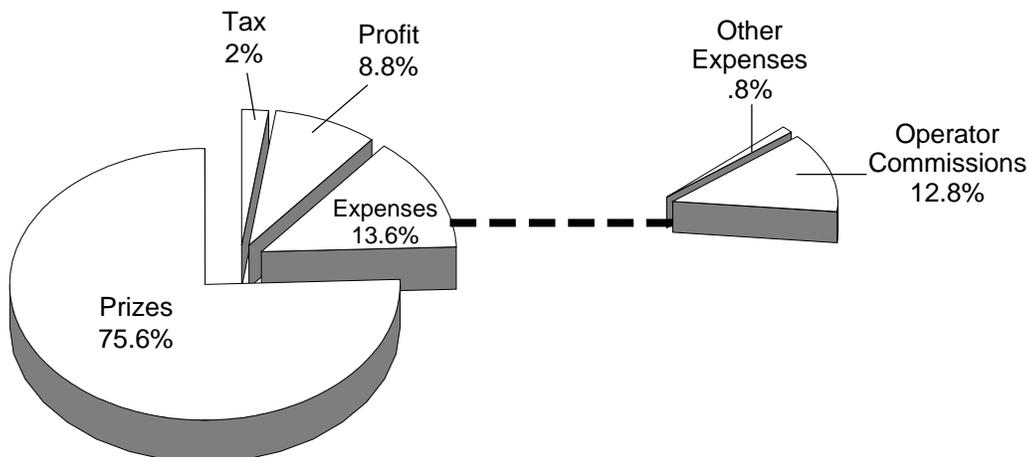
County/city lottery (keno) continued the rebound started three years ago, showing a 6.54 percent increase over the previous reporting period. Gross wagering at \$176,912,978 represented an increase of almost 11 million dollars. As almost half of the communities reported reduced wagering, most of the overall increase is attributable to the communities which experienced a notable increase in wagering from the prior year. The largest increases were reported by, in descending order of the dollar amount of their increase, Omaha, Ralston, Lincoln, Waverly, Papillion, Columbus, LaVista, North Platte, Bennington, and Fremont. A portion of this increase is also due to four new communities that were licensed to start conducting county/city lottery activity during the reporting period (the villages of Kilgore, Lodgepole, Niobrara, and Verdigre). Despite this year's repeated positive news, overall county/city lottery wagering is still down 15.22 percent from its peak wagering of \$208,670,897 during the 1995 reporting period.

There continues to be concern amongst communities and lottery operators in their ability to effectively compete with other forms of gambling authorized in neighboring states. However, perhaps the overall impact of these other forms of gambling on county/city lottery has stabilized as compared to the years immediately following the introduction of these new forms of gambling in other states. We are continually reminded by licensees that the restrictions in the current law (5-minute requirement between games, paper ticket requirement, and the prohibition against player activation of keno equipment) adversely affects their ability to produce additional revenue from keno. While certain equipment enhancements such as the automated ball draw system and game variations have been authorized by the Department, the limitations in the current law prevent communities and lottery operators from taking advantage of technological innovations in keno equipment which are now available.

One community held an election on the establishment of a lottery during the reporting period as compared to ten for the same period last year. The community approved the operation of a lottery within their jurisdiction (see pages 12 and 13 of this report for election status details). The number of communities licensed to conduct a lottery decreased to 128 during the reporting period. There were 136 licensed as of the end of the prior fiscal year, although there were eight communities that were inactive. Of the 128 licensed for the current period, it should be noted that seven communities were not operating their lotteries at the close of this reporting period (see pages 12 and 13 for licensed but inactive lotteries).

Again, there was little change seen this reporting period as compared to last with respect to the distribution of county/city lottery gross proceeds (see pie chart below). The primary percentages remained the same although operator commissions increased from 12.7 to 12.8 percent while other expenses showed a corresponding decrease from .9 to .8 percent.

County/City Lottery Gross Proceeds	\$176,912,978
Prizes	133,780,525
Lottery Operator Commissions	\$22,630,469
Other Expenses	\$ 1,490,055
Total Expenses	24,120,524
Taxes	3,538,259
Profit	\$ 15,473,670



