

INSTRUCTIONS

2006

MUNICIPALITY AND QUALIFIED ORGANIZATION

ANNUAL FINANCIAL STATEMENT

**MUNICIPALITY AND QUALIFIED ORGANIZATION
INSTRUCTIONS FOR 2006
ANNUAL FINANCIAL STATEMENT
FORM NO. 04-833**

GENERAL INSTRUCTIONS

WHO MUST FILE

All municipalities or qualified organizations issued a gaming permit must complete this report at the end of each calendar year.

DUE DATE OF REPORT

The report must be filed by March 15 of the year following the year in which activities were conducted.

WHO MUST SIGN

The report must be signed, under penalty of unsworn falsification, by the member in charge and the organization's president or treasurer; two separate individuals must sign. If your organization pays someone to prepare the report, the paid preparer must also sign and date the report and provide the name and address of their firm.

PAYMENT OF FEES

A check made payable to the State of Alaska for any additional fees must be mailed with the report.

WHERE TO SEND THE REPORT

Mail the report to Tax Division, Gaming Group, PO Box 110420, Juneau, Alaska 99811-0420, or deliver to the 11th Floor, State Office Building, in Juneau.

Reminder of Accounting Change

You must now use accrual accounting to report self-directed bingo and pull-tab activity. You may wish to consult an accounting professional to prepare your books before starting this report. An operator or MBP report for bingo or pull-tab activity conducted on your behalf will already be on the accrual method. **See 15 AAC 160.830.**

**GENERAL ORDER FOR COMPLETION OF SCHEDULES
FOR
ANNUAL FINANCIAL STATEMENT**

Do not fill in the forms for the Annual Financial

Statement until you have read all the instructions. Give special attention to the schedule of Game-Related Expenses (Sch. C). Your organization may not be able to deduct all expenses paid. The instructions on page 6 (Sch. C) will explain how to determine whether or not you can deduct all the expenses you paid to compute the additional 1% fee if expenses are limited. Net proceeds available for use will be lower than net proceeds calculated for computation of the fee if expenses are limited.

The following steps outline the general order for completion of the schedules required for preparation of the Annual Financial Statement.

Detailed instructions can be found in this pamphlet for preparation of each schedule. If you have questions about the forms, please refer to the instructions for each form.

Step No. 1. Complete Pull-Tab Quarterly/ Annual Report Attachment (Sch. D) to report completed pull-tab games not previously included on your organization's quarterly reports.

Step No. 2. Complete the Vendor Activity Report (Sch. AV) if you contracted with a vendor during any part of the year.

Step No. 3. Complete the schedule of Cost of Pull-Tab Games and Bingo Cards (Sch. C-1). This form is required whenever your organization conducts bingo or pull-tab activities [without an operator or Multiple Beneficiary Permit (MBP)] and should be completed before the schedule of Game-Related Expenses for Permittee-Conducted Gaming (Sch. C) is completed. Your organization will need professional assistance with the Annual Financial Statement if your member in charge does not understand inventory issues.

Step No. 4. Complete the Permittee Activity Report (Sch. AP), lines 1 through 4. Detailed instructions for this form are included later in this pamphlet. If your organization needs assistance in summarizing the gaming bank account deposits and checks issued during the year, please refer to the instructions for the Quarterly Report. **Do not** complete lines 5 and 6 now.

Step No. 5. Complete the schedule of Game-Related Expenses for Permittee-Conducted Gaming (Sch. C). Refer to the instructions in this pamphlet. There are special instructions for allocation of expenses among activities (see "Authorized Expenses" on page 5) and for expense limitations (see instructions on page 7). If your organization needs assistance in summarizing the checks issued during the year, please refer to the instructions for the Quarterly Report.

Step No. 6. Complete the schedule for Donations of Net Proceeds (Sch. E). See instructions later in this pamphlet to answer your questions.

Step No. 7. Complete the Permittee Activity Report (Sch. AP), lines 5 and 6. Detailed instructions for this form are included later in this pamphlet.

Step No. 8. Complete Operator/Multiple-Beneficiary Permittee Activity Report (Sch. AO). This form is used when a permittee contracts with an operator or is a member of a multiple-beneficiary permit (MBP). Detailed instructions for reporting both operator-conducted gaming and gaming conducted by an MBP are included in this pamphlet.

