

# Lawful Gambling Manual 2020



## Minnesota Gambling Control Board

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[www.mn.gov/gcb](http://www.mn.gov/gcb)

# Introduction

## Reference Guide

This *Lawful Gambling Manual* is intended to be a reference guide for organizations that conduct lawful gambling.

## Review of Statutes and Rules Important

Although this manual outlines and summarizes the basics of running a gambling operation based on statute and rule, it is important that organizations be thoroughly familiar with the content of the statutes and rules that govern the conduct of lawful gambling.

Future changes to statutes and rules may affect references in this manual. The manual will be periodically updated to reflect statute and rule changes.

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# ORGANIZATION LICENSE

This chapter outlines requirements contained in Minnesota statutes and rules that an organization must meet to obtain an organization license.

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**Minnesota  
Gambling Control Board**

has issued  
**Lawful Gambling License**  
09999

to  
**Oxbow Lions Club**

Effective Date: July 1, 2020

<p>Jane Doe Oxbow Lions Club 2015 Oxbow Avenue Oxbow, MN 55555</p>	<p>Issued by: Minnesota Gambling Control Board 1711 W. County Road B Roseville, MN 55113</p>
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## Qualifications to Apply

**If an organization answers "yes" to all nine questions,  
the organization qualifies to apply for a license.**

- Yes**     **No**
1. Has the organization been in existence for the most recent three years preceding the license application as:
- a Minnesota nonprofit organization (corporation) registered with the Minnesota Secretary of State; and/or
  - an organization designated as exempt from the payment of income tax by the Internal Revenue Code.

**Merged organizations:** If two organizations merge and at least one organization has an active license, the newly created organization will be considered to have been in existence for the most recent three years for license qualification purposes.

- Yes**     **No**
2. Is the organization one of the types listed below?
- Fraternal**—A nonprofit organization that is a branch, lodge, or chapter of a national or state organization registered by the IRS as a 501(c)(8) or 501(c)(10) nonprofit organization and exists for the common business, fraternal, or other interests of its members.
- The term "fraternal" does not include college or high school fraternities or sororities.
- Religious**—A nonprofit organization, church, body of communicants, or group gathered in common membership for mutual support and edification in piety, worship, and religious observances.
- Veterans**—Any congressionally chartered organization in Minnesota, or branch, lodge, or chapter of a nonprofit national or state organization in Minnesota, with a membership consisting of individuals who were members of the armed services or forces of the United States.
- Other nonprofit**—A nonprofit organization (other than a fraternal, religious, or veterans organization) whose proof of nonprofit status is documented by:
- an IRS income tax exemption 501(c) letter, or
  - a current Certificate of Good Standing from the Minnesota Secretary of State.

**A governmental entity does not qualify:** A governmental entity such as a city, public school, or city parks and recreation department does not qualify as an organization.

## Qualifications to Apply (continued)

- Yes**     **No**    3. Does the organization have at least 15 active members who:
- are at least 18 years of age;
  - have equal voting rights, an equal opportunity to be elected an officer, and the right to attend regular meetings;
  - have his or her name and membership origination date appear on the organization's membership list with the member's knowledge and consent;
  - have been a member for the most recent 90 days; and
  - have paid all dues?
- Yes**     **No**    4. Has the organization applied for at least one premises permit?
- Yes**     **No**    5. Has the organization established, or will the organization establish, in Minnesota a gambling bank account, separate from all other accounts and revenues of the organization, and a permanent location where its gambling records and equipment will be stored?
- Yes**     **No**    6. Do the organization's officers meet the following qualifications?
- The organization's officers or members of the organization's governing body:
- have not been convicted of a felony or gross misdemeanor involving theft or fraud;
  - have not been convicted of a crime involving gambling; and
  - have not had a license issued by the Gambling Control Board revoked for a violation of law or Gambling Control Board rule.
- Yes**     **No**    7. Has the organization's chief executive officer (CEO) attended the gambling manager seminar within the last six months?
- Yes**     **No**    8. Does the organization have a gambling manager who is qualified, bonded, and has attended the gambling manager seminar and passed the gambling manager exam within the last six months?
- The organization must have a gambling manager who will be licensed by the Gambling Control Board at the time the organization obtains its license. Refer to the *Gambling Manager License* chapter for qualifications.
- Yes**     **No**    9. If the organization was previously licensed, has the organization filed a termination plan and completed all requirements of the license termination plan or any consent orders?

# Organization License Application

## LG200A Organization License Application; License Term

This application requires specific information about the organization and its officers.

To receive an organization license, an organization must also obtain a gambling manager's license and at least one premises permit. Refer to the *Gambling Manager License* and *Premises Permits* chapters for further information.

**License term:** The term of an organization license issued by the Gambling Control Board is perpetual (**no renewal application required**) unless:

- the Gambling Control Board revokes or suspends the organization license;
- the organization terminates the license; or
- the license lapses. (See the "Lapsed License" section in this chapter.)

## Proof of Nonprofit Status

An organization must provide documentation showing that it has been in existence as a nonprofit organization for the most recent three years. (See item #1 on page 2 for the exception for merged organizations.)

### Attach one of the following:

— **Minnesota Secretary of State—Current Certificate of Good Standing**

Don't have a copy? This certificate must be obtained each year from:

Minnesota Secretary of State  
Business Services Division  
60 Empire Drive, Suite 100  
St. Paul, MN 55103

Phone: 651-296-2803, or toll-free 1-877-551-6767

[www.sos.state.mn.us](http://www.sos.state.mn.us)

The certificate issue date cannot be more than 12 months before the date the Gambling Control Board receives that organization's license application.

— **Internal Revenue Service—IRS income tax exemption 501(c) letter in your organization's name**

Don't have a copy? To obtain a copy, send your organization's federal ID number and the date your organization initially applied for tax-exempt status to:

IRS  
PO Box 2508, Room 4010  
Cincinnati, OH 45201

Phone: 877-829-5500 or 202-283-2300

— **Internal Revenue Service—Affiliate of national, statewide, or international parent nonprofit organization (charter)**

If the organization falls under a parent organization, attach copies of both of the following:

- a. IRS letter showing that the parent organization is a nonprofit 501(c) organization with a group ruling, and
- b. the charter or letter from the parent organization recognizing the organization as a subordinate.

***Sales tax-exempt status or federal ID employer numbers are not proof of income tax-exempt status.***

## Organization License Application (continued)

### Bylaws and Membership List

- Include a copy of the organization's bylaws, signed and dated by the chief executive officer.
- Submit a membership list showing at least 15 active members, including the date of membership for each member. The members listed must meet the definition of an active member (see page 3, question 3).

### LG200B Organization Officers Affidavit

An affidavit must be completed for both the chief executive officer (CEO) and the organization's treasurer. When an organization elects a new CEO or treasurer a new LG200B is required to be completed.

**CEO**—Person responsible for the organization, such as the president or commander. The organization may not assign a CEO for gambling.

**Treasurer**—The person who manages the nongambling financial assets for the organization, such as the bookkeeper or accountant.

- The treasurer cannot be a signatory on the organization's gambling account.
- The CEO may be the same person as the treasurer, depending on the organization's size and structure.
- If the CEO is the treasurer, the CEO cannot be a signatory on the organization's gambling account.

### Registration of Paid Gambling Employees

Use U.S. government-required Form I-9 to document information regarding each paid gambling employee. Compensation means wages, salaries, and bonuses paid from gambling funds to gambling employees for services provided by a person.

Form I-9 must be kept with the organization's records for 3-1/2 years.

## Organization License Fees

### Annual License Fee

The annual organization license fee is \$350. The fee is not prorated, refundable, or transferable.

Organizations that expect to receive less than \$100,000 in gross annual gambling receipts may request a waiver, in writing, of the annual organization license fee from the Gambling Control Board. This waiver does not apply to the gambling manager license and premises permit fees.

License and permit fees are paid to the Board on a yearly basis.

- When an organization submits its initial organization license application, it must pay license and permit fees that are good for one year.
- Each year thereafter, the Board will send the CEO a notice of annual fees due for the organization license (\$350), gambling manager license (\$100), and for each premises permit (\$150).

### Monthly Regulatory Fee

Once an organization is licensed, it must pay a monthly regulatory fee of 0.125% (.00125) of the gross receipts from lawful gambling conducted at all sites at which it conducts lawful gambling.

- The monthly fee is reported on the G1 Lawful Gambling Monthly Tax Return and paid to the commissioner of the Department of Revenue with the tax return for that month. Instructions are in the *Minnesota Lawful Gambling Tax Forms and Instructions* booklet available from Revenue.
- Failure to pay the fee in a timely manner may result in disciplinary action by the Gambling Control Board.

## Lapsed Organization License

An organization's license is considered to be lapsed (no longer valid) when the organization:

- does not conduct and report any gambling sales activity within seven months from the date of the last gambling activity;
- fails to have a gambling manager as required by Minnesota Statutes, Section 349.167;
- fails to pay annual license and permit fees; or
- surrenders, withdraws, or otherwise terminates the license and files a license termination plan.

### Actions the Board May Take if the Organization License is Lapsed

If the organization's license is determined to be lapsed (no longer valid), the Gambling Control Board may:

- institute a proceeding authorized under Minnesota Statutes, Section 349.155;
- enter a revocation order as of the date on which the license was considered lapsed;
- impose a civil penalty;
- order corrective action; or
- summarily suspend the organization's license.

**Questions?** Contact your Licensing Specialist at the Gambling Control Board.

## Reporting Organization Information Changes

Organizations are required to submit to the Gambling Control Board changes in their license application information, which include but are not limited to:

- Organization name, address, and phone number changes (LG1015)
- Meeting date and time changes (LG1015)
- CEO or treasurer address or phone number changes (LG1015)

Do not use the LG1015 to change a CEO or treasurer (use LG200B).

The LG1015 Reporting Organization Information Changes must be completed and submitted to the Gambling Control Board within ten days of the change.

The forms are available at [www.mn.gov/gcb](http://www.mn.gov/gcb) or from the Gambling Control Board.

## Terminating an Organization License

If an organization terminates its gambling operation (organization license, gambling manager license, and all premises permits), the organization must complete a license termination plan and meet certain requirements.

The LG204 License Termination Plan must be completed and submitted to the Gambling Control Board within 30 days from the last day of activity (actual sales).

The form with instructions is available at [www.mn.gov/gcb](http://www.mn.gov/gcb) or from the Gambling Control Board.

The license termination plan is a proposal describing how the organization will dispose of all remaining gambling funds and inventory.

If an organization terminates all licensed gambling activity and does not file a license termination plan, the organization will not be eligible to be licensed in the future until the plan is filed with and approved by the Board.

### Get Board approval before making any expenditures

After the license is terminated, expenditures may not be made from the gambling account until the Gambling Control Board has approved the license termination plan.

The organization will be notified by the Gambling Control Board when it has approved the license termination plan. The organization may then make expenditures for the remaining funds, according to the approved license termination plan, to close out its gambling checking account(s).

### Continue to file monthly reports

If an organization has filed a LG204 License Termination Plan with the Board, the organization must continue to file forms LG100A, LG100C, and LG100F each month until all gambling funds have been expended.

### Maintain records

All gambling records must be kept in a secured area (recommended not susceptible to flooding) for at least 3-1/2 years after an organization terminates its license or files the appropriate tax returns and forms, whichever is later.

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# GAMBLING MANAGER LICENSE

This chapter outlines requirements for the position of gambling manager.

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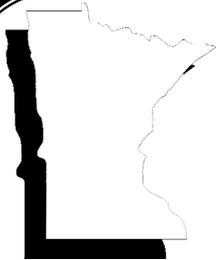
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**Minnesota  
Gambling Control  
Board**

has issued

**Gambling Manager License**  
09999  
**Oxbow Lions Club**  
to  
**George Morgan**

Effective Date: July 1, 2020

Jane Doe  
Oxbow Lions Club  
2015 Oxbow Avenue  
Oxbow, MN 55555

Issued by:  
Minnesota Gambling Control Board  
1711 W. County Road B  
Roseville, MN 55113

# Qualifications

**If a person answers "yes" to all 13 questions, the person is eligible to apply for a gambling manager license.**

**Yes**     **No**    1. Has the person been an "active voting member" of the organization for at least the most recent 90 days at the time of the application for a gambling manager license?

**All organizations: member voting rights**

Are all organization members eligible to vote on gambling matters at the organization's monthly meeting?

Yes.

No. If no, then the "board members" are considered the active members for gambling purposes, plus:

- the gambling manager must be a member of the board; and
- at the time of a new organization license application there must be at least 15 board members who have been on the board for at least the most recent 90 days. To maintain the license, the organization must always have at least 13 board members eligible to vote on gambling matters.

**Yes**     **No**    2. Will a dishonesty bond be maintained in the position or name of the gambling manager for at least \$10,000 in favor of the organization?

**Yes**     **No**    3. Within the last six months, has the person completed the Gambling Manager Seminar and passed an examination prepared and administered by the Gambling Control Board? If no, the person must preregister to take the Gambling Manager Seminar course and pass the examination.



Call the Gambling Control Board office to preregister for the Gambling Manager Seminar.

**Yes**     **No**    4. Can the person officially state that the person is not a lessor of a gambling premises from whom the organization leases a premises?

**Yes**     **No**    5. Can the person officially state that the person is not a member of a lessor's immediate family from whom the organization leases a premises?

**Yes**     **No**    6. Can the person officially state that the person is not a person residing in the same residence as the lessor?

**Yes**     **No**    7. Can the person officially state that the person is not an employee of a person from whom the organization leases a premises?

### Qualifications (continued)

**Yes**     **No**    8. Can the person officially state that the person is not the organization’s treasurer or a person who accounts for the organization’s nongambling funds?

**Yes**     **No**    9. Can the person officially state that the person is not the chief executive officer (CEO) of the organization?

**Yes**     **No**    10. Can the person officially state that the person is not the gambling manager or assistant gambling manager for another organization?

**Yes**     **No**    11. Can the person officially state that the person:

- has never been convicted of a felony or a crime involving gambling?
- within five years before the date of the license application, has not committed a violation of law or Board rule that resulted in the revocation of a license issued by the Board?
- has never been convicted of a criminal violation involving fraud, theft, tax evasion, misrepresentation, or gambling?
- has never been convicted of assault, a criminal violation involving the use of a firearm, or making terroristic threats?
- has not engaged in conduct the Board determines is contrary to public health, welfare, or safety, or the integrity of lawful gambling?
- has never been connected with or is not engaged in an illegal business?
- has not had a sales and use tax permit revoked by the commissioner of revenue within the past two years?
- has never, after demand, failed to file tax returns required by the commissioner of revenue?

**Yes**     **No**    12. Can the person officially state that the person was not an officer of an organization at a time when an offense occurred that caused the organization’s license to be revoked?

**Yes**     **No**    13. Can the person officially state the person is not involved directly or indirectly as a manufacturer, distributor, or linked bingo game provider licensed by the Board?

## Gambling Manager Application

An organization may only have one gambling manager at a time.

Refer to Chapter 10 *Internal Operations and Oversight* for information regarding gambling manager duties.

### LG212 Gambling Manager Application; license term

This application requires specific information about the gambling manager.

**License term**—A gambling manager’s license runs concurrent with the organization’s license and is perpetual (**no renewal required**) unless the license is suspended or revoked by the Board or otherwise terminated by the organization or gambling manager.

**Bond**—A \$10,000 bond in the position or name of the gambling manager in favor of the organization must be obtained.

- A copy of the bond must be submitted with the application.
- The original bond must be kept in the organization’s files.

**Address**—The address listed should be the gambling manager’s home address. The gambling manager’s address may not be the same as the organization’s address.

#### Registration of paid gambling manager

If the gambling manager will be paid, the organization must have a completed U.S. government-required Form I-9 for the gambling manager. The I-9 must be kept with the organization’s records for 3-1/2 years.

#### License fee

The annual license fee is \$100. The fee is not prorated, refundable, or transferrable. Each year thereafter, the Board will send the CEO a notice of the annual fee (\$100) due for the gambling manager license.

### Emergency change of gambling manager

#### Notice to Board

For an emergency change of gambling manager due to death, disability, resignation, or termination:

1. within one business day contact your Licensing Specialist with the Gambling Control Board to establish a plan to replace the gambling manager; and
2. within four business days of the termination, submit a complete LG212 Gambling Manager Application and a copy of the \$10,000 dishonesty bond and fee. The application will be processed when complete. The gambling manager applicant must be registered for the Gambling Manager Seminar.

#### Discontinue operations

If your organization fails to meet the above requirements within four days, you must discontinue all gambling operations until:

1. a gambling manager’s application, a copy of the gambling manager bond, and the license fee is received by the Gambling Control Board;
2. a license has been issued by the Board; and
3. the license is received by the gambling manager.

## Assistant Gambling Manager

- No license is required for an assistant gambling manager.
- If an assistant gambling manager will be paid, the organization must have a completed U.S. government-required Form I-9 for the assistant gambling manager on file.
- Refer to Chapter 10 *Internal Operations and Oversight* for information regarding assistant gambling manager duties.

## Continuing Education

### Education class required each calendar year

Each calendar year a licensed gambling manager must attend at least one continuing education class authorized by the Gambling Control Board.

Both online and in-person continuing education classes are offered. Class listings are available online at [www.mn.gov/gcb](http://www.mn.gov/gcb), under the Education tab, and in each issue of the Board's quarterly newsletter, *Gaming News*. The *Gaming News* is emailed to gambling managers at the email address provided on the gambling manager application, and is also available on the Board's website under the Publications tab.

For in-person classes, no prior registration is required to attend, and classes are free.

### Failure to take class; license suspended

If a licensed gambling manager fails to take a class during a calendar year, the director of the Gambling Control Board must issue a citation to the gambling manager.

NOTE: Don't wait until the end of the year to attend class—plan ahead.

## Reporting Gambling Manager Information Changes

Organizations are required to submit to the Gambling Control Board changes in its currently licensed gambling manager application information, which include:

- Gambling manager name, address, phone number, and email changes.
- Gambling manager bond or policy number.

The LG1016 Reporting Gambling Manager Information Changes must be completed and submitted to the Gambling Control Board within ten days of the change. The form is available at [www.mn.gov/gcb](http://www.mn.gov/gcb) or from the Gambling Control Board.

DO NOT USE LG1016 TO CHANGE GAMBLING MANAGERS. USE FORM LG212 AND REQUIRED ATTACHMENTS.

### Mentoring available

If additional one-on-one training is needed, contact a Compliance Specialist at the Gambling Control Board.

Mentoring is free one-on-one training and assistance provided to an organization or its gambling manager by Gambling Control Board staff. Organizations may request mentoring on specific topics covering administrative and financial information, operation of gambling, conduct of games, and recordkeeping and reporting. Complete form LG1005 to request mentorship.

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# PREMISES PERMITS & LEASES

To be able to conduct gambling at a premises—whether it is leased or owned—an organization must meet the specific requirements outlined in this chapter.

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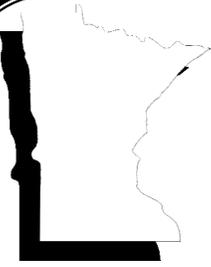
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**Minnesota  
Gambling Control  
Board**

has issued  
**Premises Permit**  
09999-001  
**D.J.'s Corner Bar & Grille**  
**123 Anywhere St.**  
**Oxbow, MN 55999**  
to  
**Oxbow Lions Club**  
Effective Date: July 1, 2020

Jane Doe  
Oxbow Lions Club  
2015 Oxbow Avenue  
Oxbow, MN 55555

Issued by:  
Minnesota Gambling Control Board  
1711 W. County Road B  
Roseville, MN 55113

## Premises Permit Application

### LG214 Premises Permit Application; Term of Permit; Fee

This application requires specific information about the gambling premises and the type of activity an organization plans to conduct at the premises.

- **Limit.** There is no limit on the number of premises permits an organization may have.
- **Same site.** There is no limit on the number of organizations conducting gambling at a site.
- **Additional permits.** Additional premises permits may be applied for at any time.
- **Electronic game devices.** The number of electronic pull-tab and electronic linked bingo devices available for play at each site is limited to:
  - Six of each at sites with less than 200 seats.
  - Twelve of each at sites with 200 or more seats.
  - Fifty of each at sites where the primary business is bingo and the site seats at least 100 people.

Seating capacity is determined by the fire marshal and is posted at each site.

- **Dispensing devices limited.** Pull-tab dispensing devices are limited to three at a premises for all organizations combined.
- **Table limits.** Paddlewheel tables are limited to two at a premises for all organizations combined.
- **Term of permit.** The term of a premises permit is concurrent with the organization’s license and is perpetual (no renewal application required) unless the permit is suspended or revoked by the Board or otherwise terminated by the organization.
- **Fee.** The fee for a premises permit is \$150. Premises permit fees are not prorated, refundable, or transferable.

Each year thereafter, the Board will send the CEO a notice of the annual fee (\$150) due for each premises permit.

Note: Local gambling ordinances may affect an organization’s conduct of lawful gambling. The city or county may have restrictions on gambling within its jurisdiction.

### Local Unit of Government—Approval

**Local approval** Before the Gambling Control Board can issue a premises permit, the local unit of government where the premises is located (city or county) must give prior approval of the application.

To give prior approval, the local unit of government must:

- record, on the application form, the date the application was approved by resolution;
- record, on the application form, the resolution number; and
- sign and date the application.

The approval must be within 90 days of the date that the Gambling Control Board receives the application.

**Investigation fee** A city or county may charge an investigation fee:

- when an organization applies for the initial premises permit, and
- annually on organizations conducting lawful gambling at a site within its jurisdiction.

The fee may not exceed these limits:

- \$500—for cities of the first class
- \$250—for cities of the second class
- \$100—for all other cities
- \$375—for counties

The city or county may not charge an investigation fee if they impose a local gambling tax.

<b>Premises Permit Application</b> (continued)	
<b>LG215 Lease for Lawful Gambling Activity</b>	
<b>Leased sites—use LG215 lease form</b>	<ul style="list-style-type: none"> <li>• For leased sites, submit the LG215 Lease for Lawful Gambling Activity for activity involving electronic games, pull-tabs, pull-tab dispensing devices, tipboards, bingo, and paddlewheels.</li> <li>• Most “meat raffles” are the conduct of tipboards or paddlewheels and require a lease (LG215).</li> <li>• No lease is required for raffle-only activity.</li> </ul>
<b>Lease term</b>	The terms of the lease run concurrent with the premises permit, meaning that it is perpetual (no renewal application required) until terminated by the lessor, organization, or the gambling manager. Lease terms are negotiated between the organization and lessor using Form LG215 Lease for Lawful Gambling Activity.
<b>Lease for premises wholly leased for organization activities</b>	<p>If an organization currently leases an entire premises for the organization’s activities and is now applying for a premises permit to conduct lawful gambling there, the organization must submit both of the following:</p> <ul style="list-style-type: none"> <li>• a copy of the original lease between the organization and the lessor, and</li> <li>• a copy of the gambling lease (LG215).</li> </ul> <p>The space to be rented for gambling must have been specifically excluded from the original lease agreement between an organization and the lessor.</p>
<b>Owned premises</b>	<ul style="list-style-type: none"> <li>• If an organization owns the gambling premises, no lease is required.</li> <li>• If an organization owns the gambling premises and has a holding company, the organization may not pay rent to its holding company for gambling activities.</li> </ul>
<b>Lease: Rent is All-Inclusive</b>	
<p>Amounts paid as rent by an organization to the lessor are all-inclusive unless approved by the director of the Gambling Control Board.</p> <p>No other services or expenses provided or contracted by the lessor may be paid by an organization, including but not limited to:</p> <ul style="list-style-type: none"> <li>• trash removal</li> <li>• janitorial and cleaning services</li> <li>• snow removal</li> <li>• lawn services</li> <li>• electricity</li> <li>• heat</li> <li>• security, security monitoring</li> <li>• storage</li> <li>• other utilities or services</li> </ul> <p>In bar operations, the lessor must reimburse the organization for any cash shortages.</p> <p>When using a <b>pull-tab dispensing device in a bar operation:</b></p> <ol style="list-style-type: none"> <li>1. the lessor is responsible for cash shortages relating to the redemption of tickets, and</li> <li>2. an organization is responsible for cash shortages caused by malfunctions of the dispensing device.</li> </ol> <p style="text-align: center;">For compensation restrictions, refer to the <i>Allowable Expenses</i> chapter.</p>	

## Premises Permit Application (continued)

### Lease: Rent Limits for Gambling Activity

For activity involving electronic games, pull-tabs, pull-tab dispensing devices, tipboards, and paddlewheels, rent is based on the following.

#### “Does your organization OR any other organization conduct gambling from a booth operation at this location?”

**If the answer is yes**, rent for booth operations is based on the following:

- Up to 10% of gross profits (net after prizes) with a cap (maximum) of \$1,750 paid per month.
- Up to 15% of gross profits (net receipts) for electronic games, if the lessor sells from the bar even if there’s a booth.

**If the answer is no**, rent for a bar operation is based on the following:

- Up to 20% of gross profits (net after prizes), with no rent cap (excluding electronic games).
- Up to 15% of gross profits (net receipts) for electronic games, with no rent cap.

If one organization has a booth op and another organization has a bar op at the same site, the rent limit for booth ops applies to both organizations.

The maximum rent allowed may not exceed \$1,750 in total per month for all organizations at the site/premises (excluding any additional rent included for electronic games conducted by the lessor).

For lease purposes, a **booth operation** (booth op) is where some or all sales of gambling equipment are conducted by an employee or volunteer of a licensed organization at a premises the organization leases.

For lease purposes, a **bar operation** (bar op) is where all sales of gambling equipment is conducted by the lessor or lessor’s employee.

### Lease: Bar Bingo

Although no rent may be paid for a bar bingo occasion, a lease is required.

To conduct bar bingo, the premises must serve intoxicating liquor or 3.2% malt beverages, and at least one other form of gambling must be conducted at the site.

### Lease: Rent Limits for Bingo

Bingo and all other gambling activities conducted during a bingo occasion are subject to one of the following rent limits:

- not more than 10% of the monthly gross profit from all lawful gambling activities held during bingo occasions, excluding bar bingo; **or**
- at a rate based on a cost per square foot not to exceed 110% of a comparable cost per square foot for leased space as approved by the director of the Gambling Control Board.

Bingo rent payments may not be determined by the number of participants attending a bingo occasion.

## Lessor Restrictions and Requirements

The information below describes the restrictions imposed on the lessor by rule and statute and is contained in the lease form provided by the Gambling Control Board.

<b>Management by owner or lessor prohibited</b>	The owner or lessor of the premises may not manage the conduct of lawful gambling at the premises.
<b>Lessor may not impose restrictions on gambling equipment or LPE</b>	The lessor may not impose restrictions on an organization with respect to providers (distributors or linked bingo game providers) of gambling-related equipment and services or in the use of net profits for lawful purposes.
<b>Illegal gambling prohibited</b>	<ul style="list-style-type: none"> <li>• The lessor is aware of the prohibition against illegal gambling in Minnesota Statutes, Section 609.75, and the penalties for illegal gambling violations in Minnesota Rules, Part 7865.0220, subpart 3.</li> <li>• The lessor must not modify or terminate a lease in whole or in part because an organization reported to a state or local law enforcement authority or to the Gambling Control Board the conduct of illegal gambling activity at the site in which an organization did not participate.</li> </ul>
<b>Access to premises required</b>	<p>The lessor must provide the organization access to the permitted premises during any time reasonable and necessary to conduct lawful gambling on the premises and as agreed upon in the lease.</p> <p>The lessor must allow the Gambling Control Board and its agents, the commissioners of Public Safety and Revenue and their agents, and law enforcement personnel to inspect the premises at any reasonable time during business hours of the lessor.</p>
<b>Participation as player prohibited</b>	<p>The lessor may not participate as a player in the conduct of gambling on the leased premises.</p> <p>For information pertaining to the lessor's immediate family and lessor's employees, refer to the "<i>Who May Participate in Lawful Gambling</i>" information on page 20.</p>
<b>Lessor records required</b>	<p>The lessor must maintain a record of all money received from the organization, and make the record available to the Board and its agents, and the commissioners of Revenue and Public Safety and their agents, upon demand.</p> <p>The records must be maintained in a secured area, not susceptible to flooding, for 3-1/2 years.</p>
<b>Lessor may not require an organization to perform violations of statute and rule</b>	<ul style="list-style-type: none"> <li>• The lessor, any person residing in the same household as the lessor, the lessor's immediate family, and any agents or employees of the lessor may not require an organization to perform any action that would violate statute or rule.</li> <li>• The lessor must not modify or terminate the lease in whole or in part due to the lessor's violation of this provision.</li> <li>• If there is a dispute as to whether a violation occurred, the lease will remain in effect pending a final determination by the Compliance Review Group (CRG) of the Gambling Control Board.</li> <li>• The lessor agrees to arbitration when a violation of this provision is alleged. The arbitrator is the CRG.</li> </ul>

**State of Minnesota  
Gambling Control Board**

**Who May/May Not Play**

	Paper Pull-Tabs	Electronic Pull-Tabs	Tipboards	Raffles	Paddle-wheels	Paper Bingo	Electronic Linked Bingo
Gambling Manager	NO	NO	NO	NO	NO	NO	NO
Gambling Manager Immediate family (spouse, child, parent, sibling)	YES	YES	YES	YES	YES	YES	YES
Persons involved in conduct <sup>1</sup> of pull-tabs, tipboards, paddlewheels, and electronic linked bingo <sup>2</sup>	While working: NO	NO	NO	YES	NO	NO	NO
	While not working: NO	NO	NO	YES	NO	YES	NO
Persons involved in conduct <sup>1</sup> of paper bingo or hard card bingo if not working that occasion	YES	YES	YES	YES	YES	YES	YES
Volunteers involved in mini-paddlewheels/tipboards (32 numbers or less) if not working that day	YES	YES	YES	YES	YES	YES	YES
Lessor of premises	NO	NO	NO	NO	NO	NO	NO
Lessor immediate family (spouse, child, parent, sibling)	NO	NO	NO	YES	NO	YES <sup>3</sup>	NO
Persons under age 18 <sup>4</sup>	NO	NO	NO	NO	NO	NO	NO

<sup>1</sup> "Conduct" includes selling or redeeming any games or equipment; auditing games or handling money; spinning a paddlewheel; conducting inventory verification; completing bingo occasion records; and selecting or announcing bingo numbers.

<sup>2</sup> Restriction in effect until two weeks after no longer involved in conduct.

<sup>3</sup> If not involved in the conduct of lawful gambling during the bingo occasion.

<sup>4</sup> Persons under age 18 may not participate in any form of lawful gambling, with the following exceptions:

- a. A person under 18 may sell raffle tickets.
- b. A person under 18 may play paper bingo ONLY if accompanied by a parent or guardian and if the event is exempt or excluded from licensing, or part of an annual community event.