COUNTY/CITY LOTTERY ELECTION AND LICENSING STATUS

as of June 30, 2002

Holding Election	Result of Election	License Issued	Status	Holding Election	Result of Election	License Issued	Status
Ainsworth	Defeated			Genoa	Affirmative		(b)
Albion	Defeated			Gering	Affirmative	Yes	Active
Alda	Affirmative		(b)	Goehner	Affirmative		(b)
Alliance	Affirmative	Yes	Active	Gosper County	Affirmative	Yes	Active
Anselmo	Affirmative		Inactive (c)	Grafton	Affirmative	Yes	Active
Arlington	Defeated			Grant	Affirmative	Yes	Active
Arthur County	Affirmative	Yes	Inactive (c)	Greeley	Affirmative	Yes	Active
Ashland	Affirmative	Yes	Active	Greenwood	Affirmative		(c)
Auburn	Affirmative	Yes	Active	Gretna	Affirmative	Yes	Active
Aurora	Defeated			Gurley	Affirmative		(b)
Avoca	Affirmative		Inactive (c)	Hadar	Defeated		
Banner County	Affirmative		(b)	Haigler	Affirmative		(b)
Barneston	Affirmative	Yes	Active	Hall County	Affirmative	Yes	Active
Battle Creek	Affirmative	Yes	Active	Hardy	Affirmative	Yes	Active
Bayard	Affirmative	Yes	Active	Harlan County	Affirmative	Yes	Active
Beatrice	Affirmative	Yes	Active (a)	Hartington	Affirmative		Inactive (c)
Beaver City	Affirmative		(b)	Hastings	Affirmative	Yes	Active
Beaver Crossing	Affirmative		Inactive (a)	Hay Springs	Affirmative	Yes	Active
Bee	Affirmative		(b)	Hebron	Affirmative	Yes	Inactive (c)
Beemer	Affirmative	Yes	Active	Hemingford	Affirmative	Yes	Active
Belgrade	Affirmative		Inactive (c)	Hershey	Affirmative	Yes	Active
Bellevue	Affirmative	Yes	Active (a)	Hickman	Defeated		
Belvidere	Affirmative	Yes	Active (a)	Hitchcock County	Affirmative	Yes	Active
Benedict	Affirmative	Yes	Active	Holbrook	Affirmative	Yes	Active (a)
Benkelman	Affirmative		Inactive (c)	Holdrege	Affirmative	Yes	Active
Bennington	Affirmative	Yes	Active	Holstein	Affirmative		(c)
Bertrand	Affirmative		(c)	Hooper	Affirmative		(b)
Blair	Affirmative	Yes	Active	Howells	Affirmative	Yes	Active
Bloomfield	Affirmative	Yes	Active	Hubbell	Affirmative	Yes	Active
Bloomington	Affirmative	Yes	Active	Humboldt	Affirmative		(b)
Blue Hill	Affirmative		(b)	Humphrey	Affirmative		(b)
Blue Springs	Affirmative	Yes	Active	Imperial	Affirmative		(b)
Brady	Affirmative	Yes	Active	Indianola	Affirmative	Yes	Active
Brewster	Affirmative		(b)	Inglewood	Affirmative	(Part of Fremont)	Active
Bridgeport	Affirmative		Inactive (c)	Kearney	Affirmative	Yes	Active
Brown County	Defeated			Keith County	Affirmative	Yes	Active
Brownville	Affirmative		Inactive (c)	Kenasaw	Defeated		
Buffalo County	Defeated			Kennard	Affirmative		(a)
Burr	Affirmative		(b)	Kilgore	Affirmative	Yes	Active
Cambridge	Affirmative	Yes	Inactive (c)	Kimball	Affirmative	Yes	Active
Cedar Creek	Affirmative		Inactive (a)	Lancaster County	Affirmative	(Part of Lincoln)	Active
Central City	Defeated			LaVista	Affirmative	Yes	Active (a)
Chadron	Affirmative	Yes	Active	Lewellen	Affirmative		(b)
Chappell	Affirmative		(b)	Lincoln	Affirmative	Yes	Active
Chase County	Affirmative	Yes	Active	Lincoln County	Affirmative	(Part of North Platte)	Active
Cheyenne County	Affirmative	Yes	Active	Lindsay	Affirmative	Yes	Active (a)
Clarkson	Affirmative	Yes	Active	Lodgepole	Affirmative	Yes	Active
Columbus	Affirmative	Yes	Active	Long Pine	Affirmative	Yes	Active
Cortland	Affirmative		(b)	Lorton	Affirmative	Yes	Active
Cozad	Defeated			Louisville	Affirmative		(b)
Craig	Affirmative		(b)	Loup City	Affirmative	Yes	Active (a)
Crawford	Affirmative	Yes	Active	Lyman	Affirmative	Yes	Active
Creston	Affirmative		Inactive (a)	Madison	Defeated		
Crete	Affirmative	Yes	Active (a)	Madrid	Affirmative	Yes	Active
Dakota City	Affirmative (part of S. Sioux City)		Active (a)	Mason City	Affirmative		(c)
David City	Affirmative	Yes	Active (a)	Maywood	Affirmative		Inactive (c)
Dawson County	Affirmative	Yes	Active	McCook	Affirmative		Inactive (c)
Denton	Affirmative	Yes	Active (a)	McGrew	Affirmative	Yes	Active
Deuel County	Affirmative	Yes	Active	Melbeta	Affirmative		(b)
Dodge	Affirmative		(c)	Memphis	Affirmative	Yes	Inactive (c)
Dodge County	Affirmative		(b)	Merriman	Defeated		
Doniphan	Affirmative	Yes	Active	Milligan	Affirmative	Yes	Active
Douglas County	Affirmative (Part of Omaha)		Active (a)	Minatare	Affirmative	Yes	Inactive (c)
Duncan	Affirmative	Yes	Inactive (a)	Minden	Defeated		
Dwight	Affirmative	Yes	Inactive (a)	Monroe	Affirmative		(b)
Eagle	Affirmative	Yes	Active	Morrill	Affirmative		(c)
Elkhorn	Affirmative	Yes	Active (a)	Morse Bluff	Affirmative	Yes	Active (a)
Elm Creek	Affirmative	Yes	Active	Mullen	Affirmative		(a)
Elwood	Affirmative		(b)	Naponee	Defeated		
Ericson	Affirmative	Yes	Active	Nebraska City	Defeated		
Eustis	Affirmative	Yes	Active	Nehawka	Affirmative		Inactive (c)
Exeter	Affirmative		Inactive (c)	Neligh	Affirmative	Yes	Active
Fairbury	Affirmative	Yes	Active	Niobrara	Affirmative	Yes	Active
Fairfield	Affirmative		Inactive (a)	Norfolk	Defeated		
Fairmont	Affirmative		(b)	North Bend	Affirmative	Yes	Active
Falls City	Defeated			North Platte	Affirmative	Yes	Active
Fillmore County	Affirmative	Yes	Active	Odell	Affirmative		(b)
Fort Calhoun	Affirmative	Yes	Active (a)	Omaha	Affirmative	Yes	Active (a)
Franklin	Affirmative	Yes	Active	O'Neill	Affirmative	Yes	Inactive (c)
Fremont	Affirmative	Yes	Active	Ong	Affirmative		Inactive (c)
Fullerton	Affirmative		Inactive (a)	Ord	Defeated		
Gage County	Affirmative		(b)	Osceola	Affirmative		(c)
Geneva	Defeated			Oshkosh	Affirmative		(c)