Step No. 9. Complete the Calculation of Additional Fee Due on Page 1, lines 9 and 10, of the Annual Financial Statement. No fee is due if total gross receipts are less than \$20,000. Please refer to the instructions included in this pamphlet for this calculation. Note that expenses and bingo prizes in excess of limitations are added to net proceeds, at line 9, to compute the additional fee.

Step No. 10. Complete the Gaming Account Balance on Page 1 of the Annual Financial Statement. To complete lines 18 and 21 of the gaming account reconciliation, complete the schedule of Deposits (Sch. F) for line 18 and the schedule of Other Adjustments (Sch. F-1) for line 21. Detailed instructions for the Gaming Account Balance and related schedules are included in this pamphlet.

**SPECIFIC INSTRUCTIONS
PAGE 1**

ORGANIZATION INFORMATION

Enter your organization information in the spaces provided.

ADDITIONAL FEE DUE

Complete steps 1 through 10. For computation of the additional fee, line 9 adds back any bingo prizes and gaming expenses which exceed the statutory limits. The bingo prize and gaming expense sections below include worksheets to determine whether or not the limitations apply. If the total gross receipts on line 4 are under \$20,000, no additional fee is due.

If the total gross receipts on line 10 are \$20,000 or more, compute the additional fee due (multiply line 10 by 1 percent). Enter on line 11.

Line 8, Total Net Proceeds. This amount must be paid out for authorized uses within one year. (See instructions for Schedule E, Donations of Net Proceeds.)

Line 9, Excess Expenses and Bingo Prizes. Expenses and bingo prizes are limited. Excess expenses and excess bingo prizes are calculated on worksheets at page 10 and summarized on a single schedule, also on page 10, to compute the amount to enter on line 9, Page 1, of the report.

Lines 12 and 13, Penalty for Late Payment and Interest. If your organization has not filed its return by the due date, compute the penalty and interest and include with your payment for the additional fee due. The interest rate is 12% per year, or 1% per month. The total amount due is shown on line 14.

GAMING ACCOUNT BALANCE

Line 15, Prior Year Balance. The amount entered should agree with the year-end balance entered on your organization's prior-year Annual Financial Statement. If not, attach an explanation to the report.

Line 18, Deposits and Other Increases. Compute the amount of deposits and other increases on Schedule F.

Line 21, Other Adjustments. Other adjustments may be required to reconcile the cash account. Schedule F-1 will help identify amounts to include on this line.

Line 23, Year-end Balance. This should agree with the reconciled balance of the current year's December 31 bank statement for the games of chance and skill checking account.

**OPERATOR/MULTIPLE-BENEFICIARY PERMITTEE
ACTIVITY REPORT
(SCHEDULE AO, PAGE 2)**

**OPERATOR/MULTIPLE-BENEFICIARY
PERMITTEE (MBP) INFORMATION**

If your organization used an operator or was a member of an MBP during any part of the year, enter the operator/MBP information in the spaces provided. If more than one operator was used during the year, or if you were a member of more than one MBP, use a separate form to report gaming information received from each entity.

Total Gross Receipts, Expenses and Net Proceeds Generated by the Operator or Multiple-Beneficiary Permittee (MBP). Use the Annual Report generated by your organization's operator or MBP to complete this schedule.

More Than One Operator Used: Prepare a separate Schedule AO for each operator used and enter the sum of the total gross receipts (Column A, line 10) for all operators on Page 1, line 1, of this report. Enter the sum of the net proceeds (Column F, line 10) for all operators on Page 1, line 5.

Multiple-Beneficiary Permittee Member: Prepare Schedule AO with the information provided by the member in charge of gaming for the MBP and enter the sum of the total gross receipts (Column A, line 10) for all MBPs on Page 1, line 1, of this report. If your organization were a member of more than one MBP during the year, prepare a separate Schedule AO for your share of the activity of each MBP. Enter the sum of the net proceeds (Column F, line 10) for all MBPs on Page 1, line 5.

Columns A through F: This information is found on Schedule A of the Annual Report provided to your organization by the operator or MBP. Enter the amounts from the operator report or MBP report on this form.