**Your organization may impose additional restrictions in its House Rules.**

**Questions? Call 651-539-1903 to speak with a Compliance Specialist.**

**Minnesota Gambling Control Board  
1711 West County Road B, Suite 300 South  
Roseville, MN 55113  
651-539-1900  
www.mn.gov/gcb**

<b>Reporting Premises Permit Changes</b>	
<p>Organizations are required to submit to the Gambling Control Board changes in their premises permit information, which include:</p> <ul style="list-style-type: none"> <li>• Discontinuation of gambling at the permitted premises.</li> <li>• Changing the gambling bank account, including bank name changes.</li> <li>• Changes to off-site storage.</li> </ul> <p>The LG1017 Reporting Premises Permit Changes must be completed and submitted to the Gambling Control Board within ten days of the change.</p> <p>The form is available at <a href="http://www.mn.gov/qcb">www.mn.gov/qcb</a> or from the Gambling Control Board.</p>	
<b>Reporting Other Premises Permit Changes</b>	
<b>Other changes that must be reported for premises permits. Do not submit LG1017 for the changes listed below.</b>	
<b>Changes in lease</b>	Submit a new LG215 Lease for Lawful Gambling Activity ten days <b>before</b> the effective date of the change.
<b>Moving a site</b>	<p><b>Transfer of a premises permit is not allowed.</b> Because premises permits are issued for a specific address, a permit may not be transferred from one location to another for the conduct of gambling.</p> <p><b>Stop gambling.</b> If gambling will be moved to a new location/address, an organization may not conduct gambling at the new location/address until a new premises permit is received from the Gambling Control Board.</p> <ul style="list-style-type: none"> <li>• Submit an LG214 Premises Permit Application.</li> <li>• Refer to the LG214 application form for instructions.</li> </ul>
<b>New owner of site</b>	Submit a new LG215 Lease for Lawful Gambling Activity within <b>ten days</b> after the new lessor has assumed ownership.
<b>New site added</b>	<ul style="list-style-type: none"> <li>• Submit an LG214 Premises Permit Application for each address.</li> <li>• Refer to the LG214 application form for instructions.</li> <li>• Gambling may not be conducted until a premises permit is received from the Gambling Control Board for the new site.</li> </ul>
<b>Off-site activity</b>	<ul style="list-style-type: none"> <li>• Submit an LG230 Application to Conduct Off-Site Gambling. There is no cost for this permit.</li> <li>• Refer to the LG230 application form for instructions.</li> </ul>

## Off-Site Permit

A licensed organization may apply to conduct lawful gambling on premises other than the organization’s permitted premises for **12 events per calendar year, not to exceed three days per event.**

### LG230 Application to Conduct Off-Site Gambling

**Permit needed** A licensed organization may conduct off-site activity if the organization has:

- submitted an application; and
- received a permit from the Gambling Control Board.

**Application information** The LG230 application requires information on the date, location, and type of gambling to be conducted for an off-site activity.

**Lease information.** Even if no rent is paid, a lease agreement is required, including government-owned property such as fire halls, city parks, etc. The lease agreement information is contained within the application form itself, so a separate lease form is not required.

The lease information includes:

- amount of rent to be paid, even if \$0;
- all obligations and agreements between the lessor and the organization; and
- name and signature of the lessor.

A lease agreement is not required if:

- the organization owns the premises where gambling activity will be conducted; or
- the organization is only conducting a raffle. NOTE: Tipboard and paddlewheel “meat raffles” require a lease.

**Fee.** There is no application fee, as a fee for an off-site permit may not be imposed by the Board, a city, or a county.

**Local approval** Before the Gambling Control Board can issue an off-site permit, the local unit of government where the premises is located (city or county) must give prior approval of the application.

To give prior approval, the local unit of government must:

- record, on the application form, the date the application was approved by resolution;
- record, on the application form, the resolution number; and
- sign and date the application.

The approval must be within 90 days of the date that the Gambling Control Board receives the application.

### Receipts from Off-Site Activity

Receipts from an off-site activity must be:

- deposited in the organization’s gambling account; and
- reported on a separate LG100A using site number 999.

## Consent Form (Electronic Pull-Tabs or Bar Bingo)

**Electronic Pull-Tabs without Paper Pull-Tabs.** Generally, organizations that conduct electronic pull-tabs at a site are required to also conduct paper pull-tabs at that site. If this is true for your organization, no consent form is required. However, your organization may conduct electronic pull-tabs at a site without having to also conduct paper pull-tabs if consent is obtained from the organization already conducting paper pull-tabs at the site.

**Bar Bingo without Another Form of Lawful Gambling.** Generally, organizations that conduct bar bingo at a site are required to also conduct another form of gambling at that site. If this is true for your organization, no consent form is required. However, your organization may conduct bar bingo at a site without having to also conduct another form of lawful gambling if consent is obtained from the organization already conducting another form of lawful gambling at the site.

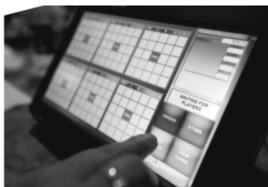
**Written Consent.** Submit written consent with your premises permit application. The consent form below is provided for convenience; however, any written consent will meet the requirement.

<b>Consent Form</b>	
Organization A listed below consents to Organization B conducting electronic gambling and/or bar bingo at the premises.	
Organization A:	Organization B*:
Name and Address of Permitted Premises:	
Premises Permit Number:	Effective Date of Consent:
Circle One or Both: <div style="text-align: center; margin-top: 10px;">Electronic Pull-Tabs and/or Bar Bingo</div>	
_____ Chief Executive Officer (CEO) Signature, Organization A	
_____ Print Name	
Date: _____	
* Organization B: Provide the signed written consent to the Gambling Control Board with your premises permit application.	
This form is provided for convenience, but any written consent is accepted.	<i>Minnesota Gambling Control Board</i> 7/1/15 - 4

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# ELECTRONIC GAMES

This chapter contains information on the conduct and reporting of electronic pull-tabs and electronic linked bingo.



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<b>Common Terms</b>	
<b>Bar op (electronic games)</b>	Method of selling electronic pull-tabs or electronic linked bingo devices at a leased premises by the lessor or lessor's employee from the common area where food and on-sale or off-sale of intoxicating liquor or 3.2% malt beverages are sold.
<b>Booth op (electronic games)</b>	Method of selling electronic pull-tabs or electronic linked bingo devices by an employee or volunteer of a licensed organization from a separate enclosure (in an owned or a leased premises) that is distinct from areas where food and beverages are sold.
<b>Cash out</b>	Cash out is redeeming credits on an electronic pull-tab or electronic linked bingo device to zero credits.
<b>Electronic game cash on hand</b>	Electronic game cash on hand is the total amount of cash and money orders in the cash drawer used for electronic pull-tabs or electronic linked bingo.
<b>Electronic game occasion</b>	<ul style="list-style-type: none"> <li>• Electronic games may be played from 8:00 a.m. to 2:00 a.m. CST, and all play during this period is considered an electronic game occasion for reporting purposes.</li> <li>• There is no limit on the number of games that may be conducted during an electronic game occasion.</li> </ul>
<b>Electronic game system</b>	All components in electronic, computer, mechanical, or other technologic form that function together to support the play of one or more electronic pull-tab games and electronic linked bingo games.
<b>Electronic linked bingo device</b>	<ul style="list-style-type: none"> <li>• Handheld, portable electronic device used to play an electronic linked bingo game that is linked with other permitted premises allowing play against other bingo players.</li> <li>• Requires coded entry to activate play but does not allow the use of tickets, tokens, coins, currency, or other cash equivalent to be inserted to activate play.</li> </ul>
<b>Electronic linked bingo gross receipts</b>	The value of credits wagered on electronic linked bingo games.
<b>Electronic linked bingo net proceeds at premises</b>	The difference between the electronic linked bingo gross receipts and the electronic linked bingo prizes awarded at the premises.
<b>Electronic linked bingo net receipts</b>	The difference between the electronic linked bingo gross receipts and the electronic linked bingo prizes paid.
<b>Electronic linked bingo prizes awarded at premises</b>	The value of credits awarded at the premises for electronic linked bingo prizes.
<b>Electronic linked bingo prizes paid</b>	The portion of the linked bingo prize pool that is allocated to an organization's electronic linked bingo gross receipts at a premises.
<b>Electronic net value of credits or electronic net</b>	The dollar value difference between the credits purchased during an electronic game occasion and the credits redeemed at the premises during the electronic game occasion.

## Common Terms (continued)

<b>Electronic pull-tab device</b>	<ul style="list-style-type: none"> <li>• Handheld, portable electronic device used to play electronic pull-tab games.</li> <li>• Requires coded entry to activate play but does not allow the use of coin, currency, tokens, or other cash equivalent to be inserted to activate play.</li> <li>• Requires player to activate or open each electronic pull-tab ticket and each individual line, row, or column of each ticket.</li> <li>• Maintains credit play accumulated that may be applied to games in play or redeemed upon termination of play.</li> <li>• May incorporate an amusement game feature as part of a game, but may not require additional consideration for that feature, or award any prizes or other benefit for that feature.</li> </ul>
<b>Electronic pull-tab game</b>	<ul style="list-style-type: none"> <li>• Contains predetermined number of winning and losing tickets, not to exceed 7,500 tickets.</li> <li>• Contains an electronic game flare that displays game name, form number, predetermined number of tickets in the game, and prize tier.</li> <li>• Price of each ticket may not be less than .25¢ and may not exceed \$5.</li> <li>• Tickets from up to two deals of the same form number and ticket price may be commingled.</li> <li>• Form number and serial number is listed on each ticket.</li> </ul>
<b>Electronic pull-tab gross receipts</b>	The value of credits wagered on electronic pull-tab games.
<b>Electronic pull-tab net receipts</b>	The difference between the electronic pull-tab gross receipts and the electronic pull-tab prizes awarded.
<b>Electronic pull-tab prizes awarded at premises</b>	The value of credits added to an electronic device at the premises for electronic pull-tab game prizes.
<b>Electronic pull-tab prizes paid</b>	The total electronic pull-tab prizes paid in cash at a premises and any electronic pull-tab prizes paid by check.
<b>House rules</b>	House rules, developed by your organization, are rules that govern the conduct of lawful gambling. They are posted in close proximity to the point-of-sale system and must be visible at the point of sale.
<b>Point-of-sale (POS) station</b>	<ul style="list-style-type: none"> <li>• On-site computer or system used to communicate with devices using a secure wi-fi connection.</li> <li>• Seller assigns cash credits to devices using the point-of-sale system.</li> </ul>
<b>Total value of credits purchased</b>	The value of electronic game credits purchased by the player from the seller.
<b>Total value of credits redeemed</b>	The value of credits on an electronic game device when it is returned to the seller to cash out.
<b>Unredeemed credits</b>	The value of credits available for play on an electronic pull-tab or electronic linked bingo device.

## Conducting Electronic Pull-Tab Games

For information on who may and may not participate in lawful gambling, see Chapter 3, page 20.

Electronic pull-tabs are played similarly to paper pull-tabs. A player buys a ticket with one or more windows concealing symbols. The player opens the window or windows to determine whether the symbols on the ticket match the winning symbols as listed on the game flare.

Although electronic pull-tab games play in almost the same way, there are some differences in the way electronic pull-tab games are conducted.

- There are no paper pull-tab tickets to count, deface, or store.
- A player pays cash to a seller who then puts cash credit on a handheld device.
- The devices “communicate” with an on-site point-of-sale (POS) system using a secure wi-fi connection.
- The player uses the cash credit on the device to purchase electronic pull-tab tickets one at a time.
- A single cash drawer, similar to the cash register system currently allowed for paper pull-tabs, is used for all electronic games in play.
- Deposits for electronic gambling net receipts at a premises are required within four business days when:
  - the cumulative total net receipts reach \$2,000, and
  - after the close of business on the last day of each month but before the start of business of the next month.
- Winning electronic tickets are redeemed instantly by automatically adding cash credit to the handheld device.
- A prize receipt form is required when cashing out credits of \$600 or more on an electronic pull-tab device.
- A winner verification form is required for individual electronic progressive pull-tab prizes (and for linked bingo prizes) of \$600 or more.
- Money is paid to players only when the device is returned with a cash credit balance.

### Purchasing Electronic Pull-Tab Games

- Electronic pull-tab games are ordered from a licensed distributor in the same way as paper pull-tabs, but are “delivered” to the site electronically as determined by the licensed organization and distributor.
- The actual purchase is made as each game is made available for play on the electronic devices. Payment is based on a percentage of the game’s actual net receipts.
- The distributor will provide your organization with an invoice by the 10th day of the month that includes the following information for the previous month’s electronic activity:
  - Gross receipts.
  - Prizes awarded.
  - Prizes paid by check.
  - Net Receipts.
  - Electronic fees.
  - Electronic bingo prizes payable.
  - The GCBReports line numbers where the amounts are to be reported on the organization’s monthly reports to the Board.

### Obtaining Electronic Pull-Tab Equipment and Handheld Devices

- The POS system, handheld devices, and other equipment needed to conduct electronic pull-tab games are provided by or leased from a licensed distributor.
- For leased premises, the cost of the internet access and equipment necessary to bring the secured network link needed to operate the electronic pull-tab system must be paid by the lessor.

## **Conducting Electronic Pull-Tab Games** (continued)

### **Use of Electronic Pull-Tab Devices and Limits**

The use of electronic pull-tab devices are allowed for play at permitted premises:

- where on-sale liquor or 3.2% beer is sold;
- where the organization also sells paper pull-tabs at the site; or
- where an organization has consent from an organization already selling paper pull-tabs at the site.

Electronic pull-tabs may not be conducted between the hours of 2:00 a.m. and 8:00 a.m. CST

The number of electronic pull-tab devices available for play at each site is limited to:

- six at sites with less than 200 seats;
- twelve at sites with 200 or more seats; and
- fifty at sites where the primary business is bingo (bingo hall) and the site seats at least 100 people. Seating capacity is determined by the fire marshal and is posted at each site.

### **Electronic Pull-Tab Game Requirements**

- 25¢ minimum ticket price.
- \$5 maximum ticket price (same as paper pull-tabs).
- Prize limits are the same as for paper pull-tabs.
- 7,500 ticket maximum per deal.
- Electronic pull-tab games may be commingled. (Tickets from two deals of the same form number and ticket price are electronically "mixed" together. When a player purchases a ticket, it is randomly selected from either of the commingled deals.)
- The form number and serial number is listed on each ticket purchased.

### **Electronic Portal Access**

The electronic reporting portal must be secured and only available to the following individuals using a unique identifying username and password:

- The organization's gambling manager.
- Authorized organization members who are not sellers.
- The organization's accountant.
- The licensed distributor.

### **Closing Electronic Games**

Some electronic pull-tab games have an automatic game close feature. For these games, the organization's gambling manager may choose this feature before putting games into play. This feature is an automatic program that applies chosen parameters, selected by the gambling manager, that are used to determine whether to close a game in play.

- The parameters may trigger a game to close during or after business hours, OR
- The organization's gambling manager may choose to close electronic pull-tab games manually. This feature allows a gambling manager or authorized organization member to close a game and permanently end ticket sales for that game.

Regardless of whether you select manual or automatic electronic closing, electronic pull-tab game systems allow the gambling manager or authorized individuals the option to close games early.

## **Conducting Electronic Pull-Tab Games** (continued)

### **Sales to Players**

- Each seller must login to the point-of-sale (POS) system using his or her unique login credentials. (Personal identification codes and passwords may not be shared or used by others. Generic IDs such as "cashier" or "bar" are prohibited.)
- Sellers must verify that the player is 18 or older.
- The player gives cash to the seller for the amount of cash credit the player would like loaded on the handheld device.
- The seller documents the cash received in the POS station, loads the electronic device with the appropriate credits, and provides the player the electronic device.

### **Using a Handheld Device to Purchase Electronic Pull-Tabs**

- The player selects an electronic pull-tab game from a list of games currently in play.
- The player is able to view game flare information.
- When the player purchases a ticket, the cash credit amount goes down.
- When the player wins, the cash credit increases.

### **House Rules**

- The minimum size for the house rules sign is 11" x 17". The house rules governing the conduct of lawful gambling must be clearly visible at the point of sale. The house rules must include all policies of your organization that affect the play of the game, including any restrictions in addition to those imposed by Minnesota Statutes, Section 349.181, on who may participate in the conduct of lawful gambling at the premises.
- For electronics, your house rules must state that your organization may remove a device from play that has not been in active mode for a specified period of time (determined by your organization).
- Your house rules should also state that each player is limited to the use of one device at a time.
- The house rules for electronics may include items such as:
  - Cash only. Money orders, cashier's checks, and travelers checks may be accepted. Checks, credit cards, or debit cards not accepted.
  - A player must have a driver's license or government-issued picture ID to check out and play an electronic pull-tab device and to redeem credits of \$600 or more.
  - The organization reserves the right to refuse service for disruptive or offensive behavior.

### **"Cashing Out" Electronic Pull-Tab Devices**

- If cash credit remains on the device when the player discontinues playing, the player brings the device to the seller. The seller then pays the player for the value of the cash credit on the device.
- A prize receipt is required for cashing out \$600 or more. This amount is per cash out and not cumulative of a person's winnings throughout the day.
- For electronic progressive pull-tab prizes of \$600 or more:
  - The organization has the winner complete a winner verification form.
  - The organization furnishes the winner with applicable federal and state tax forms, if any, and collects completed federal and state tax forms, if any.
  - After withholding tax, if applicable, the organization processes payment
  - The winner is paid by check, cash or combination of check and cash within four business days of receipt of required documentation.
  - The organization maintains documentation for 3-1/2 years.
- If a handheld device has any cash credits remaining on it that were not redeemed by the end of the day's activity, the unredeemed cash credits revert to the organization.

# Conducting Electronic Pull-Tab Games (continued)

Winner Verification Form

WINNER VERIFICATION FORM — Complete in ink. Staple winning bingo card, if any, to this form.		
Organization name, address, city, state, zip	Date and time (a.m./p.m.)	Value of prize \$
<input type="checkbox"/> Electronic linked bingo prize of \$600 or more <input type="checkbox"/> Linked bingo prize of \$600 or more <input type="checkbox"/> Progressive electronic pull-tab prize of \$600 or more		
Site name, address, city, state, zip	Receive prize via (please check one)* <input type="checkbox"/> ACH <input type="checkbox"/> Check	
For ACH only:		
Bank Name		
Routing #		
Account #		
Game name:	Serial #:	
<b>RECEIVED BY</b>		
Name (print)		
Address	Phone #	
City, state, zip		
Driver's license number or ID# from other picture identification	State	
<i>I certify that I am of legal age to claim this prize (age 18 or older); I am an eligible participant not involved in the conduct of lawful gambling pursuant to Minnesota Rules, Part 7861.0260, subpart 1, item C, and Minnesota Statutes, Section 349.181, subdivisions 3-5; I am not claiming this prize on behalf of another person; and all applicable winnings will be reported. I certify the information provided is true and correct, and I am not claiming this prize by means of fraud, deceit, or misrepresentation, under penalty pursuant to Minnesota Statutes, Section 609.763.</i>		
Winner's signature, in ink	Seller's signature, in ink	
PREPARED BY THE MINNESOTA GAMBLING CONTROL BOARD (LG0008 7/19)		

Prize Receipt Form

PRIZE RECEIPT FORM Complete in ink. Staple winning ticket, and winning seal, if any, to prize receipt.*		
Organization name	Date and time (a.m./p.m.)	Value of prize \$
Name of game		
<input type="checkbox"/> Bingo \$100+ <input type="checkbox"/> Electronic device credits \$600+ <input type="checkbox"/> *Tipboard \$100+ <input type="checkbox"/> *Paddlewheel \$100+ <input type="checkbox"/> *Paper pull-tab \$100+ <input type="checkbox"/> *Last sale prize \$20 or more <input type="checkbox"/> Bingo alternative prize \$ _____		
Site location	Game serial number	
<b>RECEIVED BY</b>		
Name (print)		
Address		
City, state, zip		
Driver's license number or ID# from other picture identification	State	
Winner's signature, in ink	Seller's signature, in ink	
PREPARED BY THE MINNESOTA GAMBLING CONTROL BOARD (LG0007 7/16)		

## Conducting Electronic Pull-Tab Games (continued)

### Depositing Electronic Game Income

After the close of business on the last day of each month, organizations are required to separate the electronic game starting cash bank amount from the total amount of cash in the electronic game cash drawer. The amount in excess of the starting cash bank amount must be placed in a safe and deposited within four business days.

- For example, if the site's starting cash bank amount for electronic games was \$2,000, and the total amount in the electronic game cash drawer at the close of business on July 31 was \$3,118, the organization must place \$1,118 ( $\$3,118 - \$2,000 = \$1,118$ ) in a separate envelope or pouch and store that money in the organization's safe. Within four business days of August 1, the \$1,118 must be deposited into the organization's gambling account.
- This procedure will allow you to easily track the electronic game cash received but not deposited for each month. Be sure that the amount reported on your LG100F Lawful Gambling Fund Reconciliation, line 6, is accurate and matches the amount in your safe pending deposit. Many organizations overstate their "cash received but not deposited" amount in order to get their profit carryover to reconcile with their bank balance. That's why it's important to double-check this amount for accuracy before submitting monthly GCBReports file.

Any time during the month that your cumulative "electronic net" (the dollar value difference between the credits purchased during an electronic game occasion and the credits redeemed at the premises during the electronic game occasion) reaches or exceeds \$2,000, you are required to make an electronic game deposit within four business days bringing the cash bank back to the original starting cash bank amount.

- For example, if the site's starting cash bank for electronics was \$2,000, and the total amount in the electronic game cash drawer at the close of business on July 15, was \$4,138, the organization must initiate a deposit of \$2,138 ( $\$4,138 - \$2,000 = \$2,138$ ). These funds must be deposited into the organization's gambling account within four business days of July 15.
- Remember that regardless of the number of deposits made during the month, you'll always make a deposit (within four business days of the first of the month) of whatever amount is in the electronic game cash drawer less the starting cash bank amount after the close of business on the last day of the month.

## Conducting Electronic Linked Bingo Games

Electronic linked bingo is played on a handheld and portable electronic device linked to participating sites throughout the state that allows players to participate simultaneously for a statewide progressive jackpot. Games are operated by a licensed "linked bingo game provider". Although electronic linked bingo games play in similar ways to regular bingo games, there are some differences in the way the electronic games are conducted.

- New games may start continuously.
- There are no paper bingo sheets to count, deface, or store.
- A player pays cash to a seller who then loads cash credit on a handheld device.
- The devices "communicate" with an on-site POS system using a secure wi-fi connection.
- The player uses the cash credit on the device to purchase electronic bingo cards, limited to 36 faces per game.

## Conducting Electronic Linked Bingo Games (continued)

- A single cash drawer, similar to the cash register system currently allowed for paper pull-tabs, is used for all electronic games in play.
- Deposits for electronic gambling net receipts at a premises are required within four business days when:
  - the cumulative total net receipts reach \$2,000, and
  - after the close of business on the last day of each month but before the start of business of the next month.
- Licensed organizations conduct electronic linked bingo on behalf of the linked bingo game provider and receive an allocated share of the linked bingo game provider's overall net receipts.

### Obtaining Electronic Linked Bingo Equipment and Handheld Devices

- The POS system, handheld devices, and other equipment needed to conduct electronic linked bingo games are provided by or leased from a licensed distributor contracted through the linked bingo game provider.
- For a leased premises, costs of the internet access and equipment necessary to bring the secured network link needed to operate the electronic linked bingo system must be paid by the lessor.

### Sales to Players

- Each seller must login to the POS system using his or her unique login credentials. (Personal identification codes and passwords may not be shared or used by others. Generic IDs such as "cashier" or "bar" are prohibited.)
- Sellers must verify that the player is 18 or older.
- The player gives cash to the seller for the amount of cash credit the player would like loaded on the handheld device.
- The seller documents the cash received in the POS station, loads the electronic device with the appropriate credits, and provides the player the electronic device.

### Using a Handheld Device to Purchase Electronic Linked Bingo Cards

- Player is able to view bingo game information.
- When player purchases a bingo card, cash credit amount goes down.

### "Cashing Out" Electronic Linked Bingo Devices

- Prizes of less than \$600 are paid instantly by automatically adding cash credit to the handheld device.
- A prize receipt form is required for cashing out a device with \$600 or more in credits.
- A winner verification form is required for individual prizes of \$600 or more:
  - The winner completes the winner verification form.
  - The organization furnishes the winner with applicable federal and state tax forms, and collects completed federal and state tax forms, if any.
  - The organization provides the electronic linked bingo game provider with the completed winner verification form.
  - The winner is paid by check directly from the linked bingo game provider within three business days of verification of the winning bingo.
  - The organization maintains documentation for 3-1/2 years.
- If a handheld device has any cash credits remaining on it that were not redeemed by the end of the day's activity, the unredeemed cash credits revert to the organization.

## Monthly Reporting of Electronic Games

### Starting Cash Banks

#### If Lessor Provides Start Bank:

- The lessor may provide the starting cash bank if electronic games are sold by the lessor or the lessor's employees. The organization's gambling manager should work with the lessor to determine the appropriate bank amount. A typical starting cash bank amount for electronic pull-tabs is \$2,000.
- The lessor is responsible for having sufficient cash on hand to pay players for the cash credit amounts on all returned electronic game devices.

#### If Organization Provides Start Bank:

- The organization is responsible for having sufficient cash on hand to pay players for the cash credit on all returned electronic game devices.
- It's recommended that the organization maintain a reserve start bank in a safe located at the site. If necessary, these funds can be used to replenish the start bank at the end of the day's activity when the ending cash balance is lower than the starting cash bank amount.
- If a reserve bank is maintained, the organization should keep a log of all funds taken from and returned to the reserve bank.

### Daily Records and Reports—Forms to Use

Complete and keep the following required forms:

- LG861e Daily Cash Bank Accounting for Electronic Pull-Tabs and Electronic Linked Bingo (if the organization provides the starting cash banks).
- Worksheet - Electronic Game Occasion Deposit (if the lessor provides the cash bank).

The LG861e is a required form for all organizations that conduct electronic pull-tabs or electronic linked bingo at sites where the organization provides the starting cash bank for these games. A tutorial with helpful information on completing the LG861e, used for both electronic linked bingo and electronic pull-tabs, is available by going to [www.mn.gov/qcb](http://www.mn.gov/qcb) (Quick Links, "Electronic game information", or "All Forms by Form Number", LG800 series for LG861e tutorial).

The LG861e is similar to the LG861 form used for each deal of paper pull-tabs in that it tracks the cash drawer amount at the beginning and end of each day. One line on the form is completed for each day that electronic games are conducted. At the beginning of the day, the seller counts the cash in the drawer and initials the form. The cash total should equal the ending cash bank amount from the previous day.

At the end of the day, the seller counts the cash and initials the form. The seller also then checks the electronic game point-of-sale system to obtain the day's electronic game net receipts. The cash and net receipts amounts are compared to determine the cash long or short for that day's activity. There are also columns to track money that is removed from the cash drawer for deposit, or added to the cash drawer to replenish the starting cash bank and document the initials of the person adding or removing funds.

Forms are available at [www.mn.gov/qcb](http://www.mn.gov/qcb) or from the Gambling Control Board.

## Monthly Reporting of Electronic Games (continued)

### Tracking Deposits and Cash Shortages

#### If Lessor Provides Start Bank

- At the end of each day, the lessor or a lessor's employee records the "Daily net from POS report" on Worksheet EGD, Electronic Game Deposits.
- The organization designates a person (may be an organization employee or volunteer, the lessor, or one of the lessor's employees) to deposit the cash.
- The amount deposited must equal the sum of the "Daily net from POS report" amount for the previous day or days (no cash shortages). Do not deposit amounts from a partial day's activity.
- The organization is able to monitor each day's net receipts remotely and compare these amounts to the cash deposited into the gambling account.

#### If Organization Provides Start Bank

- LG861e Daily Cash Bank Accounting for Electronic Pull-Tabs and Electronic Linked Bingo is used to track shortages and deposits.
- One line on the form is completed for each day's activity.
- A video tutorial on how to complete the LG861e (used for both electronic linked bingo and electronic pull-tabs) is available by going to [www.mn.gov/gcb](http://www.mn.gov/gcb) (Quick Links, "Electronic game information", or All Forms by Form Number, LG800 series for LG861e tutorial).
- The amount deposited must equal the sum of the "Cash from game proceeds" amount for the previous day or days. Do not deposit amounts from a partial day's activity.
- The organization designates a person (may be an organization employee or volunteer, the lessor, or one of the lessor's employees) to deposit the cash.

Contact your Compliance Specialist with any questions.

#### Frequency of Deposits

Deposits for electronic gambling net receipts at a premises are required within four business days of when the cumulative total net receipts reach \$2,000, and within four business days of the first day of the next month. Be sure to secure your cash in a safe until deposited. For more information refer to "Depositing Electronic Game Income".

#### Cash Long or Short:

- Cash Long or Short—Organization Provides Cash Bank. The total cash long or short taken from the LG861e Daily Cash Bank Accounting for Electronic Pull-Tabs and Linked Bingo is reported on the LG100A, Line 22.
- Cash Long or Short—Lessor Provides Cash Bank. There will be no cash long or short amounts. Deposits made during the month must equal each day's net receipts.

#### Electronic Pull-Tabs:

- Electronic Pull-Tab Provider Fees. These are amounts paid to a licensed distributor for providing electronic pull-tab games and equipment to your organization. Report these fees in the month they are paid on the LG100A, Line 19.

#### Electronic Pull-Tab Gross Receipts and Prizes:

- Gross Receipts and Prizes Paid. The organization will receive an invoice from the distributor showing the electronic pull-tab gross receipts and prizes for the month. The POS system will also provide this information. Report the gross receipts, prizes paid, and net receipts on the LG100A, Line 2.

#### Electronic Linked Bingo:

- Amount Owed to Linked Bingo Game Provider. The organization will receive an invoice from the linked bingo game provider showing the amounts owed/receivable for prizes awarded and the amount owed for the linked bingo game provider fee.
- Linked bingo game provider fees are reported in the month they are actually paid on the LG100A, Line 20.

## Monthly Reporting of Electronic Games (continued)

The linked bingo game provider establishes your organization’s share of the total prizes awarded as a set percentage of the gross receipts. For example, if your linked bingo game provider pays out 70% of its gross receipts in prizes and your site’s electronic linked bingo gross receipts for June was \$1,000, your site’s share of the total prizes awarded in June was \$700.

However, it’s very unlikely that your organization awarded exactly \$700 in electronic linked bingo prizes at your site during June. For example, let’s say that your organization only awarded prizes of \$500 at your site. At the end of June, you would owe the linked bingo game provider \$200 for your remaining portion of the total prizes.

On your June LG100A Lawful Gambling Receipts and Expenses by Site you would report your electronic linked bingo gross receipts of \$1,000 in Column A and your organization’s share of the linked bingo game provider’s prizes, \$700, in Column B.

Receipts and Prizes	A Gross Receipts	B Prizes	C Net Receipts
1 Paper pull-tabs			\$0.00
2 Electronic pull-tabs			\$0.00
3 Non-linked bingo			\$0.00
4 Linked bingo	\$1,000.00	\$700.00	\$300.00

### Reporting Prize Amount Owed to (or by) Linked Bingo Game Provider

Although you’ve just reported prizes of \$700 for June, you know from your month-end electronic linked bingo reports that your site only paid out prizes of \$500 during the month. The difference between the amount your organization paid out at your site (\$500) and your site’s share of the total prizes awarded (\$700) is reported on Line 13 of the LG100F for the month in which the activity occurred.