Holding Election	Result of Election	License Issued	Status	Holding Election	Result of Election	License Issued	Status
Osmond	Defeated			South Sioux City	Affirmative	Yes	Active (a)
Otoe	Affirmative		Inactive (c)	Spalding	Affirmative	Yes	Active
Overton	Affirmative		Inactive (c)	Sprague	Affirmative	Yes	Active
Oxford	Affirmative	Yes	Active (a)	Springfield	Affirmative	Yes	Active
Palisade	Affirmative	Yes	Active	Stanton	Affirmative		(b)
Palmer	Defeated			Sterling	Affirmative		Inactive (c)
Palmyra	Affirmative	Yes	Active	Stuart	Affirmative	Yes	Active
Papillion	Affirmative	Yes	Active (a)	Superior	Affirmative	Yes	Active
Pawnee City	Affirmative		Inactive (a)	Sutherland	Affirmative	Yes	Active
Peru	Affirmative		(b)	Sutton	Defeated		
Platte Center	Affirmative		Inactive (a)	Syracuse	Affirmative	Yes	Active
Plattsmouth	Affirmative	Yes	Active (a)	Talmage	Affirmative		(b)
Pleasant Dale	Affirmative		Inactive (c)	Tecumseh	Affirmative	Yes	Active
Polk	Defeated			Terrytown	Affirmative	Yes	Active
Potter	Affirmative	Yes	Active	Trenton	Affirmative	Yes	Active
Prague	Affirmative	Yes	Active	Unadilla	Affirmative		Inactive (c)
Ralston	Affirmative	Yes	Active (a)	Utica	Defeated		
Randolph	Affirmative	Yes	Active	Valentine	Defeated		
Ravenna	Affirmative		Inactive (a)	Valley	Affirmative	Yes	Active
Raymond	Affirmative	Yes	Active	Valley County	Affirmative		(a)
Riverton	Affirmative		(c)	Valparaiso	Affirmative	Yes	Active
Roca	Affirmative	Yes	Active	Verdigré	Affirmative	Yes	Active
Rulo	Affirmative		Inactive (a)	Verdon	Affirmative		(b)
Rushville	Affirmative		Inactive (a)	Waco	Affirmative	Yes	Active
St. Edward	Affirmative		(a)	Wahoo	Affirmative	Yes	Active
St. Paul	Affirmative	Yes	Active	Wallace	Affirmative		(b)
Sargent	Affirmative		(b)	Walthill	Affirmative		Inactive (a)
Sarpy County	Affirmative	Yes	Active	Washington County	Affirmative		(b)
Schuyler	Affirmative	Yes	Active (a)	Waterloo	Affirmative	Yes	Active
Scotts Bluff County	Affirmative	Yes	Active (a)	Wauneta	Affirmative	Yes	Active
Scribner	Affirmative		Inactive (a)	Waverly	Affirmative	Yes	Active
Seward	Defeated			Wayne	Affirmative		(a)
Seward County	Defeated			West Point	Defeated		
Shelby	Affirmative		(b)	Wilber	Affirmative	Yes	Active
Shelton	Affirmative		Inactive (c)	Wisner	Defeated		
Sidney	Defeated			Wolbach	Affirmative	Yes	Active
Silver Creek	Affirmative		Inactive (a)	Wymore	Defeated		
Smithfield	Affirmative		(b)	Wynot	Affirmative	Yes	Active
Snyder	Affirmative		(a)	Yutan	Affirmative		Inactive (c)
South Bend	Affirmative		(b)				