Column E, Game-Related Expenses. Enter only the total expense for each activity from Schedule A provided by the operator or MBP. *Do not prepare a separate Schedule C to report the detail of game-related expenses for operator-conducted or MBP-conducted gaming.*

Line 10, Columns A and F. Enter the amount from

Column A, line 10, Total Gross Receipts, on Page 1, line 1. Enter the amount from Column F, Line 10, Total Net Proceeds, on Page 1, line 5.

**PERMITTEE ACTIVITY REPORT
(SCHEDULE AP, PAGE 3)**

This schedule reports gaming activities your organization conducted on its own behalf. All receipts and expenses related to gaming activities must be deposited to, and disbursed from, a separate gaming account.

Pull-Tab Sales by Vendors. Vendor sales of pull-tabs are reported on Schedule AV and carried forward to page 1. See separate instructions for Schedule AV.

Instructions for worksheets to accumulate deposits and expenses can be found in the instructions for the Quarterly Report. If your organization maintains a general ledger, the information required for this report will be summarized there.

Line 1, Total Gross Receipts. Enter the total receipts for each gaming activity on Line 1 in the appropriate column for the activity. Use Columns D through H for activities other than bingo, pull-tabs and raffles. Enter the sum of the receipts from all activities in Column I and on Page 1, line 2.

Total Gross Receipts when sales tax is imposed by a municipality: Sales tax collected is not considered part of the sales price of a gaming device, such as a pull-tab or bingo card. This is money owed to the municipality. It is not income from the gaming activity. Do not include this amount in Column A. If the sales tax is not collected as a percent of the ideal sales price ($\$1.00 \times 4\% \text{ tax} = .04 + 1.00 = \1.04 that should be collected, but only \$1.00 was collected), the sales tax paid to the municipality will reduce the gross revenue in Column A (ideal sales price of $\$1.00 - .04 = .96$ gross revenue from sale of the pull-tab).

When a check is written to the municipality for the sales tax owed, the amount *should not be included in gaming expenses*. The money was collected from the purchasers of the pull-tabs or bingo cards and is simply being forwarded to the municipality.

Line 2, Taxes. Do not include the 3% pull-tab tax paid when the game was purchased. Enter the

amount of tax paid for each gaming activity on line 2 in the applicable column. Enter the sum of taxes paid for all activities in Column I. Pull-tab tax paid should be entered on Schedule C, line 7.

Sales Taxes: Do not include sales taxes with the taxes reported in line 2. Please refer to the discussion for line 1, Total Gross Receipts.

Line 3, Cost of Prizes Awarded. Enter the prizes awarded for each gaming activity in the applicable column of line 3. The amount entered here should **not** include any donated prizes. (Donated prizes do not reduce the net proceeds from the gaming activity. **However, donated prizes are part of the total prize limitation** for bingo, pull-tabs and all other games as set out in the regulations. See the bingo prize limitation worksheet below.) Enter the sum of prizes awarded from gaming receipts for all activities in Column I.

Note: Bingo prizes are limited. Bingo prizes are limited to 85% of gross receipts from bingo activity. This is a limitation **in addition to** the total annual prize limitation for bingo. Use the worksheet on page 10 to compute the bingo prize limitation.

Line 4, Adjusted Gross Income. Subtract Taxes (line 2) and Cost of Prizes Awarded (line 3) from Total Gross Receipts (line 1) and enter this amount on line 4 for each activity. Enter the sum of Adjusted Gross Income (line 4) for all activities in Column I.

Line 5, Game-Related Expenses. Enter the total expense for each activity from Schedule C, line 14, in the proper column of line 5. Enter the sum of all game-related expenses in Column I. For computation of the additional 1% fee, the amount of expenses that your organization can deduct for each activity may be limited—see limitation instructions on page 7.

Line 6, Net Proceeds. Subtract Game-Related Expenses (line 5) from Adjusted Gross Income (line 4) and enter this amount on line 6 for each activity. Enter the sum of Net Proceeds (line 6) for all activities in Column I and on Page 1, line 6.

SCHEDULE AV
VENDOR ACTIVITY REPORT

Use this form to report all sales of pull-tabs by vendor(s) registered under AS 05.15.188 to sell pull-tabs on your behalf. **Do not report vendor sales**

with other pull-tab sales on Schedules AP or C. Use additional forms if necessary.