12 Total additions (sum of lines 5 through 11)		\$0.00
13 Linked bingo prize amount payable to (receivable from) linked bingo provider	\$200.00	
14 Receipts deposited from games still in play that are not included on an LG100A		

Your organization will reimburse (or be reimbursed by) the linked bingo game provider for the amount on the LG100F, Line 13, in the month after the prizes were awarded. In this example, you’ll reimburse the linked bingo game provider \$200 in July for June’s prizes. Once the amount has been reimbursed, it no longer needs to be reported on the LG100F (the \$500 in prizes paid to players and the \$200 reimbursed to the linked bingo game provider would then equal the \$700 prize amount reported on the LG100A).

### Reporting the Linked Bingo Game Provider Fee

The linked bingo game provider fee is calculated based on your site’s electronic linked bingo net receipts. This amount is reported on the LG100A for the month in which it is paid. The provider fee is paid in the month following the month in which the net receipts were incurred. In our example, you’d pay the provider fee for the month of June in July, and so you’d report the fee payment on July’s LG100A.

19 Electronic pull-tab provider fees	
20 Electronic linked bingo provider fees	\$60.00
21 Other miscellaneous allowable expenses not listed above	

Reporting the linked bingo game provider fee can be confusing because organizations typically pay the prize reimbursement amount (\$200) and the provider fee (\$60) with one transaction, often by electronic transfer. In this example, the organization would have transferred \$260 to the linked bingo game provider sometime in July. The \$60 provider fee is reported on the LG100A, Line 20, for July, while the \$200 reimbursement amount would have already been reported on the LG100F, Line 13, in June. No further reporting of the \$200 is required.

### Help with Reporting

If you have questions about completing these forms, please contact your Compliance Specialist at the Gambling Control Board.

## Electronic Game Reporting

Where Reported:	Get Information From:
LG100A, Lines 2 (Electronic pull-tabs) and 4 (Linked bingo).	LG861e, Daily Cash Bank Accounting for Electronic Pull-Tabs and Electronic Linked Bingo.
LG100A, Line 18 (Rent paid to lessors) — electronic games conducted exclusively by bar-op or exclusively by booth-op.	Point-of-sale (POS) monthly totals report.
LG100A, Line 18 (Rent paid to lessors) — electronic games conducted by both bar-op and booth-op.	Refer to check register and/or bank statement to determine payments made to distributor during month.
LG100A, Line 19 (Electronic pull-tab provider fees).	Refer to check register and invoices from linked bingo game provider to determine payments made during the month for provider fees.
LG100A, Line 20 (Electronic linked bingo game provider fees).	Completed LG216 Rent Calculation Worksheet.
LG100A, Line 22 (Cash long/short) — <u>organization</u> provides cash bank.	POS report of gross, prizes, and net receipts for each electronic game occasion, and LG216 Rent Calculation Worksheet.
LG100F, Line 13 (Linked bingo prize amount payable to or receivable from linked bingo provider).	Refer to invoices from linked bingo game provider to determine the prize contribution or refund amount for month being reported that was unpaid at month-end.

### Keep Your Game Records

Keep the LG861e for your records for at least 3-1/2 years following the month the income was reported on your LG100A.

Keep all records in a secured area (recommended not susceptible to flooding) for at least 3-1/2 years after the month in which the game was reported as closed on the Schedule B2.

## Common Questions Relating to Electronic Games

- Q. A bartender sells and redeems electronic pull-tabs and electronic linked bingo games from behind the bar. The site also has a pull-tab booth where organization employees sell paper pull-tabs only. Can the bartender play paper pull-tabs purchased from the pull-tab booth on days when she is not working?**
- A. No. By selling and redeeming electronic pull-tabs and electronic linked bingo games at the site, the bartender is involved in the conduct of gambling at the site. She is ineligible to play paper/electronic pull-tabs, linked bingo, tipboards or paddlewheel at the site at any time, whether sold from the pull-tab booth or from behind the bar.
- Q. An organization member regularly performs the month-end physical inventory of gambling equipment at the organization's wholly owned premises. The member is not compensated for performing this duty. This is the only gambling related conduct performed by the member. On the 20<sup>th</sup> of the month, the organization member won a \$5,000 electronic linked bingo prize while playing electronic games at the site. Was this member eligible to play electronic games at the site and were they eligible to claim the \$5,000 electronic linked bingo prize?**
- A. No. Organization members involved in the conduct of paper/electronic pull-tabs, linked bingo, tipboards or paddlewheels may not participate as a player of paper/electronic pull-tabs, linked bingo, tipboards or paddlewheels at the premises where they work. "Conduct" includes performing inventory counts of gambling equipment. The fact that the member had not performed these duties in the two weeks prior to their large bingo win does not make them eligible to play. They are still regularly involved in the conduct of gambling at the site.
- Q. An organization requires all of its members to participate in performing final audits of pull-tab games from all of its permitted premises. The organization members are not compensated for performing these duties. Could a member of this organization play electronic pull-tabs or electronic linked bingo at one of the organization's permitted premises?**
- A. No. Organization members involved in the conduct of paper/electronic pull-tabs, linked bingo, tipboards or paddlewheels may not participate as a player of paper/electronic pull-tabs, linked bingo, tipboards or paddlewheels at the premises where they work. "Conduct" includes auditing games or making deposits.
- Q. What if the site loses power while electronic pull-tab or linked bingo devices are in play?**
- A. The point-of-sale (POS) system has a battery backup that will allow all devices in play to be cashed out.
- Q. What if someone takes a handheld electronic pull-tab or linked bingo device from the premises?**
- A. The device is designed so that it cannot be used for any purpose other than electronic pull-tab or linked bingo games conducted within range of the POS system. Once the device leaves the site, it has no usefulness.
- If a device is stolen, the organization should contact local law enforcement and notify the licensed distributor. If the device is stolen while a player is using it, the player will still be able to cash out using the POS system.
- If a device is lost, the organization should notify the licensed distributor.
- Unauthorized possession of an electronic gaming device is a crime.
- Q. What if a handheld electronic pull-tab or electronic linked bingo device is damaged by a player?**
- A. If cash credit was on the device when it was damaged, the seller will still be able to cash out the device using the POS system. If the damage was done intentionally, it should be treated as vandalism. Unintentional damage should be dealt with on a case-by-case basis.

# PAPER PULL-TABS

This chapter contains information on paper pull-tab conduct, paper pull-tab dispensing devices, point-of-sale systems, reporting, and common problems.



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# Fruit Basket



**\$200**

**\$200**



**4 TIMES**

**\$200**

**\$200**

**\$100**

**\$100**



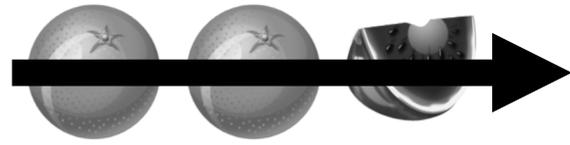
**4 TIMES**

**\$100**

**\$100**

**\$ 50**

**\$ 50**



**4 TIMES**

**\$ 50**

**\$ 50**



**\$1**

**240 times**

AZ Inc 19974, Roseville, MN 55113

FORM 01234

MFG ID PART NBR SERIES NBR 07/06/03



**700006**



Paper Pull-Tab Purchasers - This paper pull-tab game is not legal in Minnesota unless an outline of Minnesota with the letters "MN" inside is imprinted on this sheet, and the serial number imprinted on the bar code at the bottom of this sheet is the same as the serial number on the paper pull-tab ticket you have purchased.

AZ01234-MN 700006  
GREEN

**Tickets 4500**  
**JOB#31353**

## Common Terms

<b>Bar code</b>	Bar codes are used by the Department of Revenue to track the distribution, sales, and reporting of paper pull-tab deals throughout Minnesota. It is the manufacturer's responsibility to place a bar code on the flare of each paper pull-tab deal.
<b>Bar op</b>	Method of selling gambling equipment by the lessor's employees at a leased premises from the common area where food and on-sale or off-sale of intoxicating liquor or 3.2% malt beverages are sold.
<b>Booth op</b>	Method of selling gambling equipment by a licensed organization's employee or volunteer at a premises from a separate enclosure (in an owned or a leased premises) that is distinct from areas where food and beverages are sold.
<b>Buyout</b>	Purchasing the remaining tickets in a paper pull-tab deal.
<b>Commingled pull-tab deal</b>	Single pull-tab deals with the same game name and form number that have been combined and made available for sale as one unit.
<b>Deal</b>	A deal is an individual game of paper pull-tabs that is either a separate package or series of packages consisting of one game with the same serial number.
<b>Flare</b>	<p>A flare is the posted display that:</p> <ul style="list-style-type: none"> <li>• has a bar code and a Minnesota geographic boundary symbol imprinted or affixed;</li> <li>• is used to inform paper pull-tab players of information needed to play a particular deal of paper pull-tabs (prizes to be awarded, winning symbols, payout percentage or number of tickets in the deal, etc.); and</li> <li>• is included with each deal of paper pull-tabs you purchase from a distributor licensed by the Gambling Control Board.</li> </ul>
<b>House rules</b>	House rules, developed by your organization, are rules that govern the conduct of your organization's lawful gambling. They are posted in close proximity to the point of sale and must be visible at the point of sale.
<b>Last sale prize</b>	An optional prize that is awarded to the player who buys the last ticket of a deal that has had a last sale prize sticker added to the flare by the distributor. If an organization decides to offer a last sale prize, the organization must order the game from the distributor with a last sale prize sticker added.
<b>Paper pull-tab (or paper pull-tab ticket)</b>	A paper pull-tab is a single folded and banded ticket, grouping of folded and banded tickets, or multi-ply card with perforated breakopen tabs, the face of which is initially covered to conceal one or more numbers or symbols, and where one or more of each set of tickets or cards has been designated in advance as a winner.
<b>Seal card</b>	A board or placard used in conjunction with a deal of paper pull-tabs which contains a seal or seals that, when opened or uncovered, reveal predesignated winning numbers, letters, or symbols.

<b>Items Used in the Conduct of Paper Pull-Tabs</b>		
<b>Required Items</b>		
<b>Item</b>	<b>Use</b>	<b>Where to Obtain</b>
<b>Cash drawer</b>	Use a separate cash drawer for each deal of paper pull-tabs in play, with two exceptions: <ul style="list-style-type: none"> <li>• Organizations may use a single cash bank to redeem paper pull-tab tickets purchased from a paper pull-tab dispensing device.</li> <li>• See <i>Point-of-sale system</i> below (under Optional Items).</li> </ul>	From any source.
<b>Container (receptacle)</b>	A separate container is required for each game in play.	From any source.
<b>Prize receipt form</b>	Complete a prize receipt form for: <ul style="list-style-type: none"> <li>• each winning paper pull-tab ticket valued at \$100 or more; and</li> <li>• last sale prize valued at \$20 or more.</li> </ul>	Often provided with the game by the distributor, the form is contained in this chapter and is on the Board's website at <a href="http://www.mn.gov/gcb">www.mn.gov/gcb</a> , Forms tab.
<b>Paper pull-tab tickets</b>	Sold for the conduct of a paper pull-tab game.	Purchase from a licensed distributor only.
<b>Optional Items</b>		
<b>Item</b>	<b>Use</b>	<b>Where to Obtain</b>
<b>Booth</b>	A separate enclosure from which paper pull-tabs are sold.	From any source.
<b>Point-of-sale system</b>	Organizations may use a single point-of-sale (POS) system drawer for more than one deal of paper pull-tabs, if the point-of-sale system meets technical standards. See the <i>Using a Point-of-Sale System</i> section in this chapter.	From any source.
<b>Posting board</b>	Used to post major prize winning paper pull-tab tickets awarded in a deal. Or, the winners can be marked off on the game flare as the prizes are awarded.	From any source.
<b>Paper pull-tab dispensing device</b>	A device used to dispense paper pull-tab tickets. See the <i>Using a Paper Pull-Tab Dispensing Device</i> section in this chapter.	Lease or purchase from a licensed distributor only.
<b>Scanner</b>	Used to quickly print driver's license information onto a label that is then permanently affixed to a prize receipt form.	From any source.

## Conducting a Paper Pull-Tab Game

For information on who may and may not participate in lawful gambling, see Chapter 3, page 20.

### Information required to be posted at each premises:

**General information posted** The following information must be prominently posted at each premises:

- organization name, license number, and premises permit number,
- a statement that illegal gambling is prohibited at the premises, and
- the problem gambling hotline number (1-800-333-HOPE) at each point of sale.

**House rules posted** The minimum size for the house rules sign is 11" x 17". The house rules governing the conduct of lawful gambling must be clearly visible at the point of sale.

The house rules must include all policies of your organization that affect the play of the game, including any restrictions in addition to those imposed by Minnesota Statutes, Section 349.181, on who may participate in the conduct of lawful gambling at the premises. The house rules may be more restrictive, but they must be specific and enforceable.

The house rules may include items such as:

- Cash only. Money orders, cashier's checks, and travelers checks may be accepted. Checks, credit cards, or debit cards not accepted.
- The winner must have a driver's license or government-issued picture ID to redeem a winning ticket.
- The organization cannot guarantee the prizes remaining in a paper pull-tab deal.
- Posting shows only major winning paper pull-tab tickets that have been redeemed.
- Players must be 18 or older to purchase or redeem a ticket.
- We reserve the right to refuse service for disruptive or offensive behavior.

**Name of paid employee** Paid gambling employees must clearly display their name (last name not required) when conducting lawful gambling. Wearing a name tag or posting a name plate are the most common methods to meet this requirement.

### Information required to be kept at each premises:

**Records and forms** All licensed organizations must keep the following at each premises:

1. a current site inventory record which lists each paper pull-tab deal kept on the premises;
2. the LG861 Site Control/Tracking and Auditing of Paper Pull-Tab Game (unless a point-of-sale (POS) system or dispensing device is used);
3. a copy of the distributor's invoice for:
  - each paper pull-tab deal in play; and
  - each unplayed paper pull-tab deal stored on the premises;
4. for any paper pull-tab dispensing devices:
  - a copy of the lease or sales agreement for each paper pull-tab dispensing device at the premises; and
  - the LG286 Paper Pull-Tab Dispensing Device Game Receipts Tracking and the LG287 Paper Pull-Tab Dispensing Device Prize Bank Reconciliation; and
5. the LG283 Point-of-Sale System Cash Count Report if a POS system with a single cash drawer is used for multiple paper pull-tab games.

**Deals in play** All records, reports, and prize receipts relating to a deal of paper pull-tabs in play must be kept at the premises while the game is in play.

**Separation of equipment** A clear physical separation or divider between the organization's gambling equipment, another organization's gambling equipment, and the lessor's business equipment must be maintained.

## Conducting a Paper Pull-Tab Game (continued)

### When games are received, verify invoice against games:

When gambling product is received, an organization must verify each deal against the distributor's sales invoice. If games are packed in a case, open the case and identify each game.

Verify the game information on the **sales invoice** with the **bar code label**.

- Manufacturer ID.
- Part (form) number.
- Serial number.
- Last sale sticker, if any. Only the distributor may add a "last sale prize" sticker to a flare. A game with a last sale prize must be ordered that way from a distributor.

If an error is discovered on the sales invoice, notify your distributor immediately and obtain a corrected invoice.

### Defective game discovered before game put into play:

Before putting a paper pull-tab game into play, check it for the following possible defects:

- Manufacturer's seal on the container is broken.
- Serial number or form number on the tickets and flare do not match.
- All tickets in a deal do not have the same serial number.
- Geographic outline of state of Minnesota is not on the flare.
- Bar code does not appear on the flare.
- Prize amounts on tickets and flare do not match.
- Ticket price does not match the price on flare.
- Flare was altered, such as cut off or defaced.

**If any defect is found before the game is put into play, the game may not be put into play.**

#### **If a defect is found:**

1. Within seven business days, return the defective game to the distributor for a full credit of the cost of the game and taxes paid. Provide the distributor with a written statement that the game is defective.
2. Get a receipt for the game from the distributor.
3. Note in your inventory records the date the game was picked up.

### Defective game discovered during play or after removed from play:

1. If a defective game is discovered during the play of a game, immediately remove the game from play. The game may not be played out. Return the game within seven days to the distributor.
2. If a defective game is discovered after the game has been played, the defective game must be reported on a separate Schedule B2 as played.

In both instances, contact the Department of Revenue to report the defective games.

NOTE: Once a ticket has been sold from a game, the game is considered to be "in play".

## Conducting a Paper Pull-Tab Game (continued)

**Flare may not be altered** An organization may not alter a flare to add a “last sale prize”. The only changes that may be made to a flare are to post prizes awarded by crossing out redeemed prizes on the flare, to post a progressive jackpot amount, or to record the method of selecting a winning ticket for a paper pull-tab event game.

**Posting of flare** The flare must be affixed to the paper pull-tab container containing the deal or prominently posted at the point of sale. The entire flare must be visible to players.

**Mixing tickets before putting into play**

- All of the paper pull-tabs must be randomly removed from the original containers and thoroughly mixed before a deal is offered for sale.
- The container must be large enough to hold the entire deal at one time and may not be the original container in which the deal was received.
- Tiered containers may not be used for the sale of paper pull-tab tickets.

### Daily Tracking of Game; Transfers Not Allowed

**Game tracking**

- Complete the LG861 Site Control/Tracking and Auditing of Paper Pull-Tab Game to track all paper pull-tab games on a daily basis, unless a dispensing device or point-of-sale (POS) system is used. Count and verify starting cash banks.
- Record the date the game is put into play and the date removed from play on the LG847 Current Site Inventory List or LG844 Perpetual Inventory/Pull-Tabs, Tipboards, and/or Paddletickets.

**Game transfer not allowed** Games in play may not be transferred from:

- one site to another;
- a bar to a booth operation—at a leased site;
- a booth to a bar operation—at a leased site;
- a bar operation to a paper pull-tab dispensing device—at a leased site;
- a booth operation to a paper pull-tab dispensing device—at a leased site; or
- a paper pull-tab dispensing device to a bar or booth operation—at any site, leased or owed.

At a leased permitted premises, an organization must not transfer paper pull-tab games in play between sales areas staffed by organization employees and sales areas staffed by lessor/lessor employees.

### Starting Cash Banks and Drawers

**Cash bank/drawer** A starting cash bank is gambling money placed in a cash drawer prior to the beginning of the game and is used to make change and pay prizes awarded. The amount in your starting cash bank for each game should be sufficient to pay the game’s largest prize if it were one of the first tickets sold. For example, the starting cash bank amount for a game with a \$599 top prize should be at least \$600.

**Point-of-sale system or paper pull-tab dispensing device** A separate cash drawer must be used for each paper pull-tab game except when using a point-of-sale system or paper pull-tab dispensing device.

- If an organization uses POS system, see the *Using a Point-of-Sale System* section in this chapter for information and requirements.
- If an organization uses a paper pull-tab dispensing device, see the *Using a Paper Pull-Tab Dispensing Device* section in this chapter for information, restrictions, and requirements.

### Business Hours

Paper pull-tab tickets may only be sold and winning tickets redeemed at times when the premises is open for the conduct of its regular business. An organization determines the hours that it will conduct gambling within the regular business hours.

## Conducting a Paper Pull-Tab Game (continued)

### Selling the Paper Pull-Tab Tickets

**Cash only**

- Only cash, traveler’s checks, money orders, and cashier’s checks may be accepted for the purchase of a paper pull-tab.
- Credit may not be extended to a player.
- Checks, credit cards, or debit cards may not be accepted.

**Maximum ticket price** is \$5 for each paper pull-tab ticket.

**Age restrictions**—Only persons 18 and over may participate as a paper pull-tab player. Only persons 18 and over may sell paper pull-tabs.

**Counting tickets**—All paper pull-tab tickets sold must be hand counted. A scale may be used to determine the approximate number of tickets left in the box, but for all game buyouts, paper pull-tab tickets must be hand counted.

**Insider information not allowed**

A paper pull-tab seller may not provide any “insider” information to players that provides an unfair advantage related to the potential winnings from paper pull-tabs.

If there is a reason to believe that an organization or paper pull-tab seller has been or is providing insider information to players, the Gambling Control Board may require the organization to post major prizes and the names of major winners, and an organization may lose their gambling license or premises permit.

**No assistance to players**

Paper pull-tab sellers may not help a player open paper pull-tab tickets.

**“Holding” or “freezing” not allowed**

Paper pull-tab sellers may not “hold” or “freeze” a paper pull-tab game for players.

**Ticket for last sale prize must be paid for**

A last sale prize may not be deducted from the buyout amount.

All tickets must be paid for, then the last ticket may be presented to collect or redeem the last sale prize.

**Paying a winning pull-tab ticket after game sales have ended**

Pull-tab games are considered closed after the last ticket in the game has been sold or when the organization decides that no more tickets from the game will be sold. For sold-out games, and occasionally for games that are closed with unsold tickets remaining, players will still have winning tickets to redeem after the game has been closed, and your organization must be mindful of this obligation.

If an organization has house rules regarding redeeming winning tickets, the house rules must be specific and enforceable.

## Conducting a Paper Pull-Tab Game (continued)

### Posting of Prizes Awarded

The posting of major paper pull-tab prizes is optional, although the Gambling Control Board has the authority to require it.

Organizations may post the major prizes awarded for all, some, or none of the games in play. If only some games are posted, clearly identify which games are posted and which are not. Include the organization’s posting policies in the house rules.

Posting of major winners only informs a player of the number of major prize-winning paper pull-tab tickets that have been redeemed. It does not guarantee that all prizes that have not been posted still remain in the deal. For example, some paper pull-tab tickets may have been sold but not yet redeemed by players, and others may have been thrown away by mistake by players.

**If posting, an organization is required to:**

1. Post all major prizes. A major prize is defined as any prize that is at least 50 times the face value of a paper pull-tab in the deal.  
Example: \$ .50 ticket x 50 = \$25 prizes;
2. Post the information prominently at the point of sale; and
3. Post or mark off each major prize immediately upon awarding the prize.

Examples of where posted	How posted
On the flare	Mark or cross off the redeemed major prizes, being careful not to totally cover up the prize amounts.
On a sheet of paper	On a sheet of paper, clearly identifying the games, list all the major prizes and then cross them off as they are redeemed.
On an erasable board	Copy the major prizes onto the board, and cross or erase them off as they are redeemed.
On a posting board	Write the major prizes on the board as they are redeemed.

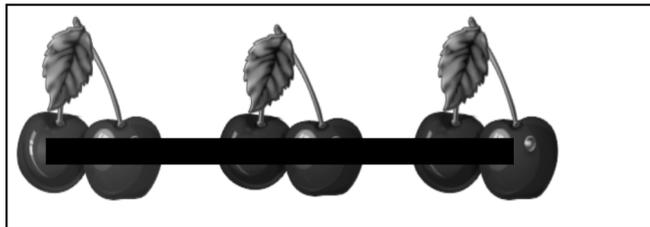
## Conducting a Paper Pull-Tab Game (continued)

### Verifying Serial Numbers

A paper pull-tab prize may not be paid unless the organization receives a winning paper pull-tab ticket. Before a prize may be paid, the paper pull-tab seller must examine winning tickets of all denominations to make sure the serial number on each ticket matches the serial number on the flare.

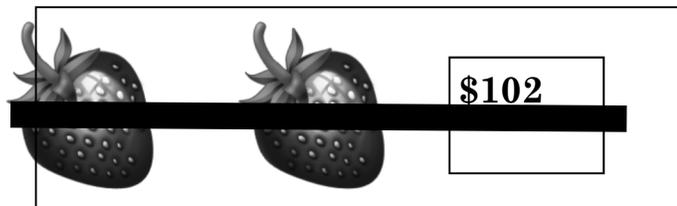
### Unique Symbol or Printed Security Device

All winning paper pull-tab tickets must identify the winners through the use of a unique symbol or printed security device. A common method used by manufacturers to identify a winner is a straight colored line through the winning symbols.



### Verifying Winners \$50 and Greater

Winning paper pull-tab tickets with prizes \$50 or more must use a second form of verification provided by the manufacturer to protect against counterfeiting. To comply with this requirement, manufacturers typically include the dollar amount of the winning ticket in the line of winning symbols.



## Conducting a Paper Pull-Tab Game (continued)

### Prizes Awarded

The highest denomination winner or possible combination of winners, including a last sale prize, for a single paper pull-tab ticket may not exceed:

- \$599 for games with \$2 and under tickets;
- \$899 for games with \$3 tickets;
- \$1,199 for games with \$4 tickets; and
- \$1,499 for games with \$5 tickets.

A "last sale prize" may be awarded for the last non-winning ticket purchased in a paper pull-tab game.

Prizes may not be awarded if paper pull-tabs are lost, marked, defaced, altered, or have left the premises.

### Defacing Winning Tickets

The paper pull-tab seller must deface each winning ticket when it is redeemed.

Defacing means the paper pull-tab ticket is marked in some way so that it can be easily identified as a winning ticket for which a prize has been awarded. The defacing method must allow the paper pull-tab ticket symbols to remain visible and not affect the ticket count.

Methods of defacing a paper pull-tab ticket include:

- using a bingo dauber;
- writing the seller's initials or name across the ticket (not on the frame);
- using a stamp with the paper pull-tab seller's name;
- drawing across the ticket with a marker or pen; or
- punching a hole.

Tearing a paper pull-tab ticket is not considered defacing and is not allowed.

### Handling Counterfeit Paper Pull-Tab Tickets

If the organization discovers that it has received a counterfeit paper pull-tab ticket or that it awarded a prize based on a counterfeit paper pull-tab, the gambling manager should follow these steps:

1. Review the prize receipt to see who signed it as the winner and which paper pull-tab seller signed and dated it.
2. Deliver the paper pull-tab ticket and prize receipt form to the local law enforcement agency and file a complaint against the alleged violator. Get a receipt from the law enforcement official.
3. Notify the Gambling Control Board of the counterfeit paper pull-tab ticket. Then, within 60 days, file a fund loss request with the Gambling Control Board using LG250 Fund Loss Request (Profit Carryover Adjustment) (see Chapter 10).
4. Keep a copy of the paper pull-tab ticket, prize receipt, and complaint with the game records.
5. Report the counterfeit incident to the Department of Public Safety's Alcohol and Gambling Enforcement Division at 651-201-7500.

## Conducting a Paper Pull-Tab Game (continued)

### Using the Prize Receipt Form

The paper pull-tab seller must complete a prize receipt form for each winning paper pull-tab ticket redeemed with a prize value of \$100 or more and any "last sale prize" awarded with a value of \$20 or more. Please note, an organization's House Rules may require a prize receipt for prizes less than \$100 if an organization chooses.

PRIZE RECEIPT Complete in ink. Staple winning ticket, and winning seal, if any, to prize receipt.*		
Organization name	Date and time	Value of prize \$
	Name of game	
	<input type="checkbox"/> Bingo \$100+ <input type="checkbox"/> Electronic device credits \$600+ <input type="checkbox"/> *Tipboard \$100+ <input type="checkbox"/> *Paddlewheel \$100+ <input type="checkbox"/> *Paper pull-tab \$100+ <input type="checkbox"/> *Last sale prize \$20 or more Bingo alternative prize: \$ _____	
	Site location	Game serial number
Received by: Name (print)		
Address		
City, state, zip		
Driver's license number or ID# from other picture identification		State
Winner's signature, in ink		Seller's signature, in ink
PREPARED BY THE MINNESOTA GAMBLING CONTROL BOARD (LG0007 7/16)		



### Complete in Ink; Signatures Required

The prize receipt information must be printed in ink or scanned from an acceptable ID and permanently affixed to the prize receipt form. The signature of the winner and the signature of the organization employee or volunteer making the payment must be in ink. Scanned labels must be permanently adhered to the prize receipt. They may not be stapled or taped to the prize receipt.

### Picture ID Required

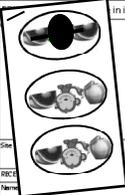
A valid driver's license, a U.S. military ID card, or another form of government-issued picture identification is required to complete the prize receipt. The form of picture ID must be recorded, including the driver's license number and state of registration or the type of government-issued picture ID and ID number. A social security card does not meet this requirement.

Until a player provides the necessary information to complete a prize receipt, the organization has no obligation to award the prize.

# Conducting a Paper Pull-Tab Game (continued)

## Attaching Winning Ticket (and seal tab, if any) to Prize Receipt

In ink. Staple winning ticket, and winning seal, if any, to prize receipt.\*

	Date and time	Value of prize
		\$
	Name of game	
	*Bingo \$100+      *Electronic dice & multi \$600+	
	*Tipboard \$100+      *Puzzle wheel \$100+	
	*Paper pull-tab \$100+      *Lamb table prize \$20 or more	
	*Bingo alternative prize \$	
State	Game serial number	
RCB#		
Name		
Address		
City, state, zip		
Driver's License number or DMV photo identification	State	
Winner's signature, in ink	Seller's signature, in ink	

PREPARED BY THE MINNESOTA GAMBLING CONTROL BOARD (60007 7718)

A winning ticket (and seal tab, if any) must be stapled to the prize receipt.

The information below clarifies this requirement and provides recommendations on how to attach a winning ticket to the prize receipt so that closed games may be easily and accurately audited by an organization, the Gambling Control Board and other regulatory agencies.

### Staple ticket to prize receipt

Staple the winning ticket to the front of the prize receipt in the upper left-hand corner so that the face of the winning ticket and the prize receipt information are visible. That allows more of the essential prize receipt information to be viewed without having to lift up the ticket.

### Don't "double" staple

Do not "double staple" the prize receipt.

For example, some organizations put a staple in the upper left-hand corner, but then also put another staple in the middle of the ticket, presumably to make absolutely certain that the ticket won't become separated from the prize receipt. However, this makes the game harder to audit as the extra staple must be removed to see all of the information on the prize receipt.

### Don't fold prize receipts

Do not fold the prize receipts. Every folded prize receipt must be unfolded during an audit of that game.

Do not fold the prize receipt around the winning ticket and then staple it. This makes games very difficult to audit because all the staples must be removed and the prize receipt unfolded before the auditor can view it.

### Storing prize receipts and tickets

Store the completed prize receipts and winning tickets with the other remnants of the game in a secured area.

For example, prize receipts for each game should not be stored in a separate file from the other closed game materials.

When putting the closed game remnants together for storage, it's also good to have all prize receipts for that game paper-clipped or banded together. If the game came with preprinted prize receipts, keep the unused ones together and store them with the closed game materials. They may be useful when trying to figure out what caused a discrepancy.

It is recommended to use a storage area that is not susceptible to flooding.

# Conducting a Pull-Tab Game (continued)

## Detecting Forged Prize Receipts

In many gambling fraud cases, forged prize receipts are a common way that sellers use to cover up their theft. When auditing a game, look for:

- a winner with different looking signatures; and
- a winner with signatures that are similar to the writing style of the seller.

Contact your Compliance Specialist at the Gambling Control Board on how to report a game with forged prize receipts.