(a) Election valid anytime

(b) Election expired

(c) Election subject to expiration

LOTTERIES LICENSED BY COUNTY

as of June 30, 2002

Adams	Dakota	Gage Co. (cont.)	Lancaster Co. (cont.)	Sarpy
City of Hastings	City of Dakota City	City of Blue Springs	Village of Raymond	City of Bellevue
Antelope	City of South Sioux City	Gosper	Village of Roca	City of Gretna
City of Neligh	Dawes	Gosper County	Village of Sprague	City of LaVista
Arthur	City of Chadron	Greeley	City of Waverly	City of Papillion
Arthur County*	City of Crawford	Village of Greeley	Lincoln	Sarpy County
Box Butte	Dawson	Village of Spalding	Village of Brady	City of Springfield
City of Alliance	Dawson County	Village of Wolbach	Village of Hershey	Saunders
Village of Hemingford	Deuel	Hall	Lincoln County	City of Ashland
Brown	Deuel County	Village of Doniphan	City of North Platte	Village of Memphis*
City of Long Pine	Dodge	Hall County	Village of Sutherland	Village of Morse Bluff
Buffalo	City of Fremont	Harlan	Madison	Village of Prague
Village of Elm Creek	Village of Inglewood	Harlan County	City of Battle Creek	Village of Valparaiso
City of Kearney	City of North Bend	Hitchcock	Morrill	City of Wahoo
Butler	Douglas	Hitchcock County	City of Bayard	Scotts Bluff
City of David City	City of Bennington	Village of Palisade	Nemaha	City of Gering
Village of Dwight*	Douglas County	Village of Trenton	City of Auburn	Village of Lyman
Cass	City of Elkhorn	Holt	Nuckolls	Village of McGrew
Village of Eagle	City of Omaha	City of O'Neill*	Village of Hardy	Scotts Bluff County
City of Plattsmouth	City of Ralston	Village of Stuart	City of Superior	Village of Terrytown
Cedar	City of Valley	Howard	Otoe	Sheridan
City of Randolph	Village of Waterloo	City of St. Paul	Village of Lorton	City of Hay Springs
Village of Wynot	Fillmore	Jefferson	Village of Palmyra	Sherman
Chase	Fillmore County	City of Fairbury	City of Syracuse	City of Loup City
Chase County	Village of Grafton	Johnson	Perkins	Thayer
Village of Wauneta	Village of Milligan	City of Tecumseh	City of Grant	City of Belvidere
Cherry	Franklin	Keith	Village of Madrid	City of Hebron*
Village of Kilgore	Village of Bloomington	Keith County	Phelps	Village of Hubbell
Cheyenne	City of Franklin	Kimball	City of Holdrege	Washington
Cheyenne County	Frontier	City of Kimball	Platte	City of Blair
Village of Lodgepole	Village of Eustis	Knox	City of Columbus	City of Fort Calhoun
Village of Potter	Furnas	City of Bloomfield	Village of Duncan*	Wheeler
Colfax	City of Cambridge*	Village of Niobrara	Village of Lindsay	Village of Ericson
City of Clarkson	Village of Holbrook	Village of Verdigré	Red Willow	York
Village of Howells	Village of Oxford	Lancaster	City of Indianola	Village of Benedict
City of Schuyler	Gage	Village of Denton	Saline	Village of Waco
Cuming	Village of Barneston	Lancaster County	City of Crete	
Village of Beemer	City of Beatrice	City of Lincoln	City of Wilber	