Vendor Information. Enter the ABC license number and name of each vendor registered under AS 05.15.188 on the lines provided.

Column A, Gross Receipts. Enter the *ideal gross receipts* for all games delivered to each vendor on the appropriate line. Enter total ideal gross, not the amount of payment received from the vendor. Enter the total gross receipts for all vendors on the bottom line labeled “Totals” and on Page 1, line 3.

Gross receipts when sales tax is imposed by the municipality: If your municipality imposes a sales tax on the sale of pull-tabs and requires the tax to be paid on the ideal sales price, the ideal gross must be reduced by the amount of sales tax paid. If the vendor pays the sales tax from his funds, your organization will report the ideal gross receipts. Enter the total gross receipts in Col. A on Page 1, line 3, of the Annual Financial Statement.

Column B, Taxes. Enter taxes paid (such as the federal excise tax on the sale of pull-tabs) on games delivered to each vendor on the appropriate line. Do not include city sales tax on this line. See Schedule F page 10 for further information on sales tax.

Column C, Cost of Prizes Awarded. Enter the total *ideal prize amount* for all games delivered to each vendor on the appropriate line. Enter ideal prizes, not the actual prizes paid out by your organization's vendor(s). Enter the total cost of prizes awarded for all vendors on the “Totals” line. This total prize amount entered is part of your total non-bingo prize limitation for the year. (The value of donated prizes is the other part of your non-bingo prize limitation.)

Column D, Adjusted Gross Income. Subtract Columns B and C from Column A and enter the difference in Column D for each vendor. Enter the total adjusted gross income for all vendors on the “Totals” line.

Column E, Vendor Compensation. Enter the total paid to each vendor on the appropriate line. Enter the total vendor compensation for all vendors on the “Totals” line.

Columns F and G, Cost of Pull-Tab Games and Pull-Tab Tax Paid. Enter the cost of all games delivered to each vendor and the 3% tax paid on

those games in Columns F and G on the appropriate line. Enter the total cost of games and the total 3% tax paid for all vendors on the "Totals" line. DO NOT include the cost of these games on Schedule C.

Column H, Other Vendor Expenses. Enter other vendor-related expenses on the appropriate line for each vendor. These expenses include the costs of game delivery to a vendor and accounting for vendor sales. The registered vendor fee is also included here. *Caution—do not include any expenses of the vendor, but only permittee expenses in dealing with the vendor.* Enter the total expense for all vendors on the "Totals" line. Attach a detailed schedule of all expenses included in this column.

Column I, Total Expense. Add Columns E, F, G and H and enter the total in Column I for each vendor on the appropriate line. Enter the total expense for all vendors on the "Totals" line.

Note: Only the expenses listed in Columns E, F, G and H should be entered on Schedule AV. General gaming expenses, such as the permit application fees, should be entered on Schedule C, Page 3. If the only gaming activity that your organization conducts is the sale of pull-tabs by a vendor and that activity is reported on Schedule AV, enter the total general expense from Schedule C, line 14, on Page 1, line 6, as a negative number.

Column J, Net Proceeds. Subtract Column I from Column D and enter the result in Column J for each vendor. Enter the total net proceeds for all vendors on the "Totals" line and on Page 1, line 7.

**GAME-RELATED EXPENSES FOR PERMITTEE-CONDUCTED GAMING
(SCHEDULE C, PAGE 5)**

Do not report operator or MBP expenses on this schedule.

Authorized Expenses. Remember that expenses are allowed only if they directly relate to the operation of authorized games. If your organization held more than one type of gaming activity and cannot determine how much of a certain expense (for example, professional services or advertising) relates to each activity, the expense should be allocated among the gaming activities.

Acceptable allocation methods are those that most

accurately match expenses to the revenue from the activity. The following methods are acceptable:

Space used: a ratio of the amount of space required to conduct a gaming activity to the total space used for all gaming activities of an operation, or

Time Spent: a ratio of the time spent conducting a gaming activity to the total time available for all gaming activities.

Compute the ratios in the same way that the ratio for building expenses is computed (see the instructions for lines 2 and 11). Use the percentage computed (from the method that more accurately matches expenses to the activity) to allocate the expense to that activity. Compute the amount of expense for other activities in the same way.