### Questionable Signatures

### Valid Signature

**PRIZE RECEIPT** Complete in ink. Staple winning ticket, and winning seal, if any, to prize receipt.\*

Organization name	Date and time	Value of prize
		\$
Name of game		
Bingo \$100+	Electronic device credits \$600+	
*Tipboard \$100+	*Paddle wheel \$100+	
*Paper pull-tab \$100+	*Last sale price \$20 or more	
Bingo alternative price \$		
Site location	Game serial number	
RECEIVED BY	Name (print)	
Address		
City, state, zip		
Driver's license number or ID# from other picture identification	State	
Winner's signature, in ink	Seller's signature, in ink	
<i>Bob Smith</i>	<i>Bonnie Jones</i>	

PREPARED BY THE MINNESOTA GAMBLING CONTROL BOARD (LG0007 716)

**PRIZE RECEIPT** Complete in ink. Staple winning ticket, and winning seal, if any, to prize receipt.\*

Organization name	Date and time	Value of prize
		\$
Name of game		
Bingo \$100+	Electronic device credits \$600+	
*Tipboard \$100+	*Paddle wheel \$100+	
*Paper pull-tab \$100+	*Last sale price \$20 or more	
Bingo alternative price \$		
Site location	Game serial number	
RECEIVED BY	Name (print)	
Address		
City, state, zip		
Driver's license number or ID# from other picture identification	State	
Winner's signature, in ink	Seller's signature, in ink	
<i>Bob Smith</i>	<i>Bonnie Jones</i>	

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Winner's signature, in ink  
*Bob Smith*

Seller's signature, in ink  
*Bonnie Jones*

Look at prize receipts for the same winner. Paper pull-tab sellers may try to cover theft in another manner by writing the driver's license information on other prize receipts and then forging the prize receipt.

### Scanned Information

### Written Information

**PRIZE RECEIPT** Complete in ink. Staple winning ticket, and winning seal, if any, to prize receipt.\*

Organization name	Date and time	Value of prize
ABC Lodge 2015 Oxbow Ave Oxbow, MN 55999	12/21/20 10:13 pm	\$ 250
Name of game Our Paper Pull-Tab Game		
Bingo \$100+	Electronic device credits \$600+	
*Tipboard \$100+	*Paddle wheel \$100+	
<input checked="" type="checkbox"/> *Paper pull-tab \$100+	*Last sale price \$20 or more	
Bingo alternative price \$		
Site location ABC Lodge	Game serial number 0099003	
RECEIVED BY	Name (print)	
Address	DATE: 12/21/20 TIME: 19:13:15 Robert Thomas Smith 12345 Main St North Shore, MN 55998 DL# S-002-000-999-999	
City, state, zip	DOB: 07/04/1952 AGE: 63	
Driver's license	State	
Winner's signature, in ink	Seller's signature, in ink	
<i>Bob Smith</i>	<i>Bonnie Jones</i>	

PREPARED BY THE MINNESOTA GAMBLING CONTROL BOARD (LG0007 716)

**PRIZE RECEIPT** Complete in ink. Staple winning ticket, and winning seal, if any, to prize receipt.\*

Organization name	Date and time	Value of prize
ABC Lodge 2015 Oxbow Ave Oxbow, MN 55999	12/21/20 10:13 pm	\$ 250
Name of game Our Paper Pull-Tab Game		
Bingo \$100+	Electronic device credits \$600+	
*Tipboard \$100+	*Paddle wheel \$100+	
<input checked="" type="checkbox"/> *Paper pull-tab \$100+	*Last sale price \$20 or more	
Bingo alternative price \$		
Site location ABC Lodge	Game serial number 0099003	
RECEIVED BY	Name (print)	
Address	Robert Thomas Smith 12345 Main St North Shore, MN 55998	
City, state, zip	DL# S-002-000-999-999	
Driver's license number or ID# from other picture identification	State	
Winner's signature, in ink	Seller's signature, in ink	
<i>Bob Smith</i>	<i>Bonnie Jones</i>	

PREPARED BY THE MINNESOTA GAMBLING CONTROL BOARD (LG0007 716)

## Conducting a Paper Pull-Tab Game (continued)

### Closing a Paper Pull-Tab Game

When closing a game:

1. Remove all unsold paper pull-tab tickets from the container.
2. Count the cash in the game drawer and record it on the LG861.
3. Separate the starting cash bank amount from the game proceeds.
4. Complete the LG861.
5. Enter the date the game was closed on the LG847 Current Site Inventory (column 7).
6. Deposit—On the LG861, the assigned person(s) must complete the "Closing of Game and Deposit" section.

### Deposit Information

Deposit and record the cash-on-hand amount, or secure the cash until it can be deposited. Deposit the gambling receipts into the gambling account **within four business days** of the close of the game.

On the deposit slip, list the following:

1. premises permit number
2. date of the deposit
3. serial number of each game
4. amount of actual cash deposited from each game

<b>First National Bank</b>	
<b>Deposit Slip</b>	
<b>Date</b>	12/22/20
99999-001	
700006	\$350
<b>TOTAL</b>	<b>\$350</b>

## Conducting a Paper Pull-Tab Game (continued)

### Auditing a Paper Pull-Tab Game

All paper pull-tab games must be audited, and the audit must include a review of all prize receipts. **The final audit of the game must be done by someone other than the seller(s) or the person who prepared the deposit.**

Some organizations require sellers to count remaining unsold tickets and group them by lots of 25, 50, or 100. Although sellers may make a preliminary audit of their own games, they may not do the final audit.

Use page 2 of the LG861 to do the audit. Refer to the *Internal Operations* chapter for more detailed instructions on auditing games.

#### Cash shortage versus fund loss

If a shortage is discovered, refer to the *Internal Operations* chapter for information that explains the difference between a cash shortage and a fund loss.

#### Fund loss

If a fund loss is discovered:

1. Notify local law enforcement within five days of discovering the loss (within 24 hours if the game was played in a dispensing device), and notify the Gambling Control Board. Fund losses not reported will not be considered by the Board for profit carryover adjustment.
2. Within 60 days, provide the Gambling Control Board with documentation of reimbursement or a request for a profit carryover adjustment due to a fund loss. This documentation must be provided to the Board within 60 days or the fund loss request will not be considered by the Board. Use form LG250 Fund Loss Request (Profit Carryover Adjustment).

Refer to the *Internal Operations and Oversight* chapter, Fund Loss section.

If paper pull-tab games (played or unplayed) are lost due to a disaster such as fire, flood, blizzard, tornado, or other catastrophic event, immediately contact the Department of Revenue at 651-297-1772 for instructions on how to report the lost games.

### Closed Game Records and Storage

Keep the following for closed games:

- All redeemed winning tickets.
- All unsold tickets.
- The flare.
- The LG861.
- The completed prize receipts.

It is recommended that closed games be put in waterproof bags and stored in sturdy, stackable storage boxes, and to use a storage area not susceptible to flooding.

On the outside of each box, write the following:

- month and year the games were closed;
- the serial numbers of each game stored in that box; and
- the month and year the tickets may be destroyed.

Games must be kept in a secured area for 3-1/2 years after the month in which the game receipts were reported on the LG100A.

More games can be stored in a smaller space by using storage boxes rather than the original game boxes.

Game records must be stored in a secured area in the state of Minnesota.

## Common Problems and Possible Solutions

### Employee training

Provide periodic training to employees/volunteers on the rules relating to the sale of paper pull-tabs. Listed below are common problems and suggested solutions.

### Cash Shortages

#### ***"Our paper pull-tab sellers are always cash short."***

1. Conduct training sessions with employees/volunteers regarding methods and procedures for putting games in play, redeeming tickets, etc.
2. Review the LG861 Site Control/Tracking and Auditing of Paper Pull-Tab Game to determine where problems may be occurring.
3. Spot audit games before and after a seller's shift.
4. Limit the number of sellers.
5. Order games with the amount of the prize printed on the ticket.
6. Purchase games with the same-priced tickets.
7. Point out shortages to sellers, the lessor, etc., and explain reimbursement as required by statute.
8. Assign deals to each seller.
9. Install a paper pull-tab dispensing device.
10. Contact local law enforcement or the Department of Public Safety's Alcohol and Gambling Enforcement Division at 651-201-7500.
11. Refer to the *Internal Operations and Oversight* chapter for information on cash shortages.

### Game Buyouts

#### ***"Someone bought out a game, and a \$200 winning ticket was missing."***

- Posting is not required but if you do post, verify the accuracy of posted winners by comparing the major prize-winning paper pull-tabs for that game to the prizes posted on the flare or posting board. It is very important that the posting is accurate as this may affect the customer's decision on whether to buy out the game.
- Instruct sellers to verbally inform paper pull-tab customers who "buy out" a game that posting only shows the winning tickets that have been redeemed. Tickets may have been sold that haven't yet been opened or redeemed. These potential winning tickets are not posted until the prize has been paid.

### Employees Play

#### ***"Employees are buying paper pull-tabs at the site where they work."***

- Review prize receipts for names of employees/volunteers, or forged or bogus names. Also look at the date and time on prize receipts.
- Inform gambling employees and volunteers of the statute (Minnesota Statutes, Section 349.181, subd. 3) that prohibits them from buying paper pull-tabs at the site where they sell paper pull-tabs.
- Post house rules prohibiting gambling employees/volunteers from buying paper pull-tabs at the premises.
- Provide employees and permitted premises with copies of the "Who May Play" guide available on the Gambling Control Board website, [www.mn.gov/gcb](http://www.mn.gov/gcb).

MINNESOTA LAWFUL GAMBLING

**LG861 Site Control/Tracking and Auditing of Paper Pull-Tab Game**

- As part of the site inventory, this information is required daily to track and audit each paper pull-tab game in play.
- For paper pull-tab dispensing devices, use the LG286 Paper Pull-Tab Dispensing Device Game Receipts Tracking and the LG287 Paper Pull-Tab Dispensing Device Prize Bank Reconciliation.
- If a point-of-sale system is used with a single cash drawer for multiple paper pull-tab games, use LG283 Point-of-Sale System Cash Count Report.

**GAME INFORMATION**

Organization name: Oxbow Lions Site name: ABC Lodge  
 Game name: Whirley Bird Serial number: 549001  
 Date put in play: 10/3/20 Starting cash: \$ 300 Signature of person putting game in play: Bill Bank

**DAILY GAME BANK AUDIT (complete in ink)**

Date	\$ Cash in	Initials	Initials of all paper pull-tab sellers on this date	Funds added/removed	\$ Cash out	Initials	Notes
10/3/20	\$300	B.B.	B.B. R.M.		\$354	R.M.	
10/4/20	\$354	B.B.	B.B. R.M.		\$406	R.M.	
10/5/20	\$406	B.B.	B.B. R.M. M.H.		\$599	M.H.	
10/6/20	\$599	B.B.	B.B. R.M.		\$575	R.M.	
10/7/20	\$575	B.B.	B.B. R.M. M.H.		\$689	M.H.	
10/8/20	\$689	B.B.	B.B. R.M.		\$774	R.M.	
10/9/20	\$775	B.B.	R.M.		\$899	R.M.	

Example

**CLOSING OF GAME DEPOSIT**

Total cash on hand \$ <u>899</u>  Minus start bank \$ ( <u>300</u> ) (include any funds added to bank that have not been removed)  Bank deposit \$ <u>599</u>	Signature <b>in ink</b> of person removing game from play:  <u>Rose Marie</u>  Date closed: <u>10/9/20</u>	Signature <b>in ink</b> of person preparing/making deposit:  <u>John Manager</u>  Date: <u>10/9/20</u>
--	--	--



## Common Questions: Form LG861

### Modifying the LG861

- Q. My organization weighs the unsold tickets for the paper pull-tab games in play after each shift to determine how many tickets were sold. We also count the redeemed winning tickets and the cash. From this we can tell whether the paper pull-tab seller was short during that shift. May we make our own form that includes columns for this information along with all of the information required by the LG861 and use it instead of the Gambling Control Board's form?**
- A. Yes. Be sure to include on your form space for all of the signatures and other information required by the Board's LG861 form.

### Tracking payout percentages

- Q. Because we audit our paper pull-tab games after each shift, we're able to calculate the average payout percentages for each of our paper pull-tab sellers. We found that one of our sellers consistently averages a 15% higher payout percentage than our other sellers. Are the players that buy during her shift just exceptionally lucky?**
- A. Maybe. But it could also be that the seller is manipulating the operation of your games to obtain higher payouts for "select" customers or that the seller is buying games out when they are especially profitable. For example, rather than close a game that has \$1,000 in prizes left but only \$800 in unsold tickets, the seller might inform a friend of the situation and sell the game out instead. Or, the seller might quickly put new games into play rather than allow players to buy from games for which the odds are not in the player's favor.

### Shortages 0%—why is the LG861 required

- Q. We conduct paper pull-tabs at a bar-op, and the lessor reimburses us for all cash shortages. Why do we need to complete the game tracking portion of the LG861?**
- A. The LG861 helps to identify temporary theft. Occasionally we find situations in which a bar owner "borrows" money from the paper pull-tab cash drawers and then pays back only the amount needed to cover the deposit for the most recently closed game. This temporary theft often turns into a significant theft before it is discovered. Requiring the sellers to record the amount of cash in each paper pull-tab drawer on a daily basis can minimize this type of theft.

### Completion of LG861 by lessor and bartenders

- Q. We have no control over the lessor and bartenders who sell paper pull-tabs at our site because they aren't our employees. We can't get the lessor to complete any forms. They say that they don't have time to do them. What can we do?**

- A. First, by law any person, paid or not, who sells paper pull-tabs for your organization is acting as an agent/employee for your organization. That makes your organization their boss—at least as far as selling paper pull-tabs is concerned—and your organization has every right to insist that the required forms are properly completed.

Ultimately your organization is responsible for ensuring completion of the required forms. Because missing or incomplete game tracking records can result in citations, fines, or other sanctions, it may be better for your organization to discontinue gambling at a premises where employees refuse to do the required paperwork.

## Common Questions: Form LG861 (continued)

**Information from prize receipts**    Q. **The information contained on the LG861 may be obtained from prize receipts or the Schedule B2. Why do we have to complete the LG861?**

A. The LG861 gives you information at a glance on a daily basis, not when it is too late to detect a potential theft. Insurance companies are more likely to pay on a claim if your organization keeps carefully documented records on its assets.

**Breakdown of tickets**    Q. **Why do we have to do a breakdown of redeemed tickets for our game audit and have someone sign for it? We just lump all the winners together and do the count.**

A. Doing a game audit with a breakdown of the winning tickets is more accurate, makes it easier to detect errors in the audit, and can prevent theft. This method is also used by the Gambling Control Board, by accountants when doing a required audit, and by the Department of Revenue. Having the person verify the audit with their signature increases accountability to your organization.

**LG861 not filled out completely**    Q. **We play a large number of games each month. What happens if the LG861 is not filled out completely for a few games and it is noted in our compliance review? Human errors do occur.**

A. Your organization will be advised to take corrective action within 60 days as is the normal process in a compliance review. Repeat violations could result in a citation or CRG referral.

**Storing the LG861**    Q. **Where do we keep the completed LG861?**

A. Keep the completed form with your organization's records or with the closed game.

## Other Paper Pull-Tab Games

### Cumulative Paper Pull-Tab Game

**What is it?** A "cumulative paper pull-tab game" is played with two or more deals with the same form number but containing a unique serial number for each deal. A portion of each deal's predetermined prize payout is designated to a cumulative prize pool. The game is packaged as a cumulative game by the manufacturer.

**What are the conduct requirements?** In addition to general requirements and restrictions for the conduct of a paper pull-tab game, the following apply to the conduct of a cumulative paper pull-tab game.

- The game may only be played with deals having the same form number from the same family and manufacturer.
- The organization may have more than one deal in play at the same time but may not commingle deals.
- The prize pool board must be posted until the game is completed or discontinued.
- When a seal winner is determined for a deal, the seller must open or uncover the seal on the prize pool board and award the prize.
- The winning ticket and the winning seal tab, if any, from the flare must be stapled to the prize receipt form.

### Multiple Chance Paper Pull-Tab Game

**What is it?** A multiple chance game is a pull-tab game in which a player may exchange a qualifying winning ticket for a chance to win a prize of lesser, equal, or greater value than the originally purchased ticket.

**What are the conduct requirements?** In addition to the general requirements and restrictions for the operation of a paper pull-tab game, the following apply to the conduct of a multiple chance paper pull-tab game.

- Chance ticket displays must be prominently visible when the game is in play.
- Sellers must not assist players in selecting or opening chance tickets from the display.
- Sellers (and not players) must remove the player-selected chance ticket from the display to give to the player to open.

### Multiple Seal Paper Pull-Tab Game

**What is it?** A "multiple seal paper pull-tab game" is a single paper pull-tab deal in which select tickets are redeemed by players for a predetermined prize amount under a seal number matching the ticket presented by the player.

**What are the conduct requirements?** In addition to the general requirements and restrictions for the operation of a paper pull-tab game, the following apply to the conduct of a multiple seal paper pull-tab game.

- When a ticket with a seal number is presented to a seller, only the seller must open or uncover the seal (on the flare) as designated on the ticket and award the prize.
- The winning ticket must be defaced and stapled to the prize receipt form with the winning seal tab. If the flare has a latex-type seal (scratch off), then there is no seal tab to be attached to the prize receipt.
- When the game is closed, all unclaimed and unsold seals must remain sealed or covered.

## Other Paper Pull-Tab Games

### Progressive Paper Pull-Tab Game

**What is it?** A “progressive paper pull-tab game” is a game that has a portion of its predetermined prize payout designated to one progressive jackpot prize, and the jackpot prize increases from one deal to the next until the jackpot prize is won or the predetermined jackpot amount printed on the flare by the manufacturer is reached.

For information on the conduct of this game, refer to Minnesota Rules, Part 7861.0280, subpart 6, Operation of Progressive Paper Pull-Tab Game. Or contact your Compliance Specialist at the Gambling Control Board.

### Paper Pull-Tab Event Game

**What is it?** An "event game" is a single paper pull-tab game in which certain prizes are determined by:

- selecting a bingo number during a bingo game;
- opening or uncovering a seal on the flare;
- the spin of a paddlewheel; or
- another alternative method approved by the Gambling Control Board.

**The game may not be based on the outcome of athletic or sporting events.** The manufacturer will include the method of selecting the winning ticket with the packaging of each game.

**When may they be conducted?** Paper pull-tab event games, which usually contain a small number of tickets, may be conducted as part of your regular paper pull-tab operations. Some organizations conduct a paper pull-tab event game during a bar bingo occasion.

**What are the conduct requirements?** The general requirements and restrictions for the conduct of a paper pull-tab game apply to a paper pull-tab event game along with the following:

- The method of selecting the winning ticket(s) is provided on the flare. If the manufacturer provides on the flare more than one method of selecting the winning ticket(s), the organization must determine the method to be used and record that method on the flare prior to making the game available for play.
- The organization must prominently post the flare prior to the sale of any tickets.
- A player with a potential winning (hold) ticket is not required to be in attendance to win and must be given a receipt by the seller for notification purposes if the ticket is selected as a winner.
- If the hold ticket is selected as a winning ticket, the organization must notify the player within two business days of selecting the winning ticket.
- The defaced winning ticket must be stapled to the prize receipt form with the winning seal tab. If the flare has a latex-type seal (scratch off), then there is no seal tab to be attached to the prize receipt.

**Reporting a closed game** Regardless of how the winner is determined (selecting a bingo number, opening a seal, or spinning a paddlewheel), a paper pull-tab event game is reported as a paper pull-tab game on the Schedule B2.

## Using a Paper Pull-Tab Dispensing Device

Paper pull-tabs may be dispensed from devices called paper pull-tab dispensing devices. These devices must be purchased or leased from a distributor licensed by the Gambling Control Board. The use of a paper pull-tab dispensing device is optional.

The conduct of a paper pull-tab game using a paper pull-tab dispensing device is essentially the same as when paper pull-tabs are sold from a paper pull-tab receptacle, except that gambling employees do not dispense (sell) the paper pull-tab tickets. However, additional restrictions do exist.

The following information covers the restrictions and requirements when using a paper pull-tab dispensing device.

### Purchasing or Leasing a Dispensing Device

Paper pull-tab dispensing devices may only be purchased or leased from a licensed distributor. Keep a copy of the lease or sales agreement at the premises and in the organization's records.

### Location of Paper Pull-Tab Dispensing Devices

An organization may install and use dispensing devices if the permitted premises:

- has a valid license for on-sale intoxicating liquor or 3.2% malt beverages; or
- has a valid license for off-sale intoxicating liquor, excluding drugstores and general food stores licensed under Minnesota Statutes, Section 340A.405, subdivision 1 (may not be a convenience store); or
- is where bingo is conducted and admission is restricted to persons 18 years or older.

No more than three devices may be installed at any permitted premises by all organizations conducting paper pull-tabs at the site.

Paper pull-tab dispensing device(s):

- must be in full view of an organization employee; and
- may not be located in a hallway or restroom.

Suggestion: Make sure the dispensing device is well lighted and easily seen by customers.

### Putting a Paper Pull-Tab Game into Play

#### Placing deal into device

Randomly place the entire deal of paper pull-tabs into one or more columns of the dispensing device at the same time. If tickets were placed into two or more columns and tickets remain in only one column, the tickets may continue to be sold without further splitting into multiple columns.

Games with a "last sale prize" or "free plays" may not be sold from a paper pull-tab dispensing device.

#### Cash banks

- A cash bank is needed for prize payouts. The lessor may provide the cash bank.
- Separate cash banks for each game in play are not required for dispensing devices.

#### Use these forms

- Use the LG286 Pull-Tab Dispensing Device Game Receipts Tracking form to track receipts from a pull-tab dispensing device and audit closed games. Keep the LG286 with the closed game or with your organization's records for at least 3-1/2 years following the end of the month in which the game was played and reported as a played game on the tax return.
- If the bar owner (lessor) does not provide the cash bank, use the LG287 Pull-Tab Dispensing Device Cash Bank Reconciliation form. This information is required as part of the site inventory. (If the lessor provides the cash bank for the dispensing device, the LG287 is not required.) Keep the LG287 with the closed game or with your organization's records for at least 3-1/2 years after the date the game was removed from play.

## Using a Paper Pull-Tab Dispensing Device (continued)

### Putting a Paper Pull-Tab Game into Play (continued)

<b>Posting information</b>	<ul style="list-style-type: none"> <li>• Be sure the flare is affixed to the dispensing device or posted near it in a manner that allows the flare to be clearly identified with the deal in play.</li> <li>• House rules must be posted near the dispensing device.</li> <li>• Post the problem gambling helpline number, 1-800-333-HOPE, in an area visible to players, such as on the front of each dispensing device.</li> <li>• Posting of winning prizes is optional.</li> </ul>
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<b>Players</b>	Only persons 18 and over may participate as a player.
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### Access

Complete the LG282 Paper Pull-Tab Dispensing Device Access Log each time anyone enters the dispensing device.

- Record the date and purpose of entry.
- If any cash is removed, then all of the cash must be removed.
- Keep the current access log inside the dispensing device.
- Keep the completed access logs in a secured area for at least 3-1/2 years.

The dispensing device must be inoperable (turned off) whenever an employee is not present to redeem a winning paper pull-tab. Be sure the lessor prohibits people from tampering with the dispensing device.

### Security—Case Studies

If a paper pull-tab dispensing device is used, it is suggested that the cash be removed from the devices on a frequent basis. In several burglaries, the doors on the devices were pried open and the cash removed.

In another case, security cameras and an alarm system were in place. But, since the perpetrators were wearing masks and dark clothing, they were unidentifiable on the camera system. The perpetrators were in and out of the sites in less than four minutes and managed to break into two safes in separate areas of the premises.

No matter how good security is, a fund loss can still occur. So what can an organization do to keep losses to a minimum? Keep less money at the site, check the security of the organization's assets, and remind sellers to take extra precautions in what they tell customers or allow customers to see. For example, don't let customers see full cash drawers or tell customers that the money won't be picked up for a few days. Change the routine. Don't always pick up money and go to the bank at the same time or day of the week. Be aware of personal safety. When possible, be escorted to the bank by local law enforcement officials.

### Keys

Organizations are responsible for all keys to the dispensing device.

- The exterior door and interior compartments (for example, paper pull-tabs, cash, electronics) may have up to four keys.
- Use the LG281 Key Log so that persons who currently have possession of the dispensing device keys can be identified.
- If a key is lost or stolen, do not make duplicate keys. The distributor or manufacturer must replace the lock to that compartment.
- Keys to the cash compartment must not be assigned to the lessor or lessor's employees unless:
  - the device has a separate locked cash box within the cash compartment,
  - AND**
  - the lessor or lessor's employees need the key to remove and secure the cash box at the close of business for the day.
- Keys to the cash box may not be assigned to a lessor or lessor's employees.

## Using a Paper Pull-Tab Dispensing Device (continued)

### Storage of Unplayed or Played Games

Unplayed or played paper pull-tab games may not be stored inside a dispensing device. However, games may be securely stored in the bottom of a paper pull-tab dispensing device stand, provided the cabinet is locked.

### Malfunctions

**One game** If the dispensing device contains only one game and more than one column is used, the paper pull-tab dispensing device must become inoperable when a malfunction occurs in one of the columns. The game may resume when the malfunction has been cleared.

**More than one game** If the dispensing device contains more than one game and a malfunction occurs in a column, then all columns containing paper pull-tabs for that one game must become inoperable until the malfunction has been cleared.

**Cash shortages** See *Cash shortages* below.

**Policies** Establish policies that state how malfunctions are handled. All employees should understand the policy so they can explain to a player how they will receive their tickets or reimbursement if the device doesn't dispense the correct amount of tickets.

### Cash Shortages

An organization and the lessor are both responsible for cash shortages relating to a paper pull-tab dispensing device, according to the following:

- If the shortages are in the cash bank used to redeem winning tickets, then the lessor is responsible.
- If the shortages are caused by malfunctions of the device (when the cash in the device does not match the number of tickets dispensed), then the organization is responsible.

### Fund Loss

If a fund loss is discovered:

1. Notify local law enforcement within five days of discovering the loss (within 24 hours if the game was played in a dispensing device), and notify the Gambling Control Board. Fund losses not reported will not be considered by the Board for profit carryover adjustment.
2. Within 60 days, provide the Gambling Control Board with documentation of reimbursement or a request for a profit carryover adjustment due to a fund loss. This documentation must be provided to the Board within 60 days or the fund loss request will not be considered by the Board. Use form LG250 Fund Loss Request (Profit Carryover Adjustment).

Refer to the *Internal Operations and Oversight* chapter, Fund Loss section.

## Using a Paper Pull-Tab Dispensing Device (continued)

### Maintaining Paper Pull-Tab Dispensing Device

To prevent potential dispensing problems, be sure that any maintenance is performed by the distributor, manufacturer, or your organization.

If the paper pull-tab dispensing device dispenses too many tickets or jams, contact the distributor to make an adjustment to the paper pull-tab dispensing device.

In the event of a catastrophic failure, prior Gambling Control Board approval is needed to clear the microchip or meters. Contact the Gambling Control Board at 651-539-1900 and ask to speak to an investigator.

### Optional—Commingled Games in Dispensing Devices (Requirements)

**Putting commingled games into play**

Games with the same name, form number, price per ticket, prizes, and ticket count can be physically commingled in the same columns. All flares for games in the dispensing devices must be posted. NOTE: Cumulative paper pull-tab games may not be commingled.

A commingled deal is when two or more deals of paper pull-tabs are combined and sold from a paper pull-tab dispensing device. Using commingled deals of paper pull-tabs is not required.

Organizations must clearly identify any commingled games and post flares for each deal in a commingled game. The manufacturer’s serial and part (form) numbers and bar code must be affixed to each flare. The commingled paper pull-tab deals must be identical to the:

1. type of game, ticket, color, form number, and number of paper pull-tabs per game;
2. amount and denomination of prizes; and
3. price per paper pull-tab ticket.

**Audit games at month-end**

At the end of each month, all commingled games in play must be audited. This is done for the purpose of closing out games that are sold out, removing flares, and reporting the sold out games on the Schedule B2.

1. To conduct the audit, remove the commingled deals from play and separate each game (tickets) by serial number.
2. Games which do not have any remaining paper pull-tab tickets must be reported as a closed game on the Schedule B2 in the same month’s tax return. Keep the flare, prize receipts, and all winning and defective tickets from the closed game in a secured area for at least 3-1/2 years.
3. The remainder of the commingled deals may be returned to play once the month-end audit is completed.

The Board may prohibit an organization from commingling deals if the organization cannot account for the actual cash profit from each commingled deal.

## Using a Point-of-Sale System

Point-of-sale systems are not defined as gambling equipment, and their use is optional.

Point-of-sale (POS) systems may be used in the conduct of paper pull-tabs. They may be purchased from any source. The use of a POS system is optional.

The POS system used must meet standards established by Gambling Control Board rule (7861.0280, subparts 9 and 10). Paper pull-tab sellers must use the appropriate procedures and forms for documenting sales and reporting cash discrepancies.

The next several pages in this section cover the restrictions and requirements when using a POS system in the conduct of paper pull-tabs.

### Point-of-Sale System Requirements

The point-of-sale (POS) system must:

- preserve all existing data whenever electrical power to the POS system is interrupted;
- have at least one keyed lock with a multiple function position capable of restricting access to accounting and auditing functions;
- have a switch/lock that allows the point-of-sale system to operate only when a unique identification code has been entered;
- create a paper or magnetic media duplicate transaction journal following each transaction;
- separately record all sales and prize payouts for each game in play;
- accept a game's serial number and ticket price;
- produce a print out of sales and prizes paid out for each game in play at any time; and
- print out a final game record and delete the game information from its transaction records after a game is closed.

This is a partial listing of POS system requirements. For complete information, refer to Minnesota Rules, part 7861.0280, subparts 9 and 10.

### Required Security Precautions

If a point-of-sale system is used, your organization must:

- use the POS system exclusively for lawful gambling;
- assign a unique identification code to each employee or volunteer authorized to sell and redeem paper pull-tabs; and
- have sole responsibility for all keys used to operate the POS system.

### Sales Information Required

Before placing a deal into play, the following information must be entered into the POS system:

1. serial number of the game; and
2. the ticket price which must be identical to the ticket price on the flare.

For each sale of paper pull-tabs, the following must be recorded by the POS system:

- date of the sale;
- operator's unique identification code;
- serial number of the game;
- quantity of paper pull-tab tickets purchased; and
- ticket price.

A gambling employee or volunteer who sells paper pull-tab tickets must enter:

- the key on the register that corresponds to the game from which the paper pull-tab ticket is purchased;
- the number of paper pull-tab tickets purchased; and
- the dollar value of currency given by the player.

## Using a Point-of-Sale System (continued)

### Redeeming Winning Tickets—Information Required

For each redeemed winning paper pull-tab ticket, the employee or volunteer must record in the POS system:

- the date of the prize payout;
- the operator's unique identification code;
- the serial number of the winning paper pull-tab; and
- the amount of the prize payout.

The employee or volunteer also must:

- use the POS system key that corresponds to the game for that ticket;
- enter the prize payout amount; and
- complete a prize receipt form for any winning paper pull-tab ticket redeemed with a prize value of \$100 or more and any "last sale prize" awarded with a value of \$20 or more.