* Licensed but inactive

ADMINISTRATION, AUDIT, AND ENFORCEMENT

During the 2001-2002 reporting period, the Charitable Gaming Division initiated and/or resolved separate administrative actions involving gaming licenses. Below is a summary of the Division's Administrative Actions:

Administrative Orders Issued:

Administrative Fine 1

Administrative Actions Initiated and Pending:

Administrative Fine 6
 License Denial 4
 License Revocation 2
 License Suspension 1

Administrative Actions Initiated and Resolved without an Order:

License Denial, Suspension, Cancellation, Revocation
 Rescinded* 12
 Resolved by Operation of Law** 20
 Resolved by Stipulation, Suspension, and/or Fine 4
 Dismissed 9
 Waiver of Hearing and Voluntary Surrender of License 1

Administrative Fine

Waiver of Hearing and Payment of Fine** 14
 Waiver of Hearing and Voluntary Surrender of License 1
 Dismissed 3

*License denials were rescinded for a number of reasons, including the applicant withdrew the application and the payment of delinquent taxes in instances where the license denial was based on nonpayment of taxes.

**Resolution by operation of law occurs when a license application denial becomes final because a license applicant does not respond to a Notice of Intent to deny within the 30-day time period allowed to request an administrative hearing.

***Total amount collected: \$3,500. Monies collected from the fines assessed are deposited by the State Treasurer into the Permanent School Fund for the support and maintenance of schools in Nebraska.

Temporary licenses and authorizations were granted by the State Tax Commissioner to applicants where the Department sought to deny a license application in order to protect the rights of the parties during the pendency of any administrative or court proceedings. As of the close of the annual reporting period, the following temporary licenses and authorizations were granted:

Utilization of Funds Member 5
 Class I Lottery by the Sale of Pickle Cards 2
 Pickle Card Operator 1
 Pickle Card Authorizations 1
 Manufacturer-Distributor 1

The Licensing Section of the Charitable Gaming Division is responsible for the licensing of individuals, businesses, nonprofit organizations, counties, cities, and villages which conduct charitable gaming activities in Nebraska.

The county/city lottery license renewals were completed in May of 2002 using their new expiration date of May 31 of even-numbered years. The Licensing Section is currently preparing for the first county/city lottery worker license renewal. Due to the enactment of LB545, these licenses will expire on May 31, 2003, and must be renewed biennially.

In September of 2002, the Licensing Section completed the second and final phase of biennial licensing. Licenses issued to nonprofit organizations which are tax-exempt under section 501(c)(3) or (c)(4) expire on September 30 of odd-numbered years while licenses issued to nonprofit organizations having tax exempt status other than 501(c)(3) or (c)(4) expire on September 30 of even-numbered years.

The Policy Section is responsible for the implementation of legislation enacted by the Nebraska Legislature relative to charitable gaming activities, identification of needed legislative changes in the charitable gaming areas which it regulates, recommendation and drafting of proposed legislation relative to charitable gaming, promulgation of administrative regulations and revenue rulings to clarify and supplement statutory provisions, development and publication of information guides and a periodic newsletter for gaming licensees, and for the rendering of day-to-day opinions and interpretations of charitable gaming laws.

During this past legislative session, the Nebraska Legislature enacted LB545, LB1126, and LB1310 and approved LR433. We reported last year that LB545 and LB546, both introduced by the General Affairs Committee on behalf of the Department of Revenue, were advanced to General File in 2001 and were carried over to the 2002 session. During the 2002 session, the provisions of LB546 were amended into LB545 before LB545 was passed. LB545 made numerous technical changes to various sections of bingo, lottery by pickle cards, and lottery/raffle activities conducted by nonprofit organizations as well as county/city lotteries conducted by counties, cities, or villages. LB545 also made several changes to the licensing of lottery workers, including the establishment of an expiration date for lottery worker licenses on May 31 of odd-numbered years. Perhaps the most significant change made by LB545 is the ability for the Department to prorate charitable gaming licensing fees. With the implementation of biennial licensing starting in 2001, the ability to prorate license fees on an annual basis is more equitable to those new license applicants who do not apply for a license until the second year of the biennium. LB1126 authorized the Department to deny a license application or suspend, cancel, or revoke a gaming license when such applicant or licensee has been cited and sanctioned by the Nebraska Liquor Control Commission for illegal gambling activities. LB1310, an appropriation bill impacting numerous funds, modified the transfer of any balance remaining in the Charitable Gaming Operations Fund (40% of the taxes collected) not used for the administration and enforcement duties of the Division. On or before November 1 of each year \$50,000 is to be transferred to the Compulsive Gamblers Assistance Fund unless the Charitable Operations Fund contains less than \$50,000. Any additional balance remaining after the annual transfer of \$50,000 to the Compulsive Gamblers Assistance Fund is to be transferred to the General Fund at the direction of the Legislature. Finally, LR433 was passed this year to require an interim study of the lottery/raffle area. A legislative hearing was held on November 8, 2002.