Unauthorized Expenses. Only ordinary, necessary and reasonable expenses of the games may be deducted as game-related expenses.

Rental fees and lease agreements that provide exorbitant returns to the owner or lessor of the property, and contractual agreements that provide exorbitant compensation for individuals, violate the statutes and regulations and may be cause for suspension, revocation or denial of a permit. Other unauthorized expenses are identified in Alaska gaming laws.

Expenses may be limited. Use the worksheets on page 10 to compute expense limitations, if any.

Line 1, Rent of Facility. If the facility is used only for gaming activities, see the instructions for lines 2 through 13. **Rent and other expenses may need allocation if the facility is used for both gaming and administrative or other non-gaming purposes. If the facility is not used exclusively for gaming, see the instructions for allocation of expenses at line 2.**

Caution: If a lease of a premise other than the permittee's primary gaming location is executed for the sale of pull-tabs by an employee, volunteer or member of the permittee, lease payments may not exceed 20 percent of the ideal net of the pull-tab activity conducted in the premises if the premises otherwise qualifies as a vendor location.

Lines 2 through 13 (other than line 11). Enter the expenses incurred for each gaming activity from the summary of your gaming account under the applicable gaming activity Column. The summary may be a general ledger or a worksheet as illustrated

in the Quarterly Report instructions. Specific instructions for some lines follow. If a given expense item does not fit one of these lines, include it in the "Other Expenses" of line 13.

Line 2, Other Facility Costs. The expenses for a facility used in gaming and owned by the permittee organization are **not** allowed as an expense unless the building is used **exclusively** for gaming purposes. If part of the building is used exclusively for gaming, expenses related to that portion of the building are deductible as gaming expenses. If you qualify to deduct building expenses, use the worksheet below to compute the allocation of building expenses to gaming activities on a square foot basis:

1. Square feet used for gaming activities. _____
2. Total square feet. _____
3. Ratio of gaming space to total square feet: line 1 divided by line 2. _____%

Use the percentage computed above to allocate various building expenses to gaming activities.

Other methods of allocation may be acceptable; however, the allocation must be reasonable under the circumstances and must conform to generally accepted accounting principles.

The resulting expenses allocable to the gaming activity must be divided among the individual activities. Use the same method to allocate common expenses among two or more gaming activities that is used to allocate between gaming and non-gaming activities.

Acceptable allocation methods are those that most accurately match expenses to the revenue from the activity. The following methods are acceptable:

Space used: A ratio of the amount of space required to conduct a gaming activity to the total space used for all gaming activities of an operation; or

Time spent: A ratio of the time spent conducting a gaming activity to the total time available for all gaming activities.

Compute the ratios in the same way that the ratio for building expenses is computed (see the instructions for line 11). Use the percentage computed (for the method that more accurately matches expenses to the activity) to allocate the building expenses to each

activity.

Line 9, Advertising. The total amount of authorized expense that may be deducted for advertising is limited to 5 percent of your organization's adjusted gross income from gaming. The limitation is based on the adjusted gross income from **all** gaming activities, not just on the adjusted gross income from each separate gaming activity.

Line 11, Depreciation. Only straight line depreciation may be used. The depreciation period is five years for personal property and computer software used in gaming activity. The depreciation period is ten years for an improvement that a permittee owns and uses in a gaming activity to leased real property; if the permittee does not own the improvement, no depreciation may be claimed. The depreciation period is 30 years for real property that a permittee owns and uses in gaming activity. **In lieu of depreciation, a permittee may expense the entire cost of five-year property in the year of purchase if expenses remain within the limits of AS 05.15.160.**

Line 13, Other Expenses. These may be deducted only if they are directly related to the operation of the games. You must list all miscellaneous expenses on a separate sheet of paper and attach it to this Annual Financial Statement. Some miscellaneous expenses are addressed in detail below.

Non-alcoholic Refreshments. Deduct the total cost of non-alcoholic refreshments given free of charge during authorized games of chance and skill.

NOTE: Alaska gaming law says that "a bingo game may not be held, operated or conducted under a permit, in a room, enclosure or outdoor area where alcoholic beverages are sold, served or consumed during the progress of the bingo game."