**Playbacks**—A customer may choose to receive a paper pull-tab ticket rather than cash in exchange for a winning paper pull-tab ticket. The transaction must be recorded as both a redeemed paper pull-tab and a paper pull-tab sale, so that all transactions are accurately accounted for when using a POS system.

### End-of-Shift Cash Count

At the end of each work period, verify the cash in the POS system using the LG283 Point of Sale System Cash Count Report.

If the cash amount does not reconcile to the POS system totals for each game in play, an LG284 Point of Sale System Discrepancy Report must be completed. Review these forms periodically to look for a pattern of fund losses.

### Month-End Audit and Reconciliation Required

On the last day of each month an audit of all paper pull-tab games in play must be completed. Reconcile the results to the POS system bank. Record the information on the LG285 Point of Sale System Monthly Reconciliation Report.

- Determine the net receipts for the games in play based on a count of the unsold and redeemed winning tickets.
- Compare the net receipts to the cash in the drawer. If the comparison shows a cash variance, apply the cash long or short to the last game closed for the month on the Schedule B2. Attach a copy of the Schedule B2 to the LG285.

### Keep Point-of-Sale System Forms

To verify cash and reconcile games in play when using a POS system, use the forms included in this section. These forms do not have to be sent to the Gambling Control Board or the Department of Revenue. However, an organization must keep these completed forms in a secured area for at least 3-1/2 years.

## Records and Reports

### Required Forms to Use

Complete and keep the following required forms:

- LG844 Perpetual Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets
- LG847 Current Site Inventory List
- LG846 Physical Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets Monthly Report
- LG861 Site Control/Tracking and Auditing of Paper Pull-Tab Game
- LG281 Key Log (for paper pull-tab dispensing devices)
- LG282 Paper Pull-Tab Dispensing Device Access Log
- LG286 Paper Pull-Tab Dispensing Device Game Receipts Tracking
- LG287 Paper Pull-Tab Dispensing Device Cash Bank Reconciliation
- LG283 Point-of-Sale System Cash Count Report
- LG284 Point-of-Sale System Discrepancy Report
- LG285 Point-of-Sale System Monthly Reconciliation Report

The above forms with instructions are available at [www.mn.gov/qcb](http://www.mn.gov/qcb) or from the Gambling Control Board.

### Monthly Reporting

Each month, an organization must report paper pull-tab gross receipts, prizes, net receipts, and cash variances to the Gambling Control Board. Organizations must submit this information in an electronic file, which includes the LG100A Lawful Gambling Receipts and Expenses by Site.

Forms and instructions are available at [www.mn.gov/qcb](http://www.mn.gov/qcb) (under GCB Monthly Reports) or from the Gambling Control Board.

In addition, each month an organization must submit a G1 Lawful Gambling Monthly Tax Return to the Department of Revenue, reporting paper pull-tab gross receipts, prizes, net receipts, and cash variances.

Forms and instructions are available from the Department of Revenue.

### Keep Your Games and Records

Keep all winning, unsold (unopened), and defective paper pull-tab tickets, and records in a secured area for at least 3-1/2 years after the month in which the game was reported as closed on the Schedule B2. It is strongly recommended to use a storage area not susceptible to flooding.

Do not open any unsold or defective paper pull-tabs.

## Records and Reports: Defective Games

### Report Defective Game as Played Game on B2

Report the defective game as a played game on a separate Schedule B2. Attach an explanation of the game defect. If the defect was extra winners, list the actual prizes awarded including any "extra" prizes, even though the amount paid exceeds the ideal prizes for the game.

#### Questions?

Refer to the Minnesota Lawful Gambling Tax Forms and Instructions, or contact the Department of Revenue's Lawful Gambling Tax Unit at 651-297-1772 or at [www.revenue.state.mn.us/gambling-taxes](http://www.revenue.state.mn.us/gambling-taxes).

### Reporting Credits or refunds on the LG100A

Refunds are reported as follows:

#### Credit invoice (memo) from distributor

Cost and sales tax for returned games: Include the amount as a negative amount on the LG100A, Line 11 (net credit against purchases for the month).

#### Refund check from distributor or manufacturer

If you are unsure how to account for a refund check, contact your Compliance Specialist at the Gambling Control Board.

## Reporting Negative Net Receipts

The question is often asked, "How do we report and replenish the starting cash for games that have negative net receipts?" The following section outlines the correct way to report a game with negative net receipts (closed games with a loss) and how to replenish the starting cash bank.

Negative net receipts means that more money has been paid out in prizes than was received from the sale of tickets (gross receipts). Your organization may decide to remove the game from play, even though it has a loss, because players no longer want to buy tickets from that game.

### Negative Net Receipts

**Example**

A game is removed from play with unsold tickets remaining.

\$ 2,000	Ideal gross receipts (if all tickets were sold)
- <u>500</u>	Unsold tickets
\$ 1,500	Actual gross receipts

Audit the game and count all the redeemed winning tickets.

\$ 1,700	Actual value of prizes paid (total value)
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In this case, the organization awarded more for prizes than what it made in gross receipts, resulting in negative net receipts.

\$ 1,500	Actual gross receipts
- <u>1,700</u>	Actual value of prizes paid
\$ (200)	Negative net receipts

Report \$(200) under "Net receipts" — on Schedule B2.

### Negative Cash in Hand

**Example**

A game is begun with a \$300 starting cash bank. When the game is removed from play only \$50 remains in the cash drawer.

\$ 50	Actual cash left in drawer
- <u>300</u>	Starting cash bank
\$ (250)	Negative cash in hand

Report \$(250) under "Cash in hand" — on Schedule B2.

### Computing Cash Long/Short

**Example**

The difference between net receipts and cash in hand is the amount reported as cash long or cash short.

\$ (250)	Cash in hand
- <u>(200)</u>	Net receipts
\$ (50)	Cash short

The organization has \$50 less (cash in hand) than it should have, based on the count of the tickets (net receipts)—so it is \$50 cash short.

Report \$(50) under "Cash long/(short)" — on Schedule B2.

The following pages contain examples of games with negative net receipts and show how these games should be reported.

## Reporting Negative Net Receipts (continued)

### Example 1: No Cash Long or Short

The following amounts apply to this example:

- \$2,800 = Ideal gross receipts
- \$2,240 = Ideal prizes
- \$1,094 = Total value of unsold tickets
- \$1,706 = Gross receipts (ideal gross minus total unsold)
- \$2,068 = Total value of prizes paid

- A paper pull-tab deal, manufacturer ID XZ, form number 456-AB, serial #178327, was put into play.
- The starting game cash bank is \$500.
- The deal is removed from play with \$138 total cash remaining in the cash drawer.

1. To determine the amount of cash in hand, subtract the starting cash bank amount from the cash remaining at the end of the game.

\$ 138 cash remaining at end of game  
 - 500 starting cash bank  
 \$ (362) cash in hand

2. Report a negative (\$362) in the Cash in Hand column on the Schedule B2.

3. To determine the cash long or short, if any, subtract the net receipts from the cash in hand.

\$ (362) cash in hand  
 (362) net receipts  
 \$ 0 no cash long or short

4. Report the game on Schedule B2 as follows:

Ideal Gross Receipts	Ideal Prizes	Value of Unsold Tickets	Gross Receipts	Value of Prizes Paid	Net Receipts	Cash in Hand	Cash Long/ (Short)
2,800	2,240	1,094	1,706	2,068	(362)	(362)	0

5. To replenish the starting cash bank to \$500 for the next game, write a \$362 check from the gambling account. In the memo field, write "Replenish game bank" and the game's serial number.

Oxbow Lions Gambling Account	4170
	August 28, 2020
Pay to the order of <u>Cash/Game Bank</u>	<u>\$362.00</u>
<u>Three Hundred Sixty-Two and no/100</u>	<u>Dollars</u>
Memo <u>replenish game bank serial #178327</u>	<u>George Manager</u> <u>Morgan Rothchild</u>

## Reporting Negative Net Receipts (continued)

### Example 2: Cash Long

The following amounts apply to this example:

- \$2,800 = Ideal gross receipts
- \$2,240 = Ideal prizes
- \$1,094 = Total value of unsold tickets
- \$1,706 = Gross receipts (ideal gross minus total unsold)
- \$2,068 = Total value of prizes paid

- A paper pull-tab deal, manufacturer ID XZ, form number 456-AB, serial #178327, was put into play.
- The starting game cash bank is \$500.
- The deal is removed from play with \$152 total cash remaining in the cash drawer.

1. To determine the amount of cash in hand, subtract the starting cash bank amount from the cash remaining at the end of the game.

$$\begin{array}{r}
 \$ 152 \text{ cash remaining at end of game} \\
 - \underline{500} \text{ starting cash bank} \\
 \$ (348) \text{ cash in hand}
 \end{array}$$

2. Report a negative (\$348) in Cash in Hand column on the Schedule B2.

3. To determine the cash long or short, if any, subtract the net receipts from the cash in hand.

$$\begin{array}{r}
 \$ (348) \text{ cash in hand} \\
 - \underline{(362)} \text{ net receipts} \\
 \$ 14 \text{ cash long}
 \end{array}$$

4. Report the game on Schedule B2 as follows:

Ideal Gross Receipts	Ideal Prizes	Value of Unsold Tickets	Gross Receipts	Value of Prizes Paid	Net Receipts	Cash in Hand	Cash Long/ (Short)
2,800	2,240	1,094	1,706	2,068	(362)	(348)	14

5. To replenish the starting cash bank to \$500 for the next game, write a \$348 check from the gambling account. In the memo field, write "Replenish game bank" and the game's serial number.

Oxbow Lions Gambling Account	4170
	<b>August 28, 2020</b>
Pay to the order of <u>Cash/Game Bank</u>	<u>\$348.00</u>
<u>Three Hundred Forty Eight and no/100</u>	<u>Dollars</u>
Memo <u>replenish game bank serial #178327</u>	<u>George Manager</u> <u>Morgan Rothchild</u>

## Reporting Negative Net Receipts (continued)

### Example 3: Cash Short

The following amounts apply to this example:

- \$2,800 = Ideal gross receipts
- \$2,240 = Ideal prizes
- \$1,094 = Total value of unsold tickets
- \$1,706 = Gross receipts (ideal gross minus total unsold)
- \$2,068 = Total value of prizes paid

- A paper pull-tab deal, manufacturer ID XZ, form number 456-AB, serial #178327, was put into play.
- The starting game cash bank is \$500.
- The deal is removed from play with \$111 total cash remaining in the cash drawer.

1. To determine the amount of cash in hand, subtract the starting cash bank amount from the cash remaining at the end of the game.

\$ 111 cash remaining at end of game  
 - 500 starting cash bank  
 \$ (389) cash in hand

2. Report a negative (\$389) in the Cash in Hand column on the Schedule B2.

3. To determine the cash long or short, if any, subtract the net receipts from the cash in hand.

\$ (389) cash in hand  
 - (362) net receipts  
 \$ (27) cash short

4. Report the game on Schedule B2 as follows:

Ideal Gross Receipts	Ideal Prizes	Value of Unsold Tickets	Gross Receipts	Value of Prizes Paid	Net Receipts	Cash in Hand	Cash Long/ (Short)
2,800	2,240	1,094	1,706	2,068	(362)	(389)	(27)

5. To replenish the starting cash bank to \$500 for the next game, write a \$389 check from the gambling account. In the memo field, write "Replenish game bank" and the game's serial number.

Oxbow Lions Gambling Account 4170

August 28, 2020

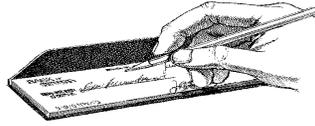
Pay to the order of Cash/Game Bank \$389.00

Three Hundred Eighty Nine and no/100 Dollars

George Manager

Memo replenish game bank serial #178327 Morgan Rothchild

## Replenishing Cash Banks



### Not Reported on LG100A

- Q. Where on the LG100A Lawful Gambling Receipts and Expenses by Site do we list checks written to replenish starting cash banks?**
- A. Checks written to replenish starting cash banks are not reported on the LG100A as expenditures. Replenishing cash banks is simply moving money from the gambling checking account to the cash game bank.

### Membership Approval Not Required

- Q. Do checks written to replenish starting cash banks require prior membership approval?**
- A. No. Checks written to replenish starting cash banks are not considered expenditures. They are simply a conversion of an asset from one form (gambling bank account) to another (starting cash bank at site).

### Unreimbursed Starting Cash Banks

- Q. For a played game with a loss, how do we report the game bank that has not been replenished by the end of the month?**
- A. Report the amount of the loss not yet replenished on LG100A, Line 26 (unreimbursed starting cash banks).

### Gambling Record Information

- Q. How should our gambling records show the checks that are written to replenish starting cash banks?**
- A. List the game serial number with the negative cash in hand in the memo section of the check and in the lawful gambling check register. The check can then be tracked to the game that lost money.

### Replenishing Cash Bank—Negative Net Receipts

- Q. When should I replenish my game bank for a game with negative net receipts?**
- A. As soon as possible and preferably the same month that the game is closed.

# BINGO

This chapter contains information on bingo conducted using bingo paper or bingo hard cards. (See Chapter 4 for information on electronic linked bingo.)



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<b>Common Terms</b>	
<b>Bingo</b>	<p>“Bingo” means a game:</p> <ul style="list-style-type: none"> <li>• where each player has a bingo hard card, bingo paper sheet, or facsimile of a bingo paper sheet used with an electronic bingo device;</li> <li>• for which a consideration has been paid; and</li> <li>• that is played according to Minnesota statutes and rules.</li> </ul>
<b>Bingo board</b>	A bingo board is a disposable sealed bingo placard that is used as a bingo number selection device. Bingo boards contain 75 randomly placed bingo letter and number combinations, using each of the numbers 1 through 75, under numbered seals. The caller sequentially opens the seals on the bingo board, starting with the number 1.
<b>Bingo face</b>	Bingo is played on a bingo face containing 25 squares arranged in five vertical rows and five horizontal rows with the center space marked “free.” The columns are marked with B-I-N-G-O in order at the top.
<b>Bingo number</b>	A bingo number is a letter and number combination of B-I-N-G-O and numbers 1 through 75 that are selected by using bingo balls, a random number generator, or a bingo board.
<b>Bingo occasion</b>	<ul style="list-style-type: none"> <li>• A bingo occasion may be conducted for up to eight consecutive hours.</li> <li>• A bingo occasion may have intermissions.</li> <li>• There is no limit on the number of bingo occasions that may be conducted by an organization.</li> <li>• There is no limit on the number of games that may be conducted during a bingo occasion.</li> </ul>
<b>Bingo paper</b>	<p>Bingo paper is:</p> <ol style="list-style-type: none"> <li>1. a paper sheet</li> <li>2. a paper packet</li> <li>3. a paper package</li> <li>4. sealed paper</li> <li>5. linked bingo paper</li> <li>6. a facsimile of a bingo face used with an electronic bingo device</li> </ol>
<b>Case paper</b>	Uncollated bingo paper sheets are sold by distributors in case lots. Case paper may be either single bingo paper sheets or in a tablet from which the organization removes single bingo paper sheets.
<b>Checker</b>	<p>When hard cards are used, a checker is a person who:</p> <ul style="list-style-type: none"> <li>• counts and records the number of bingo hard cards purchased and played during each game;</li> <li>• records the prizes awarded; and</li> <li>• does not collect the payment for the hard cards.</li> </ul>
<b>Continuation game</b>	Up to three patterns may be played on one face, such as a regular bingo, double bingo, and cover-all. Each portion is considered a separate game, even though the balls are not returned to the receptacle until all of the games have been completed.
<b>Cover-all game (blackout)</b>	<p>A game where all spaces on the bingo face must be covered.</p> <p>A cover-all game is one in which a player must cover all spaces except a single free space to win and includes a game in which all odd or even numbers are designated by the organization as covered prior to the start of the game.</p>

<b>Common Terms</b>	
<b>Cover-none game</b>	A game in which a player does not cover any numbered spaces to win. (Also known as "last person standing.")
<b>Facsimile</b>	A "facsimile" is an electronic display of a bingo paper face with its face number displayed in an electronic bingo device used by a bingo player.
<b>Hot-ball bingo</b>	Hot-ball bingo is a bingo game in which organizations may offer an additional prize of up to \$500 for a winning bingo face for which the last number called matches a predesignated bingo number. A hot-ball bingo prize amount may be increased from game to game and/or occasion to occasion (similar to a progressive game). Players may pay an additional cost to participate.
<b>Limiting bingo number (ball) count</b>	In this game, a bingo pattern must be completed within an established quantity of bingo numbers selected and called. A consolation prize is awarded if the bingo pattern is not completed within the established bingo number count.
<b>Linked bingo game</b>	A bingo game conducted simultaneously at two or more locations. See <i>Linked Bingo</i> section in this chapter.
<b>On's</b>	The number of bingo faces on a single bingo paper sheet.
<b>Package</b>	Any combination of separately invoiced bingo paper sheets or packets that will be sold as a single unit to players.  Linked bingo paper may not be included in a package.
<b>Packet</b>	A bingo paper sheet "packet" is a group of bingo paper sheets that is manufactured, collated, and sold by the manufacturer as a unit. Bingo paper sheet packets may not be taken apart and sold as individual sheets.  Linked bingo paper may not be included in a packet.
<b>Progressive bingo game</b>	A game where the established prize levels increase from one occasion or game to the next, up to a predetermined amount. If no player completes the required pattern within the specific number of bingo numbers selected and called during a bingo occasion, a consolation prize may be awarded. The ball count does not have to be progressive.
<b>Sealed bingo paper sheet</b>	A bingo paper sheet, or facsimile used with an electronic bingo device, that is sealed by the manufacturer in a manner that prevents any part of the face from being seen prior to being opened by a player.
<b>Single bingo game</b>	A game other than a cover-all, cover-none, or progressive game.
<b>Up's</b>	The number of sheets in a packet.

<b>Items Used in the Conduct of Bingo</b>														
<b>Required Items</b>														
<b>Item</b>	<b>Use</b>	<b>Where to Obtain</b>												
<b>Bingo number selection device</b>	<p>A bingo number selection device is a machine or other device from which bingo numbers are randomly withdrawn or selected. It can be as simple as a "squirrel cage" or as elaborate as a computerized bingo ball blower or random number generator.</p> <p>A bingo board, similar in look to a pull-tab flare, has 75 perforated windows and is used instead of a bingo ball selection device to select bingo numbers.</p>	From a licensed distributor.												
<b>Bingo balls</b>	<p>When used with a bingo ball blower or squirrel cage, use a set of 75 balls numbered 1 through 75, and lettered B-I-N-G-O. Each ball must bear only one letter and one number:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Letter</u></th> <th style="text-align: center;"><u>Numbers</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">B</td> <td style="text-align: center;">1 - 15</td> </tr> <tr> <td style="text-align: center;">I</td> <td style="text-align: center;">16 - 30</td> </tr> <tr> <td style="text-align: center;">N</td> <td style="text-align: center;">31 - 45</td> </tr> <tr> <td style="text-align: center;">G</td> <td style="text-align: center;">46 - 60</td> </tr> <tr> <td style="text-align: center;">O</td> <td style="text-align: center;">61 - 75</td> </tr> </tbody> </table> <p>Each ball must be of equal size, weight, shape, balance, and free of any defects.</p>	<u>Letter</u>	<u>Numbers</u>	B	1 - 15	I	16 - 30	N	31 - 45	G	46 - 60	O	61 - 75	From any source.
<u>Letter</u>	<u>Numbers</u>													
B	1 - 15													
I	16 - 30													
N	31 - 45													
G	46 - 60													
O	61 - 75													
<b>Bingo paper or hard cards</b>	<p>Restrictions apply depending on the amount of bingo gross receipts received in the organization's last fiscal year:</p> <ul style="list-style-type: none"> <li>• If bingo gross receipts were under \$150,000, hard cards, bingo paper, or facsimiles used with an electronic bingo device may be used.</li> <li>• If bingo gross receipts were over \$150,000, only bingo paper or facsimiles used with an electronic bingo device may be used. Hard cards, except for braille or large print cards, may not be used.</li> <li>• Bingo hard cards may not be used for bar bingo.</li> </ul>	<p>From a licensed distributor.</p> <p>Linked bingo equipment is provided by a licensed linked bingo game provider.</p>												
<b>Bingo program</b>	<p>Bingo programs are used to list at a minimum:</p> <ul style="list-style-type: none"> <li>• the games to be played at each occasion</li> <li>• a detailed description of paper</li> <li>• the date the program was implemented</li> <li>• prizes</li> </ul> <p>House rules may be included in the bingo program as an alternative to posting the house rules.</p>	<p>An organization must develop the bingo program. It can be printed by the organization or any vendor. A paper and hard card bingo program checklist (LG913) is available at <a href="http://www.mn.gov/qcb">www.mn.gov/qcb</a>.</p>												
<b>Prize receipt form</b>	<p>A prize receipt form must be completed for:</p> <ol style="list-style-type: none"> <li>1. each winning prize of \$100 or more, and</li> <li>2. a bingo game(s) with prize(s) that cannot be determined and verbally announced prior to the start of the game, such as % payback games.</li> </ol> <p>For linked bingo games, the linked bingo game provider is responsible for documenting prizes paid to jackpot winners and maintaining information regarding winner verification and receipt of the prize.</p>	<p>In this chapter and on the Board's website, <a href="http://www.mn.gov/qcb">www.mn.gov/qcb</a>.</p>												

## Items Used in the Conduct of Bingo

### Optional Items

Item	Use	Where to Obtain
<b>Coupons</b>	Coupons are the only item that may be used to adjust the selling price of bingo paper, hard cards, or electronic bingo devices.  Coupons may not be used for linked bingo games.	As determined by the organization.
<b>Electronic bingo device</b>	An electronic bingo device is a device that may be used by a bingo player to monitor bingo faces purchased at the bingo occasion. See <i>Electronic Bingo Device</i> section in this chapter.	Leased from a licensed distributor or linked bingo game provider.
<b>Flashboard; camera system</b>	Electronic device used to display called bingo numbers for the players. Flashboards and camera systems are optional but are frequently used by organizations that conduct bingo.	From any source.
<b>Gift certificates</b>	Bingo gift certificates are sold at face value to potential customers and are redeemed by players for bingo paper on a "same as cash" basis. The LG914, Bingo Gift Certificate Tracking form, is required.	As determined by the organization.
<b>Linked bingo paper sheets</b>	Bingo paper sheets or facsimiles used with an electronic bingo device in a linked bingo game.	From a licensed linked bingo game provider.
<b>Monitor</b>	Used to display the called bingo numbers and to verify winning bingos.	From any source.
<b>Sealed bingo paper</b>	Individually sealed bingo paper sheets or sealed facsimiles used with an electronic bingo device.	From a licensed distributor.

### Providing equipment to another organization: What's allowed

**Q. May we give our old bingo hard cards to the senior citizens' group in our community?**

A. No. However, your organization may arrange with a distributor licensed by the Gambling Control Board to document a transaction that would involve your organization returning the hard cards to the distributor, who may then give the hard cards to the senior citizens' group.

As an alternative, your organization could loan the bingo hard cards to an organization authorized for an event.

**Q. A nearby church has obtained an "exemption" permit from the Gambling Control Board to conduct bingo on a Saturday later this spring. May we loan them both our bingo number selection device and bingo hard cards to help them have a successful event?**

A. Yes. An organization may loan bingo number selection devices and bingo hard cards to another organization authorized to conduct bingo. However, you may not provide them with bingo paper.

<b>Bingo Program</b>
<b>Developing a Bingo Program</b>
<p>Before starting a bingo operation, a bingo program must be developed. Use the bingo program checklist to help develop a bingo program.</p> <p>Include in the program any factors used to determine the prize payout structure. When prize amounts are adjusted within a single program, the method used to determine prize amounts must be clear to the players before the start of the occasion. Examples include the following.</p> <ul style="list-style-type: none"> <li>• <b>Percentage payback:</b> If a bingo prize is a percentage of gross receipts, the bingo program must state that the game pays a specific percentage of gross receipts not to exceed the prize limits for that type of bingo game, such as "70% payback, up to \$199."</li> <li>• <b>Caller's choice:</b> For a "caller's choice" game, the bingo program must provide a written description of the game offered and an illustration of the winning pattern.</li> <li>• <b>Good neighbor:</b> For a "good neighbor" game, the bingo program must provide a written description of how the prize is shared.</li> </ul>
<b>Advertising</b>
<p>To help reduce expenses, organizations may solicit and include advertising in their bingo programs. The money received must be deposited in the gambling account and reported as other income on Line 10 of the LG100A.</p>
<b>Keep Bingo Program</b>
<ul style="list-style-type: none"> <li>• Organizations must maintain a copy of the hard card or paper bingo program in use for each bingo occasion conducted and must make the bingo program available to the Board upon request.</li> <li>• Prior membership approval is not required, but be sure to include the program with the minutes of the organization's next monthly meeting.</li> <li>• Contact your Compliance Specialist with questions about bingo programs.</li> </ul>
<b>Bad Weather</b>
<p>An organization may reduce bingo prizes prior to the bingo occasion if the bingo program contains information regarding prize reduction due to reduced attendance caused by bad weather.</p>

# Sample Bingo Program

## Bingo at The Roundabout!

ABC Organization, License #09876-001  
 Friday sessions 7:30 p.m.  
 Effective 08/11/2020

Paper Color	Game	Payout
1. Orange	Regular bingo	\$25
2. Orange	Double bingo	\$50
3. Blue	Regular bingo	\$25
4. Blue	Letter X	\$50
5. Pink	Regular bingo	\$25
6. Pink	Double bingo	\$50
7. Yellow	Regular bingo	\$25
8. Yellow	Small round robin	\$50
9. Gray	\$500 cover-all Starts at 50#s and goes up 1# each week until won Consolation prize	\$99

**INTERMISSION**

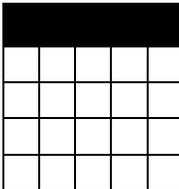
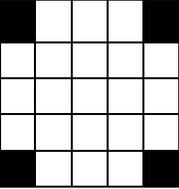
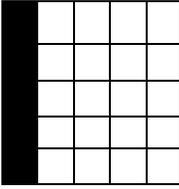
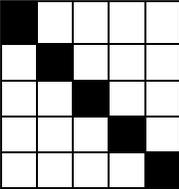
10. Red	Regular bingo	\$25
11. Red	Double bingo	\$50
12. Olive	Regular bingo	\$25
13. Olive	Large round robin	\$50
14. Brown	Regular bingo	\$25
15. Brown	Diamond	\$50
16. Blue	Bonanza (progressive cover-all). Starts at 45 #s and goes up 1 # each week until won. Start at \$500 and goes up \$100 a week to \$2,000 until won. Consolation prize	\$50
17. Black	Cover-all	\$500

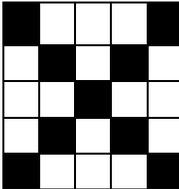
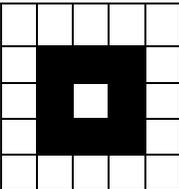
\$8 package = 6 ON 8 UP  
 \$10 package = 9 ON 8 UP

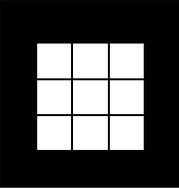
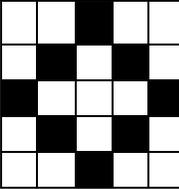
**SPECIALS:**

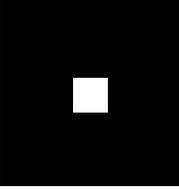
\$1 cover-all (gray) = 3 ON 1 UP  
 \$1 cover-all (black) = 3 ON 1 UP  
 \$1 additional bonanza (blue) 2 ON 1 UP  
 \$0.50 trade-in bonanza (red) 2 ON 1 UP

Regular Bingo - 4 ways to win

Across—any row 	Four Corners 
Down—any column 	Diagonal—either way 

Letter X 	Small Round Robin 
--	--

Large Round Robin 	Diamond 
---	--

Cover-all  


<b>Bingo Prizes</b>		
<b>Prize Limits</b>		
Single game and progressive consolation prizes	May not exceed \$500 per game.	
Cover-all game	May not exceed \$2,000 for all cover-all games playing during a bingo occasion.	
Cover-none game	May not exceed \$2,000 for all cover-none games played during a bingo occasion.	
Progressive game	<ul style="list-style-type: none"> <li>• May start at up to \$500.</li> <li>• May increase by up to \$100 per game or occasion up to a maximum of \$2,000.</li> </ul>	
Hot-ball bingo game prizes	Up to \$500 per bingo occasion.	
Linked bingo game	Each licensed organization may contribute up to 85% of linked bingo gross receipts toward linked bingo prizes. The actual percentage paid by each organization is determined by the organization's linked bingo game provider.	
<b>Alternative Prize Levels</b>		
<ul style="list-style-type: none"> <li>• Bingo games may have alternative prize levels.</li> <li>• A prize receipt form must be completed for these games.</li> <li>• The games must be included in your bingo program. Examples include the following:</li> </ul>		
<p><b>A prize may be based on the percentage of gross receipts.</b></p> <ul style="list-style-type: none"> <li>• A prize receipt is required if the prize value is announced <b>after</b> the game begins.</li> <li>• A prize receipt is not required if the prize value is announced <b>before</b> the game starts.</li> </ul>	<p><b>Prizes may be determined based on the value of the bingo packet or package sold to the player. For example:</b></p> <ul style="list-style-type: none"> <li>• If package sold for \$10, the prize would be \$50.</li> <li>• If packages sold for \$20, the prize would be \$100.</li> </ul>	<p><b>A prize is ten times the value of the last digit of the last ball called.</b></p> <p>EXAMPLE: I-21 is \$10, O-65 is \$50.</p> <p>You may offer a \$100 prize if the number zero (0) is the last digit.</p>

## Bingo Prizes (continued)

Types of Prizes Allowed	Types of Prizes Not Allowed
<p>Prizes for a bingo game may consist of:</p> <ol style="list-style-type: none"> <li>1. cash;</li> <li>2. a coupon redeemable for bingo paper, bingo hard cards, or the use of an electronic bingo device;</li> <li>3. gift cards or gift certificates; and</li> <li>4. merchandise, which includes certificates for merchandise or services.</li> </ol> <p>Cash may not be substituted for merchandise prizes, certificates for merchandise or services, gift certificates, or gift cards. <b>EXCEPTION:</b> Cash may be substituted for a merchandise prize that cannot be divided.</p>	<p>Prizes may not consist of lawful gambling equipment:</p> <ol style="list-style-type: none"> <li>1. paper pull-tabs;</li> <li>2. tipboard tickets;</li> <li>3. paddlewheel tickets;</li> <li>4. bingo paper (use coupons instead); or</li> <li>5. electronic game credits.</li> </ol> <p>(Minnesota Rules, Part 7861.0260, subpart 4.)</p>

### Merchandise Prizes Allowed; Restrictions

<b>Donated prize</b>	Prizes may be donated.
<b>Lessor restrictions</b>	<p>For a leased premises:</p> <ol style="list-style-type: none"> <li>1. The lessor may donate prizes.</li> <li>2. An organization may purchase from the lessor a certificate for merchandise or gift card to be redeemed for food or beverages at the premises if:                             <ul style="list-style-type: none"> <li>- the certificate or card has a redeemable monetary cash value;</li> <li>- the certificate or card does not contain restrictions on its redemption, such as requiring a purchase of food or beverage of equal or greater value or redeemable for a specific item;</li> <li>- the certificate or card may be redeemed at any time during regular business hours of the permitted premises; and</li> <li>- the cost to the organization is 50% or less of the redeemable cash value.</li> </ul> </li> </ol>
<b>Compliance with prize limits</b>	To determine compliance with prize limits (see previous page), merchandise prizes donated to an organization or purchased at a discount and bingo coupons for future bingo occasions must be valued at their fair market value. The fair market value of a merchandise prize must not be an amount less than the purchase price.
<b>Savings bonds</b>	If savings bonds (considered a merchandise prize) are awarded, they must be announced and reported at their purchase price. <b>EXAMPLE:</b> A savings bond that will be worth \$50 at maturity would be announced as \$25.
<b>Report on the LG100A</b>	<p>For purposes of reporting on the monthly LG100A:</p> <ul style="list-style-type: none"> <li>• donated prizes have no value (not reported); and</li> <li>• merchandise prizes are reported at the actual cost plus shipping and sales tax.</li> </ul>

**LG830** Track all merchandise (non-cash) prizes on the LG830.

### Certificate for Merchandise or Services—Required Information

A certificate for merchandise or certificate for services awarded as a prize must include:

- a complete description, including the value, of the merchandise or services;
- the vendor’s name from whom the certificate must be redeemed; and
- a statement expressly prohibiting the substitution of cash or another type of merchandise or services described on the certificate.