The revised bingo regulations which were being reviewed by the Attorney General at the time of publication of last year's report became effective on March 10, 2002. A public hearing was held on July 17, 2002, for amended and new bingo, pickle card, lottery and raffle, small lottery and raffle, and county/city lottery regulations. These regulations incorporated law changes that have occurred in bingo, pickle card, lottery/raffle, and county/city lottery over the past several years. In addition, the licensing regulations for bingo, pickle card, and lottery/raffle needed to provide for the biennial licensing provisions enacted by LB1086 in 2000. The licensing requirements for sales outlet locations and lottery workers were added to the county/city lottery regulations. And a new regulation in each gaming area was needed to implement the proration of license fees as required by LB545 in 2002. These regulations took effect on November 12, 2002.

The Policy Section continues to work on revisions to county/city lottery, pickle card, lottery/raffle, and small lottery/raffle regulations to reflect statutory changes and address other regulatory issues. A public hearing is expected to be held in 2003.

Although overall wagering in charitable gaming activities increased slightly this year, there continue to be proposals made by interested parties to enhance the existing games. In the 2001 report we indicated a pending proposal to offer a \$2 million progressive keno jackpot involving a 5-ball draw as opposed to the usual 20-ball draw. The licensee who originally proposed this concept has indicated its desire to delay further consideration of the proposal until late 2003. We also have reviewed proposals relating to the sale of pickle cards and the use of bar code technology to display on a dispensing device whether a pickle card is a winner or loser. All proposals of this type which we have reviewed to date would require legislative changes before such technology could be authorized by the Department.

Upgrades and reorganization of the Charitable Gaming Division's portion of the Department of Revenue's Web site continue so that it is more user friendly. All gaming laws, regulations, revenue rulings, information guides, and most forms, including some that may be completed on your personal computer, are now grouped by gaming activity. The counties, cities, villages, and lottery operators are using the online database of licensed county/city lottery workers and the list of individuals who have recently filed a county/city lottery worker application although such application has not completed processing. We continue to explore options for using E-commerce, such as a potential method for submitting certain license renewal applications.

The Audit Section of the Charitable Gaming Division is responsible for the financial enforcement and compliance review of licensed organizations conducting bingo, pickle card, and lottery/raffle activities and of licensed counties, cities, and villages conducting county/city lottery (keno). The section is also responsible for the review of certain financial aspects of the computerized keno systems that are approved by the department for use in county and city lottery operations.

In addition to routine and requested field audits, the Audit Section conducted monthly reviews of the pickle card tax returns submitted by licensed distributors; monthly review of the pickle card activity of organizations with significant cash shortages; reviews of bingo paper usage reflected on quarterly reports filed by Class II bingo licensees; quarterly reviews of the tax returns submitted by organizations conducting bingo and lottery/raffle and by counties, cities, and villages conducting keno; annual reviews of the gaming activity reports for counties, cities, and villages conducting keno and all nonprofit organizations which were involved in charitable gaming activity. The activity breakdown is as follows:

- 620 Pickle card annual reports reviewed
- 201 Bingo annual reports reviewed
- 275 Lottery/raffle annual reports reviewed
- 98 County/city lottery annual reports reviewed
- 129 Annual report nonfilers identified and referred to Inspection Section and/or Investigative Services
- 19 Annual report shortages or audited losses identified and referred to Inspection Section and/or Investigative Services
- 27 Other annual report violations identified and referred to Inspection Section and/or Investigative Services
- 13 Other annual report violations identified and referred to Policy Section and/or Legal Services
- 2 Field audits of bingo operations
- 19 Field audits of pickle card operations
- 8 Field audits of keno operations (county/city lottery)
- 227 Letters written to licensees in an attempt to explain problems with the annual reports and how a nonprofit can use the annual reports to audit themselves
- 16 Tracking of monthly reconciliation of pickle card funds for organizations reporting a shortage of funds
- 6 Organizations remitting additional tax of \$3,603.00 as a result of the annual report review or bingo audit
- 4 Organizations placed on legal stipulation (probation) as result of audits

In addition, memoranda, with audit findings and work papers, were prepared where there were violations of gaming laws and provided to Legal and Investigative Services for further action.