Permit Fees. Deduct the fees paid during the year for permits for authorized games of chance and skill and the 1% fee paid with the Annual Financial Statement for last year.

Line 14, Total Expenses. Compute total expenses for each activity type and enter the results on line 14. Use the worksheets below to determine whether or not expenses are limited.

Expense Limitation. Total expenses are limited. If the total expenses for a specific gaming activity

exceed the allowed limitation, any amount over the limitation is nondeductible for computing the net proceeds subject to the additional 1% fee computed on line 11, Page 1, of this report.

Pull-Tab Activity: Total deductible expenses for a **pull-tab activity may not exceed 70 percent** of the annual adjusted gross income from the sale of pull-tabs. If line 14 is more than 70% of Column B, line 4, of the Permittee Activity Report (Schedule AP), subtract the excess from the total allowed expenses. Use the worksheet on page 10 to compute any excess.

Other Gaming Activities: Authorized expenses that may be deducted for a gaming activity **other than pull-tabs may not exceed 90 percent** of the annual adjusted gross income from that activity. If line 14, for a given column, is more than 90% of line 4 of the Permittee Activity Report (Schedule AP) for that column, subtract any excess from the total allowed expenses. Use the worksheet on page 10 for each activity other than pull-tabs that you conducted, to compute any excess for line 9, page 1, of this report.

COST OF PULL-TAB GAMES AND BINGO CARDS (SCHEDULE C-1, PAGE 7)

Note: Use this schedule to report the cost of pull-tab games and bingo cards purchased for gaming activities that your organization conducts on its own behalf.

Cost of Pull-Tab Games:

Inventory Method. Check the box for the method used to report pull-tab inventory. These instructions compute the cost of pull-tab games using the cost of unopened games for beginning and ending inventories. If your current inventory procedures compute the cost of inventory of unused games using a more precise method (such as percentage of completion of individual games) you may use that method for reporting purposes.

Inventory Records. Beginning and ending inventory records must be kept with all other accounting records. Beginning and ending inventories must *list unopened games by the State ID Stamp Number and cost of the game*. Other information may be kept for your own use.

Line 1, Cost of inventory of unopened games at

beginning of year. For the first gaming year in which your organization conducts pull-tab gaming on its own behalf, the beginning inventory will be zero. In subsequent years, the cost of beginning inventory will be the ending inventory from December 31 of the prior year.

Line 2, Cost of Pull-Tab Games. Report the cost of all pull-tab games purchased during the current period for pull-tab gaming conducted by your organization on its own behalf. Pull-tab games purchased for gaming conducted at a vendor location are deducted on the Vendor Activity Report (Sch. AV). Do not deduct them a second time on Schedule C. See instructions for the Vendor Activity Report.

Line 4, Cost of inventory of unopened games at the end of the year. Enter the cost of games that remain unopened (games not yet placed in play) at the end of the year on line 4.

Line 5, Cost of Pull-Tab Games. Subtract line 4 from line 3. Enter the result on line 5. This is the cost of pull-tab games placed in play. Enter the amount from the self-directed column on Game-Related Expenses for Permittee-Conducted Gaming (Sch. C), Col. B, line 8.

Cost of Bingo Cards:

Inventory Records. Beginning and ending inventory records must be kept with all other accounting records. Beginning and ending inventories must be computed in a consistent manner. Bingo paper should be listed by unopened boxes, or packets (identified by manufacturer and type) with associated costs. Unused sheets may be recorded according to price.

Line 1, Cost of inventory of bingo cards at beginning of year. For the first gaming year in which your organization conducts bingo, the beginning inventory will be zero. In subsequent years, the cost of beginning inventory will be the ending inventory from December 31 of the prior year.

Line 2, Purchase of Bingo Cards. Report the cost of all bingo cards purchased during the current year for bingo games conducted by your organization on its own behalf.

Line 4, Cost of inventory of unused cards at the end of the year. Enter the cost of bingo cards that are unused (bingo sheets not sold) at the end of the

year on line 4.

Line 6, Cost of Bingo Cards. Subtract line 4 from line 3. Enter the result on line 6. This is the cost of bingo cards sold. Enter this amount on Game-Related Expenses for Permittee-Conducted Gaming (Sch. C), Column A, line 8.