### Ownership of Prizes Required

Prior to the bingo occasion, an organization must pay in full for bingo prizes or otherwise become the owner without lien or interest of others.

## Bingo—Who May and May Not Participate

For information on who may and may not participate in lawful gambling, see Chapter 3, page 20.

### Frequently Asked Questions

**Q. Our organization conducts bingo at a premises where bingo is conducted by more than one organization. May our gambling employees play bingo when our organization is conducting bingo at the premises?**

A. It depends on whether the employee is working during that occasion. An employee may play at an occasion as long as the employee is not involved with the conduct of any lawful gambling during that occasion.

EXAMPLE:

An employee who works the early bird games may not participate as a player in any games during that occasion.

EXAMPLE:

An employee who sells paper pull-tabs during a bingo occasion may not play bingo during the occasion.

The term "employee" includes a volunteer. An organization, in its house rules or internal controls, may adopt broader restrictions to limit employee player participation.

**Q. Our organization conducts bingo at a premises where bingo is conducted by more than one organization. May our employees play bingo when another organization is conducting the bingo occasion at the premises?**

A. Yes, as long as they are not involved with the conduct of any lawful gambling during that occasion.

**Q. May we allow anyone under 18 to be present at our regular licensed bingo occasion?**

A. There is nothing in statute or rule that would prohibit someone under 18 from being present at a bingo occasion. (Check local ordinances.)

Persons under 18 may not play bingo at a permitted premises, with one exception. If accompanied by a parent or guardian, persons under 18 may play bingo conducted by an organization as part of an annual community event.

**Q. May floor workers play a bingo game for someone who has gone to the restroom?**

A. No. Bingo employees may not play bingo during occasions at which they work. This would include playing any player's bingo paper.

**Q. May floor workers assist players by pointing out winning bingo patterns or missed numbers?**

A. No. Bingo employees may not assist players.

## Conducting Bingo

### Information Required to Be Posted at Each Premises or Included in the Bingo Program

<b>General information</b>	<p>The following information must be prominently posted at each premises or included in the bingo program:</p> <ul style="list-style-type: none"> <li>• organization name;</li> <li>• license number and premises permit number;</li> <li>• statement that illegal gambling is prohibited at the premises;</li> <li>• problem gambling helpline number (1-800-333-HOPE) at each point of sale;</li> <li>• the price for each hard card, or bingo paper sheet, packet, package, and electronic bingo device;</li> <li>• a statement that only cash sales are permitted.</li> </ul>
<b>House rules</b>	<p>When house rules are posted, the minimum size for the house rules sign is 11" x 17". The house rules must be clearly visible at the point of sale or included in the bingo program.</p> <p>The house rules governing the conduct of lawful gambling must include all policies of the organization that affect the play of the game and must include:</p> <ul style="list-style-type: none"> <li>• any restrictions in addition to those imposed by Minnesota Statutes, Section 349.181, on who may not participate in the conduct of lawful gambling at the premises;</li> <li>• the policy on declaring bingo and last number called;</li> <li>• reasons for potentially canceling bingo occasions;                             <ul style="list-style-type: none"> <li>For example:</li> <li><i>"If fewer than 15 players are in attendance, the bingo occasion may be cancelled. Players are required to return their bingo package and will receive a coupon for a future occasion."</i></li> </ul> </li> <li>• whether duplicate hard cards are in play; and</li> <li>• other rules established by an organization for the conduct of bingo.</li> </ul>
<b>Name of paid employees</b>	<p>Paid gambling employees must clearly display their name when conducting lawful gambling. Their last name is not required.</p>

### Information Required to Be Kept at Each Premises

<b>Records and forms</b>	<p>The following must be kept at each premises:</p> <ul style="list-style-type: none"> <li>• Current site inventory records that list the bingo paper inventory kept on the premises (LG900).                             <ul style="list-style-type: none"> <li>— Depending on how your organization conducts its bingo, additional forms may include the LG920, LG901, LG902, or LG903.</li> </ul> </li> <li>• A copy of the distributor's invoice for bingo paper.</li> </ul>
<b>Separation of equipment</b>	<p>For leased premises, a clear physical separation or divider must be maintained between the organization's gambling equipment, another organization's gambling equipment, and the lessor's business equipment.</p>

## Conducting Bingo (continued)

### Determining the Selling Price

The price at which bingo paper will be sold is set by the organization when ordering bingo paper. The distributor then prints that price on the invoice.

The price listed on the distributor's invoice is the price an organization must charge players for the bingo paper.

The price does not have to be printed on the bingo paper.

### Changing the Selling Price

The selling price of bingo paper or hard cards may only be changed in one of the following ways:

1. unopened cases of bingo paper may be returned to the distributor for credit. Then the paper may be repurchased with the desired selling price listed on the new invoice; **or**
2. the cost to the player of the bingo paper or hard cards may be reduced through the use of coupons.

### Using Coupons

Coupons may be used to adjust the cost to the player of bingo paper sheets, bingo paper packets, bingo paper packages, and bingo hard cards. However, coupons may not be used for a linked bingo game. The cost may be adjusted down to zero with the use of a coupon.

The following information must be on each redeemed bingo coupon:

1. the dollar value of the coupon;
2. the player's name and address; and
3. the printed name and signature, in ink, of the player redeeming the coupon.

Identification of players may be kept on file to speed up the use of coupons. The identification must be maintained either in a paper/card file or by computer, and must be available upon request of the Gambling Control Board.

Keep all coupons and records in a secured area for at least 3-1/2 years.

## Conducting Bingo (continued)

### Starting Cash Banks and Drawers

A starting cash bank is money placed in the cash drawer prior to the beginning of the game, and is used to make change and pay prizes awarded.

### Selling Bingo Paper or Hard Cards—Requirements and Restrictions

**Sales**                      Bingo paper or hard cards must be:

- sold at the organization’s permitted premises;
- sold during or immediately preceding the occasion for which they are being sold;
- paid for prior to the start of a specific game, with the exception of sealed bingo paper used for a breakopen bingo game.

Bingo paper or hard cards are valid only during the bingo occasion for which they were purchased.

Bingo paper or hard cards may not be reserved or held for any player.

**Cash only; no checks or credit**                      • Only cash, traveler’s checks, money orders, and cashier’s checks may be accepted for the purchase of bingo paper or hard cards.

- Checks, credit cards, or debit cards may not be accepted.
- Credit may not be extended to a player.

**Restricted sales**                      Example: If an organization requires players to have played the five preceding games in order to participate in a cover-all game, include those restrictions in the bingo program, or house rules if not included in the bingo program, posted at the site.

### Age Restrictions

Only persons 18 or older may participate as a player.

EXCEPTIONS: Persons under 18 may play bingo conducted by:

- organizations that are exempt or excluded from licensing; or
- organizations as part of an annual community event, if accompanied by a parent or guardian.

Age restrictions may be included in the house rules or bingo program.

## Conducting Bingo (continued)

### Selling Food and Beverages at a Bingo Occasion

**Q. Our organization leases the space where we conduct bingo. Is it okay for a gambling employee to sell lunch and sell bingo paper at a bingo occasion?**

A. It depends. The employee may sell lunch before the occasion starts or after the occasion has been completed. However, at a leased premises a person may not work as a gambling employee and provide food and beverage service during the same bingo occasion.

**Q. At a leased premises may someone who is not a gambling employee working at the bingo occasion dispense food and beverages to players while bingo is being conducted?**

A. Yes. Food and beverages may be sold or served to players during a bingo occasion provided that, at a leased premises, the persons involved with dispensing food or beverages are also not involved with the conduct of gambling during that occasion.

**Q. Our organization owns the building where we conduct bingo. May a bingo employee also sell or serve food and beverages to the players during the same occasion?**

A. It depends.

If an organization owns the premises where bingo is conducted, bingo employees may also sell or serve food and beverages to players during the same occasion, provided that non-gambling funds are used to pay for the percentage of time spent on these non-gambling-related activities.

If the employee is paid 100% from the gambling account, then no.

An organization may not purchase food and beverage items using lawful gambling funds. This includes coffee, cups, and candy.

## Conducting Bingo (continued)

### Before the Game Begins

**Inspection of bingo balls and bingo boards**

**If bingo balls are used**, display the balls in their correct letter and number slot. At least one player must inspect bingo balls before an occasion begins, to determine that all balls are in operating condition and there are no missing or duplicate numbers.

**If bingo boards are used**, each bingo board must be inspected by at least one player before a bingo game begins, to determine that each bingo board has not been altered or tampered with, and is free from defects.

**Replacement of defective bingo balls**

All equipment used for bingo must be in sound working order. Bingo balls must be free of defects and equal in all characteristics that control their selection.

The life span of bingo balls depends on several factors:

- the amount of use
- the type of bingo balls
- the bingo number selection device
- how the caller handles them

If there are any concerns about bingo balls currently in play, replace the bingo balls immediately. It is suggested that you have several sets of bingo balls available.

**Announce pattern and prize**

- A bingo program must be available to all players prior to the start of the occasion.
- Immediately before each game is begun, describe and announce to the players the arrangement of spaces to be covered (pattern) or other game requirements in order to win. A predetermined pattern or game requirement must be completed to win.
- Verbally announce the prize before the start of a game. For games with alternative prize levels, the factors determining the prize amount must be announced to players.
- Announce any limiting bingo number counts.

**Display prizes**

If merchandise is offered as prizes, display the merchandise in full view.

### Sales After First Game in a Bingo Occasion Has Begun

If bingo paper is sold after the first game in a bingo occasion has begun, deface those games in the packet or package that have been played, or are in play, prior to the sale of the bingo paper.

### Cancellation of Bingo Occasion

If all or a portion of a bingo occasion is cancelled due to bad weather such as tornado, blizzard, flood, or power failure, an organization may require players to return the unused portion of their bingo package and may issue them a coupon for a future occasion. Report the occasion up to the point the bingo was discontinued. Deface and keep all unused bingo paper in a secured area for at least 3-1/2 years. It is strongly recommended to use a storage area not susceptible to flooding.

## Conducting Bingo (continued)

### Calling and Displaying the Numbers

1. The game begins with the first called letter and number of a randomly drawn or selected bingo number.
2. Except for bar bingo, the caller must make sure that the majority of the players are able to see the selected letter and number during the game. When a flashboard is used, light the corresponding letter and number after a number is called out.
3. In a bingo game with a pattern that does not require all available bingo numbers, the caller must announce before the game begins that selected bingo numbers not pertaining to the pattern will not be called. However, the bingo balls must be displayed.

For example, a game called "small round robin" does not include any numbers in the winning pattern from the "B" and "O" columns. The caller does not have to call out the drawn "B" and "O" numbers, but they must be displayed.

**Q. If I do not have to call bingo numbers that are not part of the pattern in play and the players must bingo within 45 numbers, are those uncalled bingo numbers counted as part of the 45 numbers?**

**A.** An organization has the option of counting all bingo numbers drawn or selected in its limited ball count or just counting those which are contained in the predetermined pattern. The method an organization uses must be clearly noted in the bingo program, or house rules if not included in the bingo program, and verbally stated to players before the start of the game.

4. Once drawn, bingo balls must not be returned to the receptacle until after the game or continuation game ends.
5. If the wrong letter or number is called, the caller must announce that an error has been made and call the correct letter or number. Correct the flashboard, if used, and continue with the game.

### Conducting Bingo Using Bingo Boards

1. If a bingo board is used, the caller must:
  - sequentially open one seal on the bingo board, starting with the number 1; and
  - immediately announce the letter and number revealed.
2. The caller must make sure that at least two players are able to see the selected/opened letter and number during the game.
3. No additional windows or seals may be opened after a winning bingo has been called and verified, unless the game is a continuation game.

## Conducting Bingo (continued)

### Verifying and Declaring a Winner

1. Stop the game when bingo is declared by a player.
2. If using bingo balls, before shutting off the machine the caller draws one more number in case the bingo is not valid. In a continuation game, hold the bingo number and use it as the first number drawn for the next game in that continuation game.
3. Verify that the declared bingo is valid.
  - Each winning bingo face must be verified by at least one neutral player who is not an immediate family member of the player declaring bingo.
  - An organization employee must read aloud the numbers in the winning bingo if an electronic verification device is not used.

**“Pick your own” bingo game**—In games where players fill in their own numbers on the bingo paper or facsimiles are used with an electronic bingo device, be sure the numbers correspond to the appropriate columns and the pattern designated by the organization.
4. Ask at least twice if there are any other bingos. If no one answers, announce that the game is completed.
5. Prizes must be awarded immediately at the bingo occasion.

EXCEPTION: Prizes of \$200 or more may be awarded by check within three days. Be sure to give the winner a receipt.

## Conducting Bingo (continued)

### Awarding Prizes

All prizes won must be based upon the completion of a predetermined pattern or predetermined game requirement with the letters and numbers called and by no other method.

All persons who complete the specified pattern or game requirements are winners.

### Awarding Prizes for Multiple Winners

#### **Drawings not allowed**

Drawings are not allowed to decide who gets the prize when there are multiple winners.

#### **Divide amount**

If a cash prize is awarded for a bingo game with multiple winners, divide the cash amount equally and award the divided amount for each verified winning bingo face. The prize may be rounded to the nearest higher dollar, provided the total amount of prizes awarded does not exceed the prize limits.

EXAMPLE: Three winners splitting a \$50 prize could each be awarded either \$16.66 or \$17.

Include your organization's prize-splitting policy in your bingo program or house rules.

- Q. If one bingo winner completes two patterns on the same face at the same time and another winner completes one pattern, how is the prize divided?**
- A. Each player receives half the prize as a player may only win once on a face in a regular bingo game.
- Q. If one bingo winner completes the pattern on two different faces and another winner completes the pattern on one face, how is the prize divided?**
- A. The player who completed the pattern on two different faces receives  $\frac{2}{3}$  of the prize, and the other player receives  $\frac{1}{3}$ .

#### **Merchandise prizes**

If the prize is a merchandise prize that cannot be divided, substitute prizes of equal value may be awarded. Cash may be awarded as a substitute prize.

# Conducting Bingo (continued)

## Using the Prize Receipt Form

Complete a prize receipt form:

1. for each winning prize awarded of \$100 or more, and
2. when the value of a prize cannot be determined and verbally announced prior to the start of the game (for example, % payback games).

NOTE: If the prize amount is announced at the beginning of the game, before the first ball is drawn, and the prize is less than \$100, a prize receipt form is not required.

<b>PRIZE RECEIPT Complete in ink. Staple winning ticket, and winning seal, if any, to prize receipt.*</b>		
Organization name	Date and time	Value of prize \$
	Name of game	
	<input type="checkbox"/> Bingo \$100+ <input type="checkbox"/> Electronic device credits \$600+ <input type="checkbox"/> *Tipboard \$100+ <input type="checkbox"/> *Paddlewheel \$100+ <input type="checkbox"/> *Paper pull-tab \$100+ <input type="checkbox"/> *Last sale prize \$20 or more Bingo alternative prize: \$ _____	
	Site location	
	Game serial number	
Received by: Name (print)		
Address		
City, state, zip		
Driver's license number or ID# from other picture identification		State
Winner's signature, in ink		Seller's signature, in ink
PREPARED BY THE MINNESOTA GAMBLING CONTROL BOARD (LG0007 7/16)		



### Complete in Ink; Signatures Required

The prize receipt information must be completed in ink or scanned on the prize receipt form. The winner's signature and the signature of the organization employee or volunteer making the payment must be in ink.

### Picture ID Required

A valid driver's license, a U.S. military ID card, or another form of government-issued picture identification is required to complete the prize receipt. The form of picture ID must be recorded, including the driver's license number and state of registration or the type of government-issued picture ID and ID number. A social security card does not meet this requirement.

If a winner does not have a picture ID, another player's ID may be used. That player's information, signature, and the winner's signature, must be included on the prize receipt form.

Until a player provides the necessary information to complete a prize receipt, the organization has no obligation to award the prize.

## Conducting Bingo (continued)

### Closing a Bingo Occasion

After the close of a bingo occasion, complete the appropriate bingo form(s). A list of bingo forms is included at the end of this chapter and are available at [www.mn.gov/gcb](http://www.mn.gov/gcb) or from the Gambling Control Board.

Questions? Contact a Compliance Specialist at the Gambling Control Board.

### Deposit Information

Deposit and record cash in hand, or secure the cash until it can be deposited.

Deposit the gambling receipts into the gambling account within four business days of the bingo occasion.

On the deposit slip, list the following information:

1. premises permit number;
2. date of the deposit;
3. date of the bingo occasion;
4. amount of actual cash from each bingo occasion; and
5. amount for any income received from advertising in conjunction with the bingo occasion, such as advertising on the bingo program.

When providing electronic bingo devices to players, be sure to include receipts from the rental of electronic bingo devices to players and receipts from the sale of facsimiles of bingo paper sheets.

The cash must be deposited and may not be used to award prizes at another bingo occasion.

<b>First National Bank Deposit Slip</b>	
<b>Date</b> 10/06/20	
99999-001	
Bingo 10/5/20	\$500
<b>TOTAL</b>	<b>\$500</b>

### Fund Loss

If a fund loss is discovered:

1. Notify local law enforcement within five days of discovering the loss (within 24 hours if the game was played in a dispensing device), and notify the Gambling Control Board. Fund losses not reported will not be considered by the Board for profit carryover adjustment.
2. Within 60 days, provide the Gambling Control Board with documentation of reimbursement or a request for a profit carryover adjustment due to a fund loss. This documentation must be provided to the Board within 60 days or the fund loss request will not be considered by the Board. Use form LG250 Fund Loss Request (Profit Carryover Adjustment).

Refer to the *Internal Operations and Oversight* chapter, Fund Loss section.

If bingo paper or hard cards are lost due to a disaster such as fire, flood, blizzard, tornado, or other catastrophic event, immediately contact the Gambling Control Board at 651-539-1900 for instructions on how to handle the fund loss.

## Conduct of Bar Bingo

Bar bingo is a bingo occasion conducted at a permitted premises in an area where:

- On-sale intoxicating liquor or 3.2% malt beverages are sold, and where
- another form of lawful gambling is also conducted.

Rent may not be paid for a bar bingo occasion.

Bar bingo may be conducted using bingo paper sheets and/or electronic bingo devices.

Organizations conducting bar bingo must comply with all statute and rule requirements for bingo.

### Frequently Asked Questions

**Q. May the lessor of the site where we conduct bar bingo run the bingo for us or does our gambling manager have to be there?**

A. The lessor or lessor’s employees may assist in the conduct of bingo at your site, but an organization employee is needed for the management and inventory of the bar bingo occasions.

**Q. Our organization has started conducting bar bingo. Are there any tools we can use to see if we are following all the bingo statutes and rules.**

A. Yes. A bingo site inspection checklist (LG859) and a bingo program checklist (LG913) are at [www.mn.gov/qcb](http://www.mn.gov/qcb). Use the checklist to ensure compliance with statutes and rules pertaining to bingo.

**Q. May the lessor participate in bar bingo?**

A. No.

**Q. May we pay the lessor’s employees for helping us conduct bar bingo?**

A. No. Compensation may not be paid by an organization to the lessor or the lessor’s employees for the conduct of bar bingo. However, the lessor may pay a lessor employee to assist with bingo.

**Q. We sell bingo paper from pads of 25 sheets for our bar bingo activity. A player has asked to purchase only bingo sheets from the end of the pad. Are we allowed to do that?**

A. No. First, Board rule prohibits any organization from reserving bingo paper for any person. Second, an organization is required to maintain accurate bingo paper inventory records through the use of control numbers and other information. Therefore, the paper must be sold in sequence from the pad to maintain accurate records.

### Bar Bingo Prizes, Program, and Prize Receipts

**Prizes and bingo program**

Bar bingo prize amounts are often a percentage of sales for the game. Bar bingo programs must list the method of computing the prize (the percent) and the maximum prize that will be given away. This helps to ensure that the total prizes for the occasion do not exceed the limits. For example, “70% of sales, up to a maximum of \$99.”

**Prize receipts**

Some organizations sell bingo paper sheets one game at a time, then figure the prize and announce it prior to the game. If so, a prize receipt is not required unless the prize is \$100 or more.

A prize receipt is required when a prize is based on a percentage of sales that is not announced prior to the game.

<b>Conduct of Breakopen Bingo Game</b>	
Breakopen bingo is a form of bingo in which an organization calls and posts a predetermined quantity of bingo numbers. The game is then stopped while sales continue and is resumed later during the occasion.	
<b>Equipment Needed</b>	
Breakopen bingo may only be played with individually sealed bingo paper sheets or facsimiles of sealed paper used with an electronic bingo device. Also required is either a bingo board or another set of bingo balls and one of the following: <ul style="list-style-type: none"> <li>• a separate bingo ball selection device; or</li> <li>• a separate tray within the bingo ball selection device, or a separate bingo ball container that must remain in view of players at all times during the game.</li> </ul>	
<b>Bingo Program or House Rules</b>	
The bingo program or house rules must include: <ul style="list-style-type: none"> <li>• price and color of all original sealed bingo paper sheets;</li> <li>• price of "trade-in" sheets. Trade-ins are not allowed for facsimiles used with an electronic bingo device; and</li> <li>• a statement that identical bingo faces may occur during the game.</li> </ul>	
<b>Price and Sales of Sealed Paper</b>	
<b>Price</b>	The price for each sealed bingo paper sheet is the same as stated on the distributor or linked bingo game provider invoice. <ul style="list-style-type: none"> <li>• Sell all sealed bingo paper sheets in the original set for the same price.</li> <li>• Sell all sealed bingo paper sheets in the "trade-in set" for the same price.</li> </ul> <p>The price of the "trade-in set" may be different from the price of the original set. If trade-ins of sealed bingo paper sheets are used, the original sheet must be a different color from the second set, known as the "trade-in set".</p>
<b>Sales during bingo occasion</b>	Sealed bingo paper sheets or facsimiles may continue to be sold throughout the bingo occasion until the breakopen bingo game is resumed. No additional sealed paper or facsimiles may be sold once your organization resumes calling bingo numbers for the breakopen game.
<b>Conduct</b>	
<b>Compliance</b>	All rules and statutes regarding the conduct and recordkeeping for bingo also apply to breakopen bingo games.
<b>Post numbers</b>	In the presence of players attending the bingo occasion, call and post a predetermined quantity of bingo numbers.
<b>Ask for winners</b>	After the predetermined quantity of bingo numbers has been called and posted, and immediately before the game resumes with the selection of the next bingo number, ask if any player has completed the required bingo pattern or bingo game requirement. All players who complete the game pattern or game requirement within the predetermined quantity of numbers initially called are considered winners, regardless of the last bingo number called. <p>If there are no winning bingos after the predetermined quantity of bingo numbers has been drawn, called, and posted, continue the bingo game until a player completes the winning pattern or game requirement.</p>
<b>Award prizes and end game</b>	After bingo is declared and verified, award the designated prize to the winning player(s) and end the bingo game.

## Bingo Q & A

### Is Blackout a Cover-All or a Progressive Game?

- Q. **We play a cover-all game where the prize increases each occasion until the game is won. Is this game a “cover-all” game or a “progressive” game?**
- A. It is a progressive game because the prize increases. Therefore, the game would be subject to all prize limits established for progressive games.

### Odd-Even Game

- Q. **May we conduct a cover-all game in which all odd or even numbers are covered before the game starts?**
- A. Yes. This is commonly known as an “odd-even” game. You must use sealed bingo paper or facsimiles of sealed paper (used with an electronic bingo device) for this game. The prize amount counts toward the cover-all limit. If the odd-even cover-all game is played as a progressive game, then the progressive limits apply, not the cover-all limits.

### Prize Limits: More Than One Cover-All Game Per Occasion

- Q. **We have three cover-all games (non-progressive) during our bingo occasion. The prize for the first cover-all is \$1,000, and the prizes for the other two are 80% of the gross receipts of each of the games. Is there any problem with this?**
- A. There may be.
- The total amount that may be awarded at any bingo occasion for non-progressive cover-all games is \$2,000.
  - Since the first cover-all game is already paying \$1,000, the total or aggregate amount of the other two cover-all games (which pay 80% of the gross receipts of each game) may not exceed \$1,000.
  - The bingo program could state that the prize for each of the other cover-all games will be 80% of the gross receipts, with a maximum prize of \$500 each.

### Hot-Ball Bingo

- Q. **May we draw a ball at the beginning of our bar bingo occasion and designate that number as the “hot ball” for the entire occasion? We sell standard one-face bingo sheets prior to the start of each bingo game.**
- A. No. Once the hot ball number is determined, no additional bingo sheets, except for sealed bingo paper, may be sold. This is to prevent sellers from giving sheets containing the hot ball number only to favored players.
- If non-sealed bingo paper is sold prior to each game, you’ll need to draw a new hot ball number once the sales for each game have concluded. Then announce the new hot ball number (and write it down), drop the ball back into the device, and then begin drawing balls for that game.

## Progressive Bingo Game—Q & A

### Different Programs for Progressive Games

- Q. **Our organization uses several different programs each week. When operating a progressive bingo game, must the progressive prize be offered at the very next bingo occasion, or may it be deferred to the next occasion that uses the same bingo program?**
- A. An organization may choose to conduct the progressive bingo game at all of its occasions, or it may elect to defer progressive prizes until the next occasion that uses the same program. Players must be made aware of the progressive game schedule, either in the bingo program or house rules.

### Limiting bingo number count

- Q. **We have one bingo game where the designated prize remains constant, but the limiting bingo number count increases by one number each occasion until the prize is won. Is this game considered a progressive game?**
- A. No. This is a bingo game with a limiting bingo number count. To be considered a progressive game, the prize value must increase on a predetermined schedule.

### Progressive Cover-All Game

- Q. **May we play a progressive cover-all bingo game in which:**
- **the prize starts at \$500;**
  - **the prize is increased by \$100 every occasion (up to \$2,000) when no bingo is declared within a designated number of bingo balls; and**
  - **the game awards a \$300 consolation prize?**
- A. Yes. The maximum consolation prize allowed is \$500.  
In a progressive game:
- the prize may start at up to \$500;
  - increase by \$100; and
  - a consolation prize of up to \$500 may be awarded.

### Progressive Prize Limit

- Q. **We run a number of progressive bingo games at our occasions. Is there any limit to the amount of progressive jackpot prizes we can award in a single bingo occasion?**
- A. A prize of up to \$2,000 may be awarded for a single progressive bingo game, but there is no limit on the total amount of progressive jackpot prizes awarded during a bingo occasion.

## Conduct Using Electronic Bingo Devices

Note: This section refers to electronic bingo devices that are not used in conjunction with electronic linked bingo games. Electronic linked bingo device requirements are included in the *Electronic Games* chapter.

### Electronic Bingo Device—What Is It?

An "electronic bingo device" is a device that may be used by a bingo player to monitor bingo faces purchased at the bingo occasion.

The device:

- allows bingo players to activate numbers announced by a bingo caller;
- compares the numbers entered by the player to the bingo faces previously stored in the device's memory; and
- identifies a winning bingo pattern or game requirement.

An electronic bingo device does not mean any device into which coins, currency, or tokens are inserted to activate play.

The device must be used as part of a bingo occasion and must have no added function as a gambling or entertainment device.

### General Requirements and Restrictions

The devices must be leased from a distributor licensed by the Board.

The device is used with a facsimile of a bingo paper sheet (the faces on the screen must look like faces on bingo paper).

The following must be printed on the sales receipt at the point of sale:

- date and time of the sale;
- total dollar amount of the transaction and quantity of facsimiles of bingo paper sheets or bingo paper purchased;
- sequential transaction number;
- range of the face numbers of the facsimiles sold to the player; and
- if facsimiles not containing predesignated numbers are sold (you pick 'em), the bingo numbers selected by a player.

The device must not be transferred to another permitted premises unless approved in writing by the director of the Gambling Control Board. The distributor must obtain the approval.

### Modifications and Maintenance

The organization must not modify the assembly or operational functions of a device or its components.

EXCEPTION: An organization may activate the audio function, if any, for all players or limit the use of the audio function to players who are visually impaired.

Only licensed manufacturers, distributors, or authorized organization employees may perform service or maintenance of the device.

## Conduct Using Electronic Bingo Devices (continued)

Note: This section refers to electronic bingo devices that are not used in conjunction with electronic linked bingo games. Electronic linked bingo device requirements are found in the *Electronic Games* chapter.

### Prices and "Sales" to Players

The price of a bingo face played on an electronic bingo device may not be less than the price of a face on a bingo paper sheet sold at the same occasion (for the same game) and must be posted.

A device may not be reserved for any player.

A bingo coupon may be used to reduce the rental price to players.

### Use by Players

A player is limited to the use of one device.

For each device, the number of bingo faces that may be played per game is limited to 36.

### Voids and Malfunctions

The organization must record all voids before the start of the second bingo game in a bingo occasion.

For a malfunction that occurs after the start of the second bingo game, an organization must:

- record and document the reason for the void; and
- report the void to the Board within three business days.

### Required Records

For electronic bingo devices, records must be kept that include:

- \_\_\_ quantity of devices in inventory;
- \_\_\_ quantity rented for each occasion;
- \_\_\_ amount charged;
- \_\_\_ number of voids;
- \_\_\_ total amount collected; and
- \_\_\_ name of distributor or linked bingo game provider, invoice date, and invoice number.

## Bingo Paper: Records and Reports

### Required Forms to Use

These required forms can be found at [www.mn.gov/gcb](http://www.mn.gov/gcb) under the "Forms" tab. **Complete all forms in ink.** Keep these required forms for each bingo occasion when you use bingo paper.