The Audit Section prepared for and testified for the Department of Revenue in one (1) formal hearing regarding gaming violations. A pickle card presentation, including handouts and transparencies, was completed for the state conference held for representatives of all Veterans of Foreign Wars within Nebraska.

Considerable time and effort has been devoted to cross training within the section and with other Charitable Gaming staff in the keno audit and inspection areas. The Audit Section also worked with the Policy Section by proposing and reviewing regulation revisions.

The Inspection Section consists of six inspectors supervised by the Charitable Gaming Division Audit Manager. The inspectors work out of regional offices located in Scottsbluff, Grand Island, Norfolk, and Omaha, as well as the main office in Lincoln. While the inspectors continue to review the conduct of bingo and the sales of pickle cards by licensees, they have extended their review to the financial reporting and record keeping of licensed organizations and their use of charitable gaming funds for lawful purposes. Inspectors are also reviewing the conduct of county/city lottery (keno) activities including the licensing of keno writers, the sponsoring community's controls, and the use of the funds designated for community betterment purposes. During the 2002 reporting period, the staff assigned to inspections conducted the following charitable gaming activities:

- 112 Bingo game inspections
- 450 Organization inspections (pickle card and lottery/raffle)
- 2,002 Pickle card operator inspections
- 238 Keno compliance visitations
- 11 Formal presentations to gaming licensees or potential licensees
- 37 Illegal device follow-ups
- 1,802 MAD inspections

Investigative Services is responsible for investigative and enforcement functions involving charitable gaming activities, as well as numerous other responsibilities within the Department. Investigative Services staff members are located at various locations throughout the State, having responsibility for general investigations and license applicant background investigations.

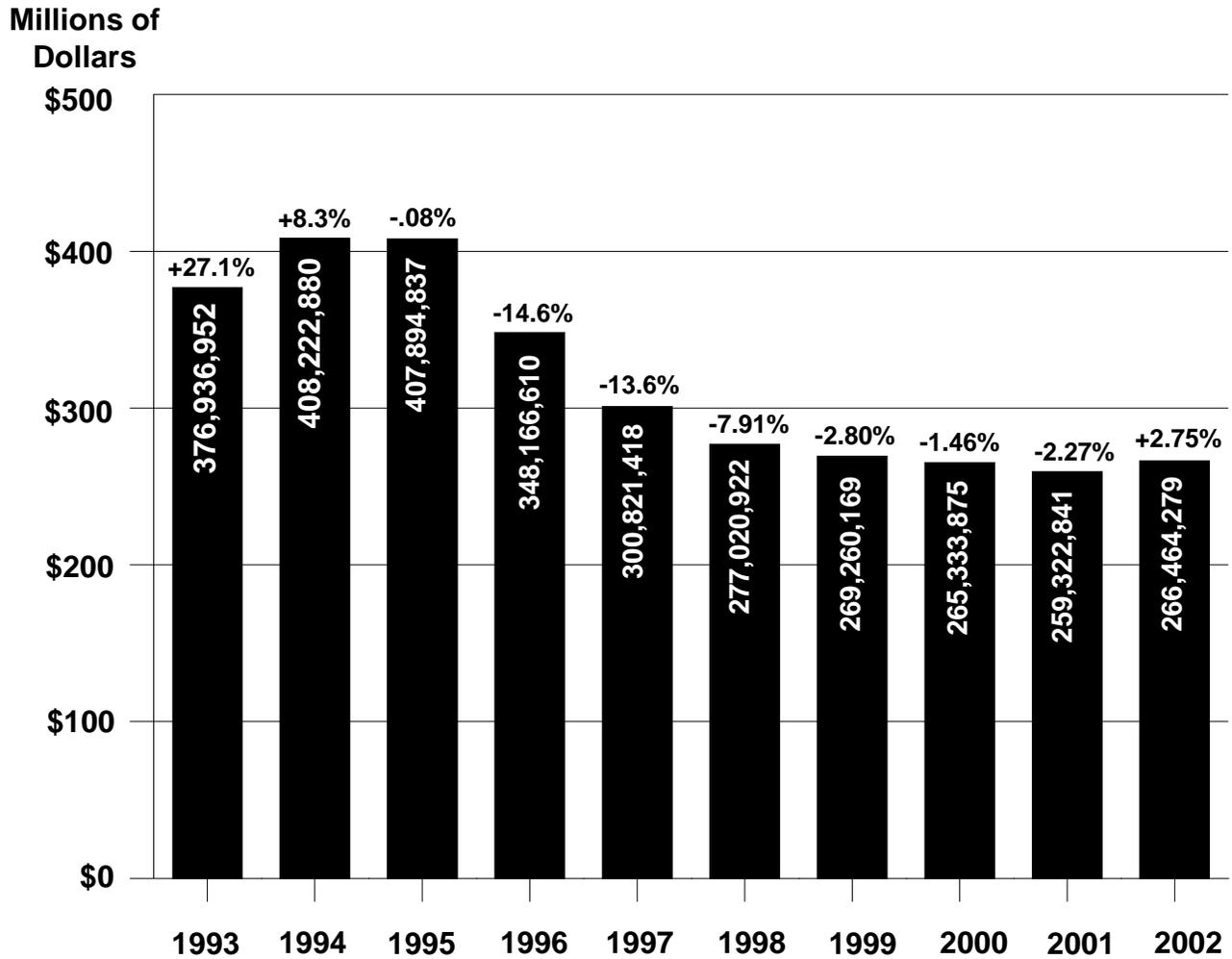
Investigative Services continues to work closely with the Charitable Gaming Division on gaming related matters in an effort to keep gaming activities as well enforced as possible, and yet flexible enough to accommodate the public. During recent years, wagering on charitable gaming activities has shown a decline which, like in the past, has had a similar effect on the gaming activities of Investigative Services, resulting in a 20% decrease in general investigations during this reporting period, compared to an 11% decrease the previous reporting period. The investigations conducted by the service area are both civil and criminal in nature and, following completion, a large number of those investigations are forwarded to local prosecuting attorneys for potential criminal prosecution. Investigative Services continues to enjoy an excellent working relationship with various law enforcement agencies and prosecuting attorneys throughout the State.