**PULL-TAB REPORT ATTACHMENT
(SCHEDULE D, PAGE 5)**

Use this form to report **completed** pull-tab games **not previously included** on your organization's quarterly reports. *Use a separate attachment for games sold by your organization, a vendor, or an operator.* Use additional pages if more space is required. Note that, because of differences in timing, the totals for gross receipts, prizes, ideal net or taxes will not necessarily match the figures shown on the rest of the report. If you filed quarterly report Schedule D, check the "yes" box on the form.

Multiple-Beneficiary Permittee Member: If your organization participates in pull-tab gaming only through an MBP, do not complete Schedule D. It has been filed for your organization by the MBP.

General Information. Enter your organization's name and permit number in the spaces provided. Enter the name of your organization's operator if any pull-tab games were conducted by the operator on your behalf during the year.

License Number. Enter the license number of the distributor selling the game in this column.

State ID Stamp Label. Attach the pull-tab State ID Stamp Labels in this column. If the label is not available, write in the ID number and attach an explanation to the report.

Game Serial Number and Form Number. Enter the serial number and form number for each game in the space provided.

Gross Receipts, Prize Payout and Ideal Net. Enter the ideal gross receipts, ideal prize payout and ideal net in the applicable columns.

3% Tax. Enter the 3% tax paid when the game was purchased (by your organization or by an operator purchasing pull-tab games for your organization).

Date In/Date Out. Enter the dates the game was placed in play (date in) and completed (date out) in this column.

**DONATIONS OF NET PROCEEDS
(SCHEDULE E, PAGE 6)**

Net proceeds derived from gaming activities must be devoted, within one year following the year in which they were earned, to uses stated in Alaska law. List each recipient of net proceeds, the purpose of the donation, and the amount, date and check number for each payment.

All payments of net proceeds must be listed. The total from this schedule is entered on Page 1 of the Annual Financial Statements, line 20. Use additional forms as needed. A transfer of net proceeds to your general account is not a qualified use of net proceeds under AS 05.15.150.

If you did transfer net proceeds to the general account, use Schedule E to report how the money was used. You must account for all net proceeds transferred to your general account by listing the general account check number and date, recipient, purpose, and the amount of each payment. Do not list the transfer as a separate use. You must account for all net proceeds transferred to you general account.

If you keep gaming funds in more than one account, you must include each such account in the gaming account balance on Page 1. Attach December 31, 2004 and December 31, 2005 bank statements and reconciliations for each gaming account.

If your organization needs to hold net proceeds for a period longer than one year, you must apply to the Department for special permission. Upon good cause shown, the Department may grant the request. For net proceeds held for more than a year, see AS 05.15.150(b) and 15 AAC 160.822.

If you donate net proceeds to another permittee organization, you must make some effort to ensure that each recipient uses the donated net proceeds in accordance with statute. Report the recipient's permit number on Schedule E. See 15 AAC 160.810.

**OTHER DEPOSITS AND INCREASES
(SCHEDULE F, PAGE 7)**

Use this schedule, along with Schedule F-1, Other Disbursements and Increases, to help reconcile the gaming account balance reported on Page 1.

Line 1, Prior year net proceeds deposited in January of the current year. If your organization worked with an operator last year, the December net proceeds would not have been deposited until January of this year, when you received the monthly report for December. This amount should be added to the current year net proceeds. If your organization conducted gaming on its own and had gross receipts for the prior year, that you did not deposit in your gaming account by December 31 of the prior year, the receipts not deposited by the end of the year should also be included on this line.

Line 2, Sales Tax Collected. Any deductible sales tax that you collected should be entered here. See the instructions for gross receipts to determine whether or not sales taxes are deductible and includable here.

Line 3, Other deposits. Explain other deposits on the lines provided. For example, the initial deposit to open the account may have been a transfer from the general account. Include here also any loans or gifts received during the year. See 15 AAC 160.363.

Line 4, Total Deposits. Add lines 1, 2, and 3. Enter the result on line 4 and on Page 1, line 14, of the Annual Financial Statement.

**OTHER ADJUSTMENTS
(SCHEDULE F-1, PAGE 7)**

Line 1, Current year net proceeds not deposited

by December 31 of the current year. If your organization worked with an operator in December of the current year, the net proceeds received from your operator in January of this year (for December of the prior year) should be subtracted from the current year net proceeds.