<b>LG900 Perpetual Inventory Control/Bingo Paper</b>	Ongoing inventory that is updated whenever bingo paper is received from a distributor, taken out of inventory for play in a bingo occasion, or for construction of bingo packages.
<b>LG901 Perpetual Inventory Control/Commingled Bingo Paper</b>	Ongoing inventory of bingo sheets or packets of the same type, but with different serial numbers, that are inventoried and commingled under one control number. The sheets or packets must first be accounted for on the LG900, and then transferred to the LG901 under a new control number. A separate LG901, completed in ink, must be maintained for every type of bingo paper commingled together in inventory.
<b>LG902 Perpetual Inventory Control/Bingo Paper Packages</b>	This form is used when bingo packages are constructed from bingo paper sheets and/or bingo paper sheet packets. Bingo paper sheets and bingo paper sheet packets must first be recorded on the LG900, and possibly the LG901, before being transferred to the LG902.
<b>LG903 Physical Inventory Control/Bingo Paper Monthly Summary</b>	This form is used at the end of the month to complete the physical inventory and report total discrepancies over \$50 to the Gambling Control Board. This is a physical count of each type of paper in your inventory. The various types may include sheets, packets, and packages. The bingo paper is valued using the per unit cost charged by the distributor. The total valuation of the bingo paper inventory must be included in the ending inventory amount reported on the LG100A, to the Gambling Control Board.
<b>LG904 Admission Sales/Bingo Paper and LG905 Admission Sales Summary</b>	Organizations with admission sales must complete, in ink, the LG904 and LG905 form for every bingo occasion. A separate LG904 must be completed by each employee selling bingo paper sheets, packets, or packages in admission sales. Information from all LG904's for the occasion is transferred to one LG905 and verified by the preparer.
<b>LG906 Floor Sales/Bingo Paper</b>	An organization that uses bingo paper must complete this form, in ink, for every bingo occasion for which floor sales occur. A separate LG906 must be completed by each employee selling bingo paper sheets, packets, or packages in floor sales.
<b>LG907 Bingo Game Prize Winner Sheet/Bingo Paper</b>	The LG907 is used to track bingo game prizes paid out during an occasion. This form must be completed by someone other than the bingo caller.
<b>LG908 Caller Verification Form/Bingo Paper</b>	The LG908 provides a record of the prizes paid out during an occasion for each game played. One LG908 form must be completed, in ink, by the caller at each bingo occasion conducted.
<b>LG909 Bingo Occasion Summary/Bingo Paper</b>	Complete the LG909 for every bingo occasion conducted when bingo paper is used. If applicable, form LG920 may be substituted for the LG909. This form must be completed in ink.

## Bingo Paper: Records and Reports

### Required Forms to Use (continued)

**Complete in ink.** Keep the following required forms for each bingo occasion when you use bingo paper.

**LG914 Bingo Gift Certificate Tracking**

Organizations that sell bingo gift certificates must number each certificate and track the date each certificate is sold and redeemed. By using the LG914, your organization will always know how many certificates have been sold and how many of those have been redeemed. The information can then be matched to your organization's deposit and bingo occasion records to ensure that no money is missing.

**LG920 Bar Bingo Paper Sales**

The LG920 is an alternative form that may be used for bar bingo occasions instead of using forms LG904, LG905, LG906, LG907, LG908, and LG909 as it combines those forms into one form, the LG920. If merchandise prizes are used, do not use this form.

**Prize Receipt Form**

Complete a prize receipt form for each winning prize awarded of \$100 or more and when the value of a prize cannot be determined and verbally announced prior to the start of the game (for example, % payback games).

**LG830 Merchandise Prize Perpetual Inventory.**

Complete the LG830 to record the purchase and distribution of merchandise prizes and certificates for merchandise.

See *Inventory* chapter.

### Monthly Reporting

Each month, an organization must report to the Gambling Control Board bingo gross receipts, prizes, net receipts, and cash variances. Organizations must submit this information in an electronic file which includes the LG100A Lawful Gambling Receipts and Expenses by Site.

Forms and instructions are available at [www.mn.gov/gcb](http://www.mn.gov/gcb) (under GCB Monthly Reports) or from the Gambling Control Board.

In addition, each month, an organization must submit a G1 Lawful Gambling Monthly Tax Return to the Department of Revenue, reporting bingo gross receipts, prizes, net receipts, and cash variances.

Forms and instructions are available from the Department of Revenue.

### Keep Your Games and Records

Keep all bingo records, including coupons, and defective bingo paper in a secured area for at least 3-1/2 years.

### Unsold Bingo Paper

For instructions on removing old bingo paper from inventory, contact an auditor at the Department of Revenue, 651-297-1772.

## Bingo Hard Cards: Records and Reports

### Required Forms to Use

If an organization uses bingo hard cards, use the following forms and **complete in ink**. Keep the required forms for each bingo occasion.

<b>LG807 Bingo Hard Card Sales</b>	Each person collecting the money from bingo hard card sales and gift certificates, if any, (admission and floor sales) must complete this form in ink.
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<b>LG808 Checker’s Record/Hard Cards</b>	For every bingo occasion conducted, one or more <u>bingo checkers</u> must record, in ink, the number of bingo hard cards sold for each game of the bingo occasion.  The checker may not collect the payment for hard cards.
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<b>LG809 Checker’s Prize Winner Record/Hard Cards</b>	For every bingo occasion conducted, one or more bingo checkers must record all prizes awarded for each game.  The checker may not collect the payment for hard cards.
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<b>LG810 Caller Verification Form/Hard Cards</b>	The LG810 provides a record of the prizes paid out during an occasion for each game played. One LG810 must be <b>completed in ink</b> by the caller at each bingo occasion conducted.
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<b>LG811 Bingo Occasion Summary/Hard Cards</b>	Complete the LG811 for every bingo occasion conducted when bingo hard cards are used.
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<b>Prize Receipt Form</b>	Complete a prize receipt form for each winning prize awarded of \$100 or more, and when the value of a prize cannot be determined and verbally announced prior to the start of the game (for example, % payback games).
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<b>LG830 Merchandise Prize Perpetual Inventory.</b> See <i>Inventory</i> chapter.	Complete the LG830 to record the purchase and distribution of merchandise prizes and certificates for merchandise.
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### Monthly Reporting

Monthly reporting requirements are identical to the requirements for bingo paper.

### Keep Occasion Records

Keep all bingo records, including coupons, in a secured area for at least 3-1/2 years.

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# RAFFLES

This chapter contains information on raffle conduct, inventory, and records.



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## Raffles

### Raffle definition

A raffle is a game in which a participant buys a ticket or other certificate of participation in an event where the prize determination is based on a method of random selection, and all entries have an equal chance of selection.

The raffle ticket must include the location, date, and time of the selection of the winning entries. See example on page 108.

### Is it Gambling?

There are three primary factors used in determining whether your activity is gambling and must conform to the raffle requirements.

#### 1. Consideration (payment) required.

Allowed: The only legal form of consideration (payment) for a chance to participate in a raffle is payment by cash, check, or debit card. The organization must reimburse the gambling account for dishonored payments.

Not allowed:

- Credit cards.
- Charging an entrance fee to gain access to where tickets are being distributed.
- Requiring a donation or implying a "suggested donation."
- Requiring the purchase of a good or service in order to enter the drawing.

#### 2. Chance involved in random selection of the winner.

#### 3. Prize (something of value) awarded.

### Chance drawings

State law allows chance drawings that do not require consideration if:

- the participant is not required to purchase a ticket for a drawing in order to win a prize; and
- the participant must be allowed to enter the drawing without any consideration for a chance to win a prize.

A chance drawing **may not:**

- imply that a participant must pay a donation for the chance to win a prize (for example, "Suggested Donation \$5"); or
- coerce a participant to pay a donation for the chance to win a prize.

### Frequently Asked Questions

**Q. May our organization give a free meal to everyone who buys one of our \$50 raffle tickets?**

**A. No.** Raffle tickets may not entitle the buyer to anything but the raffle, with the following exceptions:

1. Fishing/hunting contests may be held in combination with a raffle, but the amount for the contest and the raffle must be separately stated on the ticket. The fishing/hunting contest prizes and expenses may not be paid for with gambling money.
2. For a button raffle, buttons may be given out if the organization's cost is less than \$5, and the buttons are used as certificates of participation in a raffle.
3. Annual membership raffle. (See "Specialized raffles" section for more information.)

**Q. We are sponsoring a golf tournament. Participants are awarded prizes based on their scores. The lowest three scores win a prize. Is this activity considered gambling?**

**A. No.** As long as the outcome is based exclusively on skill, then the activity is not gambling.

<b>Raffle Prizes</b>	
<p><b>Prize limits:</b> For all raffles conducted by a <i>licensed</i> organization:</p> <ul style="list-style-type: none"> <li>the value of each raffle prize may not exceed \$50,000;</li> <li>there is no limit on the total value of prizes awarded for each raffle; and</li> <li>there is no limit for the total value of all prizes awarded in a calendar year.</li> </ul>	
<b>Types of Prizes Allowed</b>	<b>Types of Prizes Not Allowed</b>
<p>Prizes for a raffle may consist of:</p> <ol style="list-style-type: none"> <li>cash;</li> <li>gift cards or gift certificates; or</li> <li>merchandise, which includes certificates for merchandise, certificates for services, and real property.</li> </ol> <p>If prizes require registration or licensure by a government agency as a condition of ownership, a certificate of merchandise must be used.</p>	<p>Prizes may not consist of lawful gambling equipment, i.e. paper pull-tabs, tipboard tickets, paddlewheel tickets, bingo paper, other raffle tickets, etc.</p>
<b>Merchandise Prizes</b>	
<b>Donated prize</b>	Prizes may be donated.
<b>Lessor restrictions</b>	<p>For a leased premises:</p> <ol style="list-style-type: none"> <li>the lessor may donate prizes, and</li> <li>the organization may purchase a certificate for merchandise or gift to be redeemed for food or beverages at the premises if:                             <ol style="list-style-type: none"> <li>the certificate or card value has a redeemable monetary cash value;</li> <li>the certificate or card does not contain restrictions on its redemption, such as requiring a purchase of food or beverage of equal or greater value or redeemable for a specific item;</li> <li>the certificate or card may be redeemed at any time during the regular business hours of the permitted premises; and</li> <li>the cost to the organization is 50% or less of the redeemable cash value of the certificate or card.</li> </ol> </li> </ol>
<b>Compliance with prize limit</b>	To determine compliance with the prize limit for each prize, merchandise prizes donated to an organization or purchased at a discount must be valued at their fair market value. The fair market value of a merchandise prize must not be an amount less than the purchase price.
<b>Report on LG100A</b>	<p>For purposes of reporting on the monthly LG100A:</p> <ul style="list-style-type: none"> <li>donated prizes have no value (not reported), and</li> <li>report merchandise prizes at the actual cost plus shipping and sales tax.</li> </ul>
<b>Certificate for Merchandise or Services—Required Information</b>	
<p>A certificate for merchandise or services awarded as a prize must include:</p> <ul style="list-style-type: none"> <li>a complete description, including the value, of the merchandise or services;</li> <li>the vendor’s name from whom the certificate must be redeemed; and</li> <li>a statement expressly prohibiting the substitution of cash or another type of merchandise or services described on the certificate.</li> </ul>	
<b>Ownership of Prizes Required</b>	
<p>For raffles with gross receipts over \$60, an organization must pay in full for all raffle prizes or otherwise become the owner without lien or interest of others, prior to the raffle drawing.</p> <p>For raffles with gross receipts of \$60 or less, such as a meat raffle, an organization may pay for the prizes (meat) up to 30 days after the organization obtains the prizes (meat).</p>	

<b>Raffle Prizes</b> (continued)	
<b>50/50 (share the pot) raffle prizes</b>	
<p>The prize amount for 50/50 (share the pot) raffles must be a percentage of the raffle's <b>gross</b> receipts.</p> <ul style="list-style-type: none"> <li>• Organizations must calculate prizes on receipts <b>before</b> expenses, not after. Expenses may not be taken out prior to splitting the pot.</li> <li>• The percentage of the split of gross receipts must be stated on the raffle tickets and in the house rules.</li> <li>• Before the drawing, the gross receipts must be tallied and the prize amount must be announced.</li> </ul>	
<b>Age Restrictions on Raffle Prizes</b>	
<p>Persons under age 18 may not win a raffle prize (Minn. Rules, part 7861.0310, subpart 3, paragraph F).</p> <ul style="list-style-type: none"> <li>• Because of this restriction, a person 18 or older should not put the name of someone under age 18 on a raffle stub.</li> </ul>	
<b>Restrictions on Awarding Alcohol as a Raffle Prize</b>	
<p>According to the Department of Public Safety, Alcohol and Gambling Enforcement Division, an organization may award wine, beer, or intoxicating liquors as a raffle prize if:</p> <ul style="list-style-type: none"> <li>• funds from the raffle are dedicated to the charitable purposes of the organization;</li> <li>• the number of raffles or silent auctions at which alcohol is awarded is limited to no more than six occasions per year; and</li> <li>• the alcohol is only raffled to persons who demonstrate that they are 21 years of age or older and do not show signs of obvious intoxication.</li> </ul> <p>The law that allows alcohol prizes at raffles does not authorize on-premises consumption of alcohol. (Minnesota Statutes, Section 340A.707)</p>	
<b>Limit of six occasions</b>	<p><b>Q. May we conduct six silent auctions and six raffles per year in which we award liquor as prizes?</b></p> <p>A. No. According to Public Safety law (Sec. 340A.707), an organization may only do a combined total of six. For example, in a calendar year an organization could conduct three silent auctions and three raffles in which liquor is awarded as prizes.</p> <p>Please note that for exempt activity, the Gambling Control Board allows lawful gambling on only five or fewer days in a calendar year (Sec. 349.166, subd. 2).</p>
<b>Liquor license</b>	<p><b>Q. Do we need a liquor license to award liquor as prizes for the raffles allowed by this law?</b></p> <p>A. No, but you need to check with the city or county for local ordinances that might prohibit awarding liquor as prizes.</p> <p><b>Q. Our organization owns its premises and has an on-sale liquor license. Are we still allowed to sell alcohol at the fundraising event where we have a raffle and award liquor as a prize?</b></p> <p>A. Yes, because the organization has the proper on-sale liquor license. The law only prohibits the consumption of alcohol at a premises that does not have an on-sale liquor license.</p>
<b>Questions?</b>	<p>For questions regarding the use of alcohol as prizes, contact the Department of Public Safety's Alcohol and Gambling Enforcement Division at 651-201-7500.</p>

# Raffle Ticket Requirements

**Stub** - Detachable stub with a space for the purchaser's name, address, and phone number.

1

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_  
 State/Zip \_\_\_\_\_  
 Phone # \_\_\_\_\_

**0001**

2

Each ticket and detachable stub must have the same sequential number, beginning with number "1".

3

**Prizes** - At a minimum, the three most expensive prizes to be awarded.

If additional prizes will be awarded that are not listed, the raffle ticket must state:  
 "A complete list of additional prizes is available upon request."

See *Raffle Checklist* in this chapter for additional prize requirements.

**May Day Raffle**

1. **ATV**
2. **\$1,000 cash**
3. **21 speed bike**
4. **\$500 cash**
5. **50 piece tool set**

May 1, 2020 - 1:00 PM  
 Oxbow Lions Club, 2015 Oxbow Ave  
 Oxbow, Minnesota  
 License 99999-003

Need not be present to win.  
 Must be 18 or older to purchase ticket or win prize.  
 Winner responsible for any applicable fees or taxes.

**\$1.00**

**0001**

4

Time, date, and location where winners will be selected or determined.

5

Organization name and license number.

6

A statement regarding the winner's responsibility for any applicable fees and taxes.

7

**Price of raffle ticket**

- All tickets must be sold for the same price and may not be discounted. For example, a \$1 ticket may not be discounted as 6 for \$5.
- The tickets may not contain the words "suggested donation" or any other implied request for money or contributions (other than the ticket price).

**As an incentive for more sales, your organization may offer multiple pricing levels** - Separate sets of tickets may be sold with a different price. In each price set, all tickets must be the same size, shape, and thickness.

2

Each ticket and detachable stub must have the same sequential number, beginning with number "1".

## Raffle Ticket Requirements (continued)

### Sample Ticket Listing All Prizes

Name <hr/> Address <hr/> City <hr/> State <hr/> Zip Code <hr/> Phone Number <hr/>	<p><b>ANNUAL RAFFLE      \$1.00</b></p> <p><b>1st Prize - 37" HD TV</b>  <b>2nd prize - iPod®</b>  <b>3rd Prize - \$100</b></p> <p>Winner is responsible for any applicable fees or taxes.</p> <p><b>Drawing at ABC Lodge</b>  <b>2015 Oxbow Avenue</b>  <b>Oxbow, MN</b>  <b>June 1, 2020      1:00 p.m.</b>                  Need not be present to win.                  Must be 18 to purchase ticket or win prize.</p> <p><b>Sponsored by Oxbow Lions</b>  <b>License number 99999-001</b></p>
<b>0001</b>	<b>0001</b>

### Sample Ticket Listing the Top 3 Prizes

Name <hr/> Address <hr/> City <hr/> State <hr/> Zip Code <hr/> Phone Number <hr/>	<p><b>Summer Fest Raffle      \$25.00</b></p> <p><b>100 raffle prizes</b>  <b>1st Prize - Hybrid Car</b>  <b>2nd Prize - All-terrain vehicle</b>  <b>3rd Prize - XYZ Computer and printer</b>                  A complete list of additional prizes                  is available upon request.</p> <p>Winner is responsible for any applicable fees or taxes.</p> <p><b>Drawing at ABC Lodge      June 1, 2020      1 p.m.</b>  <b>2015 Oxbow Avenue      Oxbow, MN</b>                  Need not be present to win.                  Must be 18 to purchase ticket or win prize.</p> <p><b>Sponsored by Oxbow Lions</b>  <b>License number 99999-001</b></p>
<b>0001</b>	<b>0001</b>

## Raffle Ticket Requirements (continued)

### Vendor Must Print Raffle Tickets

Raffle tickets must be obtained from a vendor, along with an invoice that shows the quantity of tickets printed, the sequential numbers used, and the price printed on the tickets.

**Q. A member of our club can print raffle tickets on her home computer. May we purchase our raffle tickets from her?**

**A.** Yes. A vendor may be an individual operating out of their home or office, or a vendor may be a traditional printing business. Be sure that the organization receives an invoice or documentation—even if the tickets are provided free of charge—that shows who printed the tickets, the quantity of tickets purchased, the range of the sequential numbers used, and the selling price printed on the ticket.

**Q. May we purchase raffle tickets in bulk?**

**A.** Yes. Organizations may purchase sequentially numbered raffle tickets in bulk. Tickets purchased in bulk may be used for more than one raffle of the same type that occur during the same month. The raffle tickets must have a detachable section, with both parts sequentially numbered, starting with number "1" and continuing through the number of tickets purchased. This will make it easier to track inventory on your LG820 Raffle Inventory and Sales Log.

### Certificates of Participation

Certificates of participation may be used in lieu of a traditional raffle ticket when the selection method does not use a raffle ticket stub.

Use the following guidelines when using certificates of participation in your raffle:

- All entries have an equal chance of selection.
- The certificate of participation must include the location, date, and time of the selection of the winning entries.
- The method of selection cannot be manipulated or based on the outcome of an event not controlled by the organization.
- One certificate could include multiple entries in the raffle.

A common example is the duck race. Plastic ducks are numbered, and the certificates of participation have corresponding numbers on them. Typically, the ducks are dropped in a river and the first duck to reach a destination downstream is the winner. Other numbered items could be used with certificates of participation—like ping pong balls, etc., but all entries must be of equal shape, size, and weight.

- All other raffle requirements must be followed.

To ensure the method of selection meets all raffle requirements, contact the Gambling Control Board at 651-539-1900.

### Advertising on Raffle Tickets

If an organization sells advertising on a raffle ticket, the money must be deposited into the gambling account and reported as other income on the LG100A.

<b>Conducting a Raffle</b>	
For information on who may and may not participate in lawful gambling, see Chapter 3, page 20.	
<b>House Rules for Raffle Required</b>	
House rules must be posted where raffle winners are selected and must include: <ol style="list-style-type: none"> <li>1. the organization's name, license, and permit number;</li> <li>2. the problem gambling helpline number (1-800-333-HOPE);</li> <li>3. the method and policy of selecting or determining winners;</li> <li>4. the percentage split for share the pot raffles;</li> <li>5. a statement that the winner need not be present;</li> <li>6. the policy on accepting checks and debit cards;</li> <li>7. a statement that the purchase of only one ticket is required to enter the raffle;</li> <li>8. an explanation of multiple pricing levels, if any;</li> <li>9. a statement that persons under 18 may not purchase a raffle ticket or win a prize; and</li> <li>10. if wine, beer, or intoxicating liquors are awarded, that the winner must be age 21 or older to win, as required by Minn. Statutes, Section 340A.707.</li> </ol>	
<b>Required Raffle Forms</b>	
Use the LG820 Raffle Inventory and Sales Log to track all raffle tickets. An organization is required to account for all tickets printed for a raffle. The value of unaccounted for tickets must be included in the raffle gross receipts reported on the LG100A, Lawful Gambling Receipts and Expenses by Site.	
<b>Selling the Tickets or Certificates of Participation</b>	
<b>No sales on the internet</b>	REMINDER: Lawful gambling may not be conducted on the internet, including the sale of raffle tickets. However, you may advertise your raffle on the internet.
<b>May not be free of charge</b>	A ticket must be sold for the price printed on the ticket and may not be provided free of charge or for any other consideration, such as a donation of a food item.
<b>Cash, check, or debit card only</b>	<ul style="list-style-type: none"> <li>• Cash, checks, or debit cards may be accepted for the sale of raffle tickets. Raffles are the only form of lawful gambling where personal checks and debit cards may be accepted. Traveler's checks, cashier's checks, and money orders are also acceptable.</li> <li>• Credit cards may not be accepted. Credit may not be extended to a player.</li> </ul>
<b>Bounced payments</b>	For "bounced" payments, try to contact the individual for proper payment. Otherwise, an organization must reimburse the gambling account from a source of nongambling funds for any dishonored payments. The ticket stub or the item used in the selection method from the raffle may not be pulled. However, an organization may include in the house rules that raffle prizes will not be awarded until a check or debit card payment clears the bank.
<b>Sellers Must Return Stubs and Unsold Tickets</b>	
Before the drawing, each person who sells tickets must return: <ul style="list-style-type: none"> <li>• all unsold tickets or certificates;</li> <li>• when raffle tickets are used, the stubs for all tickets sold; and</li> <li>• all money for tickets sold.</li> </ul> Organizations must account for all unsold raffle tickets. Any missing raffle tickets are considered sold and must be included in gross receipts.	

## Conducting a Raffle (continued)

### No Sales After First Winner Determined; No Early Birds

No tickets may be sold after the first winner is determined.

No "early bird" raffles are allowed where a specific prize(s) is awarded to ticket holders that purchased their tickets by a certain date.

### Purchase One Ticket for Entry Into Raffle; Equal Chance to Win

A person is not required to:

- purchase more than one ticket; or
- pay for anything other than the ticket. Exception—refer to the button raffle, fishing/hunting contest, and membership raffle sections in this chapter.

Each entry in the raffle must constitute an equal chance to win.

### Age Restrictions

- Persons under 18 may sell raffle tickets.
- Persons under 18 may not purchase raffle tickets or win a raffle prize.
- If wine, beer, or intoxicating liquors are awarded, the winner must be age 21 or older to win, as required by Minnesota Statutes, Section 340A.707.

### For Raffle Drawings, Use of Receptacle Required

When using raffle tickets:

- Before drawing, place the stub or detachable section of each ticket sold into a receptacle (container) from which the winning tickets are drawn. The receptacle can be purchased from any source.
- The receptacle must be designed so each winning ticket placed in it has an equal chance to be drawn.

### Electronic Raffle Selection Systems Allowed

Electronic raffle selection systems are allowed. Electronic raffle systems:

- must be approved by the Gambling Control Board;
- must be purchased from a licensed distributor;
- must use a random number generator to select winning raffle numbers; and
- includes attendant-operated raffle sales devices.

### Winners Determined on Raffle Date

All raffle winners must be determined at the time, date, and location indicated on the raffle ticket (unless a different date is approved by the director of the Gambling Control Board).

The raffle drawing must be held at a permitted premises. See also *Off-Site Application* section in the *Premises Permits & Leases* chapter.

Prizes listed on the raffle ticket or the list of prizes made available to players when tickets were sold do not have to be displayed at the time raffle winners are selected.

Any prizes donated to the organization after the tickets or prize list has been printed must be displayed at the raffle drawing.

**Attendance not required.** A person does not need to be present at a raffle to be eligible to win a prize.

The organization is responsible for ensuring that a winner receives their prize.

## Conducting a Raffle (continued)

### Deposit Information; Reporting on LG100A

Deposit and record the net receipts, or secure them until they can be deposited. Deposit the gambling receipts into the gambling account within **four business days** of the date of the raffle.

On the deposit slip, list the following information:

1. premises permit number (for off-site permits use site #999);
2. date of the deposit;
3. date of the raffle;
4. deposit amount from the sale of raffle tickets or certificates; and
5. deposit amount for any income received from advertising in conjunction with the raffle.

#### Two kinds of deposits

1. If raffle gross receipts are deposited in a month prior to the month of the raffle date, those deposits are reported as "Receipts deposited from games in play that are not included on an LG100A" on the LG100F, Line 14.

The raffle's gross receipts, prizes, and net receipts are reported on the LG100A for the month in which the drawing was held.

2. If an organization sells all of the tickets or certificates and awards the prizes at one time (in a single day), any "money" prizes may be awarded in the form of cash, which means the bank deposit will be less than the gross receipts (sales).
  - If all raffle prizes were cash, then the deposit should equal the net receipts.
  - If a combination of cash and merchandise prizes were awarded, then the deposit will be the total gross receipts less cash prizes paid.

Make a notation on the deposit slip for the amount awarded as cash prizes.

<b>First National Bank Deposit Slip</b>	
<b>Date:</b> 10/04/20	
99999-001	
Fall raffle 10/3/20	\$350
(cash prizes \$200)	
ABC Grocery Store - ad	\$50
<b>TOTAL</b>	<b>\$400</b>

### Fund Loss

If a fund loss is discovered:

1. Notify local law enforcement within five days of discovering the loss (within 24 hours if the game was played in a dispensing device), and notify the Gambling Control Board. Fund losses not reported will not be considered by the Board for profit carryover adjustment.
2. Within 60 days, provide the Gambling Control Board with documentation of reimbursement or a request for a profit carryover adjustment due to a fund loss. This documentation must be provided to the Board within 60 days or the fund loss request will not be considered by the Board. Use form LG250 Fund Loss Request (Profit Carryover Adjustment).

Refer to the *Internal Operations and Oversight* chapter, Fund Loss section.

If tickets or certificates are lost due to a disaster such as fire, flood, blizzard, tornado, or other catastrophic event, immediately contact the Department of Revenue at 651-297-1772 for instructions on how to handle the fund loss.

## Cancelling a Raffle

### Approval required

To cancel a raffle, an organization must request approval in writing prior to the drawing date from the Board's director at:

Minnesota Gambling Control Board  
Suite 300 South  
1711 West County Road B  
Roseville, MN 55113

The request must include the reason the raffle is cancelled.

After receiving approval to cancel a raffle, all money must be returned to persons who purchased a raffle ticket. If a person cannot be located within 30 days after reasonable attempts via mail and telephone, the receipts are deposited and reported on the LG100A as raffle gross receipts.

Documentation must be kept with raffle records showing the attempts made to reach all persons who purchased a raffle ticket, as a person is entitled to claim a refund for up to one year from the date of the canceled raffle.

## Changing a Raffle Date

### Approval required

To change a raffle drawing date, an organization must request approval in writing from the director of the Gambling Control Board. For a licensed organization, the request must be signed by the organization's chief executive officer (CEO) or gambling manager. (For an exempt organization, the request must be signed by the CEO and the local unit of government.)

The director will approve a drawing date change if:

1. weather caused postponement of the event on the day the drawing was to be held;
2. not enough tickets or certificates were sold to cover the cost of the prizes; or
3. there were other circumstances beyond an organization's control.

The Board's director will not approve a drawing date change because the desired level of profit was not obtained.

To obtain approval, send a letter stating the reasons why the raffle date needs to be changed. Send the letter to:

Minnesota Gambling Control Board  
Suite 300 South  
1711 West County Road B  
Roseville, MN 55113

If a raffle date change is approved, an organization must publicize that fact to purchasers and document the approved date change in the monthly meeting minutes.

## Calendar Raffle

S	M	T	W	T	F	S
1 \$250	2	3	4	5	6	7
8 \$200	9	10	11	12	13	14
15 \$150	16	17	18	19	20	21
22 \$100	23	24	25	26	27	28
29 \$50	30	31	ABC Lodge License 99999			<b>489</b>
Name _____ Phone _____						<b>489</b>
Address _____						<b>489</b>

An organization may conduct a calendar raffle in which the raffle ticket is a calendar containing a detachable stub.

**Licensed** organizations may conduct drawings for winners on more than one date.

All other requirements pertaining to raffles, such as raffle ticket requirements and recordkeeping, also apply.

Contact a Compliance Specialist at the Gambling Control Board for information on how to report calendar raffles on the LG100A and LG100F.

## Raffle with Gross Receipts of \$60 or Less

An organization may conduct a raffle where:

1. all raffle tickets are sold only during the raffle activity;
2. the players are present for the drawing; and
3. the organization does not require the player to complete the raffle ticket stub information.

If this type of raffle is conducted, be sure that the raffle house rules address whether or not the ticket stub information must be completed. Note that theatre tickets are not allowed. Raffle tickets must still be printed/used.

- Raffle winners will be determined by selecting ticket stubs from a container.
- When a raffle ticket stub is drawn that contains no winner information, the organization must announce the ticket number. The player must present the matching numbered raffle ticket before the prize is awarded.
- If a player must leave before the drawing, the player must give the ticket stub with contact information to another player or to the person conducting the drawing. This will ensure that the player can be contacted if their ticket number is drawn.

If the gross receipts from the raffle will be \$60 or less, an organization has up to 30 days after the prize is received by the organization to pay for the merchandise prizes.



## Combination Raffle—Fishing/Hunting Contest

A licensed organization may conduct a raffle in conjunction with a fishing or hunting contest. Contact the Department of Natural Resources regarding fishing or hunting permit requirements.

- A combined ticket may be sold for a single price for the fishing or hunting contest and raffle. The combined ticket must state the price that applies to the fishing or hunting contest and the price that applies to the raffle.

A person purchasing a ticket must pay the combined ticket price and must be at least age 18.

- The receipts from the raffle portion are considered gambling funds, while the portion for the wild game or fishing contest are not. Only the raffle proceeds are deposited into the gambling account.
- If a raffle will be held at a location other than a permitted premises, be sure to get an off-site permit from the Gambling Control Board. See Chapter 3 for information or contact a Licensing Specialist at the Gambling Control Board.

Gambling funds may not be used to pay for the fishing or hunting contest prizes.

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City/State/Zip \_\_\_\_\_  
 Telephone Number \_\_\_\_\_ **0001**

### FISHING CONTEST & RAFFLE

(Ticket value: Raffle \$10  
 Fishing Contest \$15)

**Tournament**  
**Noon to 3 p.m.**  
**at Little Oxbow Lake**  
**Oxbow, MN**



RAFFLE GRAND PRIZE: **\$10,000**

2nd prize: **\$2,000**

3rd prize: **100 piece toolset and chest**

4th - 25th prizes: **Tackle box and gear**

*Must be 18 or older to purchase ticket or win prize.*

*Winner is responsible for any applicable fees or taxes.*

Raffle drawing at ABC Lodge, 2015 Oxbow Ave, Oxbow, MN

July 15, 2020 8:00 p.m.

Need not be present to win

Sponsored by Oxbow Lions

**\$25**

License number 99999-001

**0001**

**Present this stub at fishing area**  
**for entry into fishing contest.**  
**Tournament starts at Noon.**

(Fishing derby prizes listed on back side of ticket)

## Continuation Raffle

A "continuation raffle" allows an organization to conduct raffles where the winner(s) advance to another raffle drawing until the final winners are determined.

- Ticket sales must stop after the initial drawing.
- There is no additional cost for players beyond the initial ticket cost.
- The raffle must be concluded within 12 months.

For example, raffle drawings are held on four consecutive Sunday nights:

- On July 12, the organization conducts the first round drawing. Thirty \$20 winners are drawn who also then advance to the next round.
- On July 19, a 2nd round drawing is held with ten \$50 winners who then also advance to the next round.
- On July 26, a 3rd round is held with three \$100 winners advancing to the final round.
- On August 2, a final round is held at the community festival, with prizes of \$100, \$500, and \$1,000.

Continuation raffle reporting:

- Report gross receipts and all prizes to be awarded for the raffle (\$3,000) in the month of the initial drawing (July).
- Report all gross receipts and prizes on the LG100A for the site where the initial drawing was held.
- The value of prizes reported, but not yet awarded by the end of July (\$1,600) are entered on the July LG100F Lawful Gambling Fund Reconciliation form, Line 17.
- In August, when the final round prizes are awarded, the \$1,600 reconciling item is removed.

<b>Alternative Raffles</b>	
<b>Approved</b>	<b>Denied</b>
<ul style="list-style-type: none"> <li>• Bucket raffle</li> <li>• Cow-a-bunga</li> <li>• Duck pond</li> <li>• Duck (rubber) race</li> <li>• Elimination raffle</li> <li>• Flower raffle</li> <li>• Golf ball drop</li> <li>• Heads or tails</li> <li>• Last but not least raffle</li> <li>• Ping pong ball raffle</li> <li>• Prop, drop, and win raffle</li> <li>• U Pick Raffle</li> <li>• Wine pull raffle</li> </ul>	<ul style="list-style-type: none"> <li>• Puzzle piece</li> <li>• Mouse hole</li> <li>• Chicken bingo raffle</li> <li>• Car through ice</li> <li>• Diamond melt raffle</li> </ul>
<b>Board Approval Required for Alternative Raffles</b>	
<p>If an organization uses an alternative method of selecting winners other than as outlined under raffle conduct in this chapter or listed on <a href="http://www.mn.gov/gcb">www.mn.gov/gcb</a> under Raffles, an organization must obtain prior approval of the Gambling Control Board.</p> <p>Board staff will evaluate the proposed method and provide a recommendation to the Board.</p> <p>Questions? Contact the Gambling Control Board at 651-539-1900.</p>	
<b>Approval Valid for All Organizations; Posted at <a href="http://www.mn.gov/gcb">www.mn.gov/gcb</a></b>	
<p>If the Board approves an alternative method for conducting a raffle, the alternative method may be used for future raffles by all organizations (licensed and exempt) without additional Gambling Control Board approval. The Board’s approval or denial will be posted at <a href="http://www.mn.gov/gcb">www.mn.gov/gcb</a>.</p> <p>Check our website or contact a Compliance Specialist at the Gambling Control Board for information on alternative raffles.</p>	
<b>Raffle Boards</b>	
<p>A raffle board is defined in statute as a placard with up to 200 squares whereby participants in the raffle write their names to indicate entry.</p> <p>To date, no raffle boards have been approved for sale in Minnesota.</p>	

## Raffle Records and Reports

### Required Forms to Use

Complete and keep the following required forms when conducting a raffle:

#### **LG820 Raffle Inventory and Sales Log**

The LG820 Raffle Inventory and Sales Log is used to help with recordkeeping and is completed for each raffle or set of raffle tickets to record:

- inventory; and
- sales to be reported on the LG100A.

The LG820 shows which tickets or certificates of participation have been given to sellers, the amount of cash received from their sales, which tickets or certificates are unsold, and where possible cash discrepancies, if any, have occurred.

#### **LG821 Physical Inventory/Raffles**

The LG821 Physical Inventory/Raffles is used to record the actual game cost of all raffle tickets or certificates of participation in inventory or in play but not yet completed.

Once the raffle is conducted, the cost of the raffle tickets or certificates is no longer included in the inventory.

- A new LG821 form is completed each month when an organization has raffle tickets or certificates of participation on hand.
- This information is required for all raffles.

#### **LG830 Merchandise Prize Perpetual Inventory**

Complete the LG830 to record the purchase and distribution of merchandise prizes and certificates for merchandise.

### Monthly Reporting

Each month, an organization must report to the Gambling Control Board raffle gross receipts, prizes paid, net receipts, and cash variances. Organizations must submit this information in an electronic file which includes the LG100A Lawful Gambling Receipts and Expenses by Site.

Forms and instructions are available at [www.mn.gov/gcb](http://www.mn.gov/gcb) (under GCB Monthly Reports) or from the Gambling Control Board.

In addition, each month, an organization must submit a G1 Lawful Gambling Monthly Tax Return to the Department of Revenue, reporting raffle gross receipts, prizes paid, and net receipts.

Forms and instructions are available from the Department of Revenue.

## Raffle Records and Reports (continued)

### Keep Your Unsold Tickets and All Raffle Records

An organization must keep the following raffle records in a secured area not susceptible to flooding for 3-1/2 years:

1. Invoice or documentation for raffle tickets showing who printed the tickets, the quantity of tickets printed for each price level, the sequential numbers, and their selling price.
2. Total amount of gross receipts.
3. Total value of all prizes awarded in each raffle, including documentation of how the fair market value of merchandise prizes was determined.
4. Copy of the ticket for each price level.
5. All winning stubs.
6. All unsold tickets or certificates.
7. All inventory records:
  - LG820 Raffle Log
  - LG821 Physical Inventory
  - LG830 Merchandise Prize Perpetual Inventory.

### Reporting Requirements for Tax-Exempt Raffle

If a licensed organization conducts a raffle in which the net proceeds are used exclusively to help relieve the effects of poverty, homelessness, or disability for an individual or a family, refer to the Minnesota Lawful Gambling Tax Forms and Instructions booklet for reporting instructions. Or, contact Revenue's Lawful Gambling Tax Unit at 651-297-1772 for assistance.

Tax-exempt raffles are reported on the LG100A in the same manner as all other raffles.

## Raffle Checklist

Use this checklist to ensure that a raffle and tickets or certificates of participation are in compliance.

### Ticket or Certificate Information

- \_\_\_ 1. The following information is printed on each ticket or certificate:
  - date, time, and location of the raffle;
  - organization's name and license number;
  - price of the ticket or certificate. Each ticket or certificate in a set is sold for the same price;
  - at a minimum, the three most expensive prizes to be awarded. If additional prizes will be awarded that are not contained on the raffle ticket or certificate, the ticket or certificate must contain the statement "*A complete list of additional prizes is available upon request.*"
  - sequential numbers beginning with number 1 (or, for tickets purchased by the organization in bulk, the sequential numbers beginning with the raffle ticket number for that particular raffle); and
  - a statement regarding the winner's responsibility for any applicable fees and taxes.
- \_\_\_ 2. When using raffle tickets, each raffle ticket has a detachable section (stub):
  - imprinted with a number corresponding to the sequential ticket number; and
  - has space for the purchaser's name, address, and phone number.

### Prizes

- \_\_\_ 3. An organization must be the sole owner of merchandise prizes before winners of the prizes are determined. Exception: For raffles with gross receipts of \$60 or less (such as a meat raffle), an organization may pay for the prizes up to 30 days after the prize is received by the organization.
- \_\_\_ 4. A certificate for merchandise is used for a prize that requires registration or licensure by a government agency (example: a car or a gun).
- \_\_\_ 5. The value of each prize does not exceed \$50,000. NOTE: There is no annual limit on the total value of all raffle prizes awarded by a **licensed** organization.
- \_\_\_ 6. All winners are determined on the date(s) indicated on the ticket or certificate unless a different date has been approved by the director of the Gambling Control Board.
- \_\_\_ 7. Merchandise prizes are tracked on the LG830.
- \_\_\_ 8. Prizes may not be won by persons under age 18.

### Conduct

- \_\_\_ 9. Raffles are held at a permitted premises OR at a site for which an organization has obtained an off-site permit from the Gambling Control Board.
- \_\_\_ 10. All entries in the raffle have an equal chance to be selected.
- \_\_\_ 11. To enter the raffle, purchasers are not required to pay for anything other than the ticket or certificate. Exception for fishing/hunting, button, and membership event combination raffles.
- \_\_\_ 12. House rules are posted.
- \_\_\_ 13. Persons are not required to be present at a raffle.
- \_\_\_ 14. The method of selection is conducted in a public forum and cannot be manipulated or based on the outcome of an event not under the control of the organization.
- \_\_\_ 15. Once the first drawing is held no additional raffle tickets or certificates are sold.
- \_\_\_ 16. Raffle tickets or certificates are not sold to persons under 18.

## Raffle Checklist (continued)

### Raffle Inventory and Sales Log

- \_\_\_ 17. An organization maintains a raffle inventory and sales log (LG820) that includes:
- Organization name.
  - Total number of tickets or certificates printed.
  - Price per ticket or certificate.
  - Name and phone number of the persons to whom tickets or certificates were given to be sold (seller).
  - Quantity and range of sequential number of tickets or certificates given to each seller.
  - Quantity of tickets or certificates each seller sold.
  - Quantity of unsold tickets or certificates each seller returned.
  - Actual gross receipts reported by each seller.
  - Actual amount of cash, checks, and debit card payments received from each seller.
  - Cash long or short reported by each seller.

### Records

- \_\_\_ 18. An organization must keep the following in a secured area (not susceptible to flooding) for 3-1/2 years:
- Invoice or printing documentation for raffle tickets or certificates of participation.
  - Copy of ticket or certificate.
  - All winning ticket stubs.
  - All unsold tickets or certificates.
  - All inventory records (LG820, LG821, and LG830).

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# TIPBOARDS

This chapter contains information on the conduct of tipboards, reports, and common questions.

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“Meat raffles” are often conducted using tipboards. These games must be conducted and reported following statute and rule requirements for tipboard games.

<b>Common Terms</b>	
<b>Bar code</b>	<ul style="list-style-type: none"> <li>• Bar codes are used by the Department of Revenue to track the distribution, sales, and reporting of tipboards throughout the state.</li> <li>• It is the manufacturer's responsibility to place a bar code on each tipboard flare.</li> </ul>
<b>Deal</b>	A deal is an individual game of tipboards that is either a separate package or series of packages consisting of one game with the same serial number.
<b>Flare</b>	<p>The flare is the posted display that:</p> <ul style="list-style-type: none"> <li>• has a bar code and a Minnesota geographic boundary symbol imprinted or affixed; and</li> <li>• is used to inform players of the information needed to play a particular deal of tipboards (prizes to be awarded, winning symbols, etc.).</li> </ul>
<b>Meat raffle</b>	A tipboard game in which the prize awarded is a meat package. "Meat raffles" may also be conducted using a paddlewheel without a table or regular raffle tickets.
<b>Seal</b>	Tipboards, other than sports tipboards, always have a seal that is opened or uncovered to reveal the winning number or symbol.
<b>Seal card</b>	A seal card is a board or placard used in conjunction with a deal of tipboards and contains a seal or seals that, when opened or uncovered, reveal predesignated winning numbers, letters, or symbols.
<b>Sports tipboard</b>	A sports tipboard is a tipboard game where players purchase tickets, or spaces on a flare, or a combination of both. The tickets or spaces conceal numbers. If the player's number(s) match or otherwise correspond with the number(s) in the score of a designated professional sporting event, the player wins. There are variations on how the games are structured. The winning numbers may only be based on professional sporting events between two teams that are members of the NFL, NBA, WNBA, NHL, MLS, or MLB (no college or other amateur games are allowed).
<b>Tipboard</b>	"Tipboard" means a board, placard, or other device containing a seal that conceals the winning number or symbol, and that serves as the game flare for a tipboard game.
<b>Tipboard ticket</b>	<p>A tipboard ticket is a single ticket that is folded or banded, a group of banded tickets, or a multi-ply card, the face of which is initially covered or otherwise hidden from view to conceal a number, symbol, or set of symbols, some of which have been designated in advance and at random as prize winners.</p> <p>For a sports tipboard, the tipboard ticket contains a set of numbers used to determine the winner based on the numerical outcome of a professional sporting event.</p>

## Items Used in the Conduct of Tipboards

### Required Items

Item	Use	Where to Obtain
<b>Prize receipt form</b>	Complete a prize receipt form: <ul style="list-style-type: none"> <li>• for each winning tipboard ticket valued at \$100 or more; and</li> <li>• for a last sale prize valued at \$20 or more.</li> </ul>	Contained in this chapter and on the Board's website. Often provided by the distributor with the game.
<b>Sports tipboard</b>	Used in the conduct of a sports tipboard game, sports tipboards may or may not have tickets.	Purchase from a licensed distributor only.

### Optional Items

Item	Use	Where to Obtain
<b>Scanner</b>	Used to quickly print driver's license information onto a label that is then permanently affixed to a prize receipt form.	From any source.

<b>Tipboard Prizes</b>	
<b>Prize Limit</b>	
<p>The maximum prize which may be awarded for a tipboard ticket is \$599 for \$2 and under tipboard tickets, \$899 for \$3 tipboard tickets, \$1,199 for \$4 tipboard tickets, and \$1,499 for \$5 tipboard tickets, not including any cumulative or carryover prizes.</p> <p>Cumulative or carryover prizes in tipboard games shall not exceed \$2,500. An organization may not sell a tipboard ticket for more than \$5.</p> <p>For sports tipboards, each chance or ticket may not be sold for more than \$10. The maximum prize that may be awarded for a sports tipboard chance or ticket is:</p> <ul style="list-style-type: none"> <li>• \$599 for \$2 and under sports tipboard chances or tickets;</li> <li>• \$899 for \$3 sports tipboard chances or tickets;</li> <li>• \$1,199 for \$4 sports tipboard chances or tickets;</li> <li>• \$1,499 for \$5 sports tipboard chances or tickets;</li> <li>• \$1,799 for \$6 sports tipboard chances or tickets;</li> <li>• \$2,099 for \$7 sports tipboard chances or tickets;</li> <li>• \$2,399 for \$8 sports tipboard chances or tickets;</li> <li>• \$2,699 for \$9 sports tipboard chances or tickets; and</li> <li>• \$2,999 for \$10 sports tipboard chances or tickets.</li> </ul>	
<b>Types of Prizes Allowed</b>	<b>Types of Prizes Not Allowed</b>
<p>Prizes for a tipboard game, as designated on the flare, may consist of:</p> <ol style="list-style-type: none"> <li>1. cash;</li> <li>2. gift cards or gift certificates; and</li> <li>3. merchandise, which includes certificates for merchandise or services.</li> </ol>	<ul style="list-style-type: none"> <li>• Prizes may not consist of lawful gambling equipment, i.e. paper pull-tabs, tipboard tickets, paddlewheel tickets, raffle tickets, bingo paper, etc.</li> <li>• Cash may not be substituted for merchandise prizes, gift cards, certificates for merchandise or services, or gift certificates.</li> <li>• Merchandise prizes or certificates are not allowed for a progressive tipboard game.</li> </ul>
<b>Merchandise Prizes</b>	
<b>Donated prize</b>	<p>Merchandise prizes may be donated. For donated prizes, the fair market value of the prize must match the value of the prize listed on the tipboard flare.</p>
<b>Lessor restrictions</b>	<p>For a leased premises:</p> <ol style="list-style-type: none"> <li>1. The lessor may donate prizes.</li> <li>2. An organization may purchase from the lessor a certificate for merchandise or gift card to be redeemed for food or beverages at the premises if:                         <ol style="list-style-type: none"> <li>a. the certificate or card has a redeemable monetary cash value;</li> <li>b. the certificate or card does not contain restrictions on its redemption, such as requiring a purchase of food or beverage of equal or greater value or redeemable for a specific item;</li> <li>c. the certificate or card may be redeemed at any time during regular business hours of the permitted premises; and</li> <li>d. the cost to the organization is 50% or less of the redeemable cash value.</li> </ol> </li> </ol>

## Tipboard Prizes (continued)

### Merchandise Prizes (continued)

#### Compliance with prize limit

- To determine compliance with prize limits, merchandise prizes that are donated or purchased at a discount must be valued at their fair market value.
- The fair market value of a merchandise prize must not be an amount less than the purchase price.
- The value of the prize listed on the tipboard flare must be the same as the actual amount paid for the prize. For example, if the flare states the prize has a value of \$15, you may not purchase meat packages that vary in price from \$13 to \$16. Order meat packages that cost exactly \$15 each.

#### Reporting merchandise prizes

For purposes of reporting on the monthly LG100A:

- donated prizes have no value (not reported); and
- report merchandise prizes at the actual cost plus shipping and sales tax.

Also report merchandise prizes on the Department of Revenue's Schedule B-2.

### Certificate for Merchandise or Services—Required Information

A certificate for merchandise or certificate for services awarded as a prize must include:

- a complete description, including the value, of the merchandise or services;
- the vendor's name from whom the certificate must be redeemed; and
- a statement expressly prohibiting the substitution of cash or another type of merchandise or services described on the certificate.

### Ownership of Prizes Required; Payment

- For tipboards consisting of 32 tickets or less, merchandise prizes may be paid for up to 30 days after an organization obtains the prize.
- For all other tipboard games, an organization must pay in full for tipboard prizes or otherwise become the owner without lien or interest of others prior to the conduct of the tipboard game.
- Purchase merchandise prizes directly from the vendor with a check drawn on the gambling account. For example, an organization may not purchase meat packages from the gambling manager who originally purchased them from a local butcher shop. An organization must purchase the meat packages directly from a vendor.
- Cash from the game may not be used to pay for merchandise prizes.

<b>Conducting a Tipboard Game</b>	
For information on who may and may not participate in lawful gambling, see Chapter 3.	
<b>Information Required to be <u>Posted</u> at Each Premises</b>	
<b>General information posted</b>	<p>The following information must be prominently posted at each premises:</p> <ul style="list-style-type: none"> <li>• organization name;</li> <li>• license number and premises permit number;</li> <li>• a statement that illegal gambling is prohibited at the premises; and</li> <li>• the problem gambling hotline number (1-800-333-HOPE) at each point of sale.</li> </ul>
<b>House rules posted</b>	<p>The minimum size for the house rules sign is 11" x 17". The house rules must be clearly visible at the point of sale.</p> <p>The house rules governing the conduct of lawful gambling must include all policies of your organization that affect the play of the game, including any restrictions in addition to those imposed by Minnesota Statutes, Section 349.181, on who may not participate in the conduct of lawful gambling at the premises.</p> <p>House rules may include items such as:</p> <ul style="list-style-type: none"> <li>• Cash only. Checks, credit cards, or debit cards not accepted.</li> <li>• A driver's license or picture ID must be presented to redeem a winning ticket.</li> <li>• Prizes remaining in a tipboard deal are not guaranteed. Posting shows only major winning tipboard tickets that have been redeemed.</li> <li>• Players must be 18 or older to purchase or redeem a ticket.</li> </ul>
<b>House rules for sports tipboards</b>	<p>House rules for sports tipboard games must include the following information:</p> <ul style="list-style-type: none"> <li>• No sports tipboard tickets or chances may be sold after the game's seals have been opened or compromised.</li> <li>• All empty squares remaining on a sports tipboard must be marked "VOID" immediately before the opening of the game's seals.</li> <li>• Sports tipboard prizes must be claimed within seven days after the last time frame of the professional sporting event.</li> </ul>
<b>Name of paid employee</b>	<p>Paid gambling employees must clearly display their name when conducting lawful gambling.</p>
<b>Information Required to be <u>Kept</u> at Each Premises</b>	
<b>Records and forms</b>	<p>The following must be kept at each premises and be available for inspection at times when the premises is open for the conduct of lawful gambling:</p> <ul style="list-style-type: none"> <li>• a current site inventory record (LG847 or LG844) that lists each tipboard kept on the premises; and</li> <li>• a copy of the distributor's invoice for each tipboard in play and for each unplayed tipboard stored on the premises.</li> </ul>
<b>Deals in play</b>	<p>All records, reports, and prize receipts relating to a deal of tipboards in play must be kept at the premises while the game is in play.</p>
<b>Separation of equipment</b>	<p>A clear physical separation or divider must be maintained between an organization's gambling equipment, another organization's gambling equipment, and the lessor's business equipment.</p>

## Conducting a Tipboard Game (continued)

### Starting Cash Banks and Drawers

A starting cash bank is money placed in the cash drawer prior to the beginning of the game, and is used to make change and pay cash prizes awarded.

### Putting a Game into Play

#### Before a game is put into play

Check each flare to be sure:

- a bar code is attached to the flare;
- the game name and serial number match the invoice and the tickets; and
- the serial number and form number on the bar code matches the serial number and form number printed on the tickets.

An organization may not:

- change the prizes printed on the tipboard by the manufacturer, except to post a progressive jackpot amount;
- use a tipboard that is altered or defaced, except for flares that contain a last sale sticker added by the distributor; or
- use a tipboard with missing tickets.

#### Posting of flare

The flare for tipboard games must be posted at the point of sale.

Flares for sports tipboard games require additional information.

- Before a sports tipboard is put into play any of the following items that are not preprinted on the flare by the manufacturer must be printed on the flare **in permanent ink** by an organization employee or volunteer:
  - The names or a detailed description of the participating professional teams.
  - The date of the professional sporting event.
  - The organization employee or volunteer who entered the information on the flare must sign and date the flare and also record the time the flare was signed and dated.
- Only the seller may physically touch or write on the game flare.
- The flare must be prominently posted at the point of sale. If the tipboard includes a grid, the grid must be in a prominent location and visible to players at all times.

#### Game transfer not allowed

Games in play may not be transferred from:

- one site to another;
- a bar operation to a booth operation at a leased premises; or
- a booth operation to a bar operation at a leased premises.

### Business Hours

Tipboard tickets may only be sold and redeemed at times when the premises is open for the conduct of its regular business. The organization determines the hours that it will conduct gambling within the regular business hours.

## Conducting a Tipboard Game (continued)

### Selling Tipboard Tickets

**Cash only**—Only cash, traveler’s checks, money orders, and cashier’s checks may be accepted for the purchase of a tipboard ticket.

Checks, debit cards, or credit cards may not be accepted. Credit may not be extended to a player.

**Maximum ticket price** is \$5 for each tipboard ticket, or \$10 for each sports tipboard ticket or chance.

**Age restrictions**—Only persons 18 and over may participate as a tipboard player.

**No assistance provided**—Tipboard ticket sellers may not help a player open tipboard tickets.

- Only employees or organization volunteers selling the game may open tipboard seals.
- Players may select which seal is opened if placard has more than one seal.

**Display prizes**—If merchandise is offered as a prize, it must be displayed in full view of players.

### Signing the Placard; When Required

For games containing more than 100 tickets, each player that has a tipboard ticket with a predesignated number or symbol making them eligible for the seal prize must sign the placard on the line indicated by the number or symbol on the ticket.

### Determining a Winner (non Sports Tipboards)

The tipboard seller must open or uncover the seal on a non-progressive tipboard game to determine the winner by the number or symbol printed under the seal when:

- the predesignated numbers or symbols on the tickets have all been purchased and the appropriate lines signed on the placard; **or**
- all of the tipboard tickets for that game have been sold; **or**
- the organization chooses to close a deal or game.

A tipboard deal may contain consolation winners that are not determined by the use of the seal.

Prizes may not be awarded if tipboard tickets are lost, marked, defaced, altered, or have left the premises.

# Conducting a Tipboard Game (continued)

## Using the Prize Receipt Form

The tipboard seller must complete a prize receipt form for each winning tipboard ticket redeemed with a prize value of \$100 or more and any "last sale prize" awarded with a value of \$20 or more.

**PRIZE RECEIPT Complete in ink. Staple winning ticket, and winning seal, if any, to prize receipt.\***

Organization name	Date and time	Value of prize \$
	Name of game	
	<input type="checkbox"/> Bingo \$100+ <input type="checkbox"/> Electronic device credits \$600+ <input type="checkbox"/> *Tipboard \$100+ <input type="checkbox"/> *Paddlewheel \$100+ <input type="checkbox"/> *Paper pull-tab \$100+ <input type="checkbox"/> *Last sale prize \$20 or more Bingo alternative prize: \$ _____	
Site location	Game serial number	
Received by: Name (print)		
Address		
City, state, zip		
Driver's license number or ID# from other picture identification		State
Winner's signature, in ink		Seller's signature, in ink
PREPARED BY THE MINNESOTA GAMBLING CONTROL BOARD (LG0007 7/16)		



## Complete in Ink; Signatures Required

The prize receipt information must be printed in ink or scanned from a photo ID and affixed to the prize receipt form. The signature of the winner and the signature of the organization employee or volunteer making the payment must be in ink. Scanned labels must be permanently adhered to the prize receipt. They may not be stapled or taped to the prize receipt.

## Picture ID Required

A valid driver's license, a U.S. military ID card, or another form of government-issued picture identification is required to complete the prize receipt. The form of picture ID must be recorded, including the driver's license number and state of registration or the other type of government-issued picture ID and ID number. A social security card does not meet this requirement.

If a winner does not have a picture ID, another player's ID may be used. That player's information, signature, and the winner's signature, must be included on the prize receipt form.

Until a player provides the necessary information to complete a prize receipt, the organization has no obligation to award the prize.

## Other Requirements

Staple the redeemed winning ticket (and winning seal tab, if any) to the prize receipt. Keep the completed prize receipt at the premises while the deal is in play.

## Conducting a Tipboard Game (continued)

### Closing a Tipboard Game

When closing a game, the tipboard seller must:

- remove the tipboard flare;
- count the cash in the game drawer;
- separate the starting cash bank amount from the game proceeds; and
- enter on the LG847 Current Site Inventory, or LG844 Perpetual Inventory, the date the game was closed.

### Deposit Information

Deposit and record cash on hand, or secure the cash until it can be deposited. Deposit the gambling receipts into the gambling account **within four business days** of the close of the game.

On the deposit slip, list the following:

1. Your premises permit number.
2. The date of the deposit.
3. The serial number of each game.
4. The amount of actual cash deposited from each game.

If only **merchandise prizes** are awarded, the deposit amount should equal the gross receipts (total amount wagered), except for any cash long or short you might have.

Cash proceeds may not be used to purchase prizes. The gross receipts must be deposited into the gambling account.

If **cash prizes** are awarded, the deposit amount should equal the net receipts (amount wagered minus the cash amount paid out in prizes). Any variances are reported as cash long or cash short.

<b>First National Bank Deposit Slip</b>	
<b>Date</b>	10/6/20
99999-001	
80345467	\$15.00
80345468	\$15.00
80345469	\$15.00
<b>TOTAL</b>	<b>\$45.00</b>

### Auditing a Tipboard Game

All tipboard games must be audited. The final audit of the game must be done by someone other than the seller and/or the person who prepared the deposit. Sellers may be asked to make a preliminary audit of their own games, but they may not do the final audit.

### Fund Loss

If a fund loss is discovered:

1. Notify local law enforcement within five days of discovering the loss (within 24 hours if the game was played in a dispensing device), and notify the Gambling Control Board. Fund losses not reported will not be considered by the Board for profit carryover adjustment.
2. Within 60 days, provide the Gambling Control Board with documentation of reimbursement or a request for a profit carryover adjustment due to a fund loss. This documentation must be provided to the Board within 60 days or the fund loss request will not be considered by the Board. Use form LG250 Fund Loss Request (Profit Carryover Adjustment).

Refer to the *Internal Operations and Oversight* chapter, Fund Loss section.

If tipboard games (played or unplayed) are lost due to a disaster such as fire, flood, blizzard, tornado, or other catastrophic event, immediately contact the Department of Revenue at 651-297-1772 for instructions on how to report the destroyed games.

## Conducting a Sports Tipboard Game

### A New Game in Town—Sports Tipboards

A form of sports wagering known as sports tipboards was allowed by law in Minnesota in 2012 (Minnesota Statutes, Section 349.12, subdivision 34). However, because federal law at the time restricted wagering on the outcome of sporting events, the Gambling Control Board held off on approving any sports tipboard games.

In 2018, the U.S. Supreme Court ruled in favor of legalized sports betting which opened the door for the sale of sports tipboards in the State of Minnesota beginning in July 2018. While traditional tipboard rules (Minnesota Rules, Part 7861.0290 "Tipboards") provided some initial guidance, new rules were required to regulate the sports tipboards games. These rules can be found in Minnesota Rules, Part 7861.0295 "Sports-Themed Tipboards". Sports tipboards are tax exempt.

### What is a Sports Tipboard?

A sports tipboard is a tipboard game where players purchase tickets or spaces on a flare. The tickets or spaces conceal numbers. If the player's numbers match the numbers in the score of a designated professional sporting event, then the player wins. There are variations on how the games are structured. These games apply to certain professional sports only (not college or amateur games).

Sports tipboards may only be conducted through licensed charities at lawful gambling premises. Any other method of selling sports tipboards is illegal.

### Sports Tipboard Restrictions

- Sports tipboards may only be used in conjunction with professional sporting events between two teams that are members of the NFL, NBA, WNBA, NHL, MLS and MLB (Minnesota Rules, 7861.0210, subpart 40d). The Gambling Control Board may remove a league or an event if the Board deems the league or event lacks sufficient integrity to ensure fair play of sports tipboards based on the event outcomes.
- Each sports tipboard may be used for only one professional sporting event.
- An organization must not transfer sports tipboard games in play from one permitted premises to another.
- At a leased permitted premises, a sports tipboard game in play may not be transferred between a booth and bar operation.  
Exception: Organizations that OWN the permitted premises may transfer sports tipboards between the booth and bar operation.
- Progressive or cumulative sports tipboards are not allowed.
- A sports tipboard that is received in an altered or a defaced condition may NOT be used.

### Sports Tipboard Restrictions for Games in Play

- An organization must sell the sports tipboard tickets, group of banded tickets, or grid squares for the price preprinted on the flare.
- A sports tipboard seal must not be opened or revealed until all chances have been sold or all unsold tickets have been secured or marked "VOID".
- An organization must not redeem tipboard tickets that were sold by another organization.
- If a game seal is compromised before the completion of all sales of tickets or chances or the start of the professional sporting event, the game is voided and the organization must:
  - immediately void and close the game,
  - mark "VOID" in permanent ink across the tipboard game flare,
  - refund all