During the reporting period, Investigative Services conducted the following charitable gaming-related investigative and enforcement-related activities:

- 5 County/city lottery background investigations
- 182 Investigations resulting from alleged violations and/or complaints (all gaming activities combined)

APPENDIX

Ten-Year Comparison of Total Gross Dollars Wagered by Fiscal Year



NOTE: Percentages reflect increase/decrease in gross dollars wagered compared to immediately preceding fiscal year.

Ten-Year Comparison of Gross Dollars Wagered by Activity by Fiscal Year

Bingo

2002	\$16,686,076
2001	\$17,641,173
2000	\$18,965,647
1999	\$19,229,963
1998	\$19,355,648
1997	\$20,166,019
1996	\$21,327,226
1995	\$23,218,067
1994	\$24,540,035
1993	\$25,803,263

Pickle Card

2002	\$68,302,524
2001	\$71,391,519
2000	\$82,866,886
1999	\$90,502,926
1998	\$100,289,010
1997	\$116,790,134
1996	\$144,343,073
1995	\$172,747,356
1994	\$177,359,919
1993	\$176,401,514

Lottery/Raffle*

2002	\$4,562,701
2001	\$4,238,281
2000	\$3,811,149
1999	\$3,458,815
1998	\$3,541,481
1997	\$3,343,691
1996	\$3,066,071
1995	\$3,258,517
1994	\$2,603,287
1993	\$2,910,865

County/City Lottery

2002	\$176,912,978
2001	\$166,051,868
2000	\$159,690,193
1999	\$156,068,465
1998	\$153,834,783
1997	\$160,521,574
1996	\$179,430,240
1995	\$208,670,897
1994	\$203,719,639
1993	\$171,821,310

* Includes only lotteries exceeding \$1,000 in gross proceeds and raffles exceeding \$5,000 in gross proceeds.

Ten-Year Comparison of Licensees by Fiscal Year

Bingo

2002	182
2001	194
2000	204
1999	216
1998	228
1997	238
1996	255
1995	264
1994	300
1993	319

Pickle Card

2002	575
2001	603
2000	623
1999	653
1998	671
1997	691
1996	694
1995	683
1994	655
1993	627

Lottery/Raffle

2002	264
2001	243
2000	199
1999	186
1998	186
1997	178
1996	177
1995	177
1994	169
1993	156

County/City Lottery

2002	128
2001	136
2000	126
1999	137
1998	132
1997	136
1996	131
1995	132
1994	118
1993	117

Ten-Year Comparison of Licensees by Fiscal Year

Pickle Card Sales Agents

2002	567
2001	618
2000	645
1999	678
1998	691
1997	718
1996	750
1995	701
1994	643
1993	554

Pickle Card Operators

2002	1,250
2001	1,354
2000	1,410
1999	1,495
1998	1,551
1997	1,620
1996	1,715
1995	1,753
1994	1,635
1993	1,465

Utilization of Funds Members

2002	1,146
2001	1,190
2000	1,164
1999	1,210
1998	1,242
1997	1,282
1996	1,318
1995	1,342
1994	1,467
1993	1,362