If your organization conducted gaming on its own and had gross receipts for the current year that were not deposited to the gaming account by December 31, that amount should also be included on this line.

Line 2, Non-deductible Sales Tax. See instructions for Permittee Activity Report (Sch. AP) to determine if the sales tax you paid is not deductible. If the tax cannot be deducted on Schedule AP, enter the nondeductible tax here.

Note: The sales tax should not be deducted as a tax or general expense in computing net proceeds from gaming. See the instructions for gross receipts.

Line 3, Other Disbursements/reductions. Explain any other reductions to cash on the lines provided. For example, non-gaming receipts that should have been deposited to the general account but were inadvertently deposited to the gaming account are entered here. Also enter the expense and bingo prize limitation total from the worksheet on page 2 of the instructions as another reduction on line 3.

Line 4, Total Other Adjustments. Combine lines 1 through 3. Enter the result on line 4 and on Page 1, Line 21, of the Annual Financial Statement.

Prize and Expense Limitation Worksheets.

Line 9, Excess Expenses and Bingo Prizes.

Expenses and bingo prizes are limited. Use these worksheets to compute excess expenses and bingo prizes as an alternative to those on pages 2, 4 and 7. Use the summary worksheet below to compute the amount to enter on line 9, Page 1, of the report.

Summary Worksheet

- 1. Excess pull-tab expenses (from worksheet below) _____
- 2. Excess bingo expenses (from worksheet below) _____
- 3. Excess expenses from other gaming activity (from worksheet below) _____
- 4. Excess bingo prizes (from worksheet below) _____
- 5. Total to Report Page 1, line 9 _____

Bingo prizes are limited to 85% of gross receipts from bingo activity. This is **in addition to** the total annual prize limitation for bingo. Compute the bingo prize limitation on the worksheet below.

- 1. Annual bingo prize limitation * _____
- 2. Gross receipts from bingo (Sch AP, line 1) _____
- 3. Percent limit (line 2 x line 3) .85
- 4. Percentage bingo limitation _____
- 5. Prizes paid from gross receipts (Sch AP, line 3) _____
- 6. Lesser of line 1 or line 4 _____
- 7. Value of donated prizes _____
- 8. (Line 6 - line 7) _____
- 9. Lesser of line 5 or line 8 _____
- 10. Excess prizes (line 5 - line 8) ** _____

* \$840,000 without an operator; \$660,000 with an operator.

** If the amount is negative, enter -0-.

Deductible prizes are shown on line 9. Enter this amount in Schedule AP, Column A, line 3. Excess prizes on line 10 are not deductible. Enter the overpayment amount, if any, in the worksheet above.

Pull-Tab Activity: Deductible expenses **may not exceed 70%** of the annual adjusted gross income (AGI) from pull-tab sale. If line 14 is more than 70% of Column B, line 4, of the Permittee Activity Report (Schedule AP), subtract the excess from the total allowed expenses. Use the following worksheet to compute any excess:

- 1. Enter expense amount from Sch. C, line 14 _____
- 2. Enter amount from Sch. AP, Col. B, line 4, Pull-tabs * _____
- 3. Expense limitation .70
- 4. Multiply line 2 by line 3 _____
- 5. Subtract line 4 from line 1* _____

* If the amount is negative, enter -0-.

Enter the amount of nondeductible expenses from line 5 in the Summary Worksheet above for line 9.

Other Gaming Activities: Deductible authorized expenses for a gaming activity **other than pull-tabs may not exceed 90%** of the annual AGI from that activity. If line 14, for a given column, is more than 90% of line 4 of the Permittee Activity Report (Schedule AP) for that column, subtract any excess from the total allowed expenses. Use the following method for each activity other than pull-tabs to compute any excess:

- 1. Enter expense amount from Sch. C, line 14 _____
- 2. Enter amount from Sch. AP, line 4 * _____
- 3. Expense limitation .90
- 4. Multiply line 2 by line 3 _____
- 5. Subtract line 4 from line 1* _____

* If the amount is negative, enter -0-.

Enter the amount of nondeductible expenses from line 5 in the worksheet above for line 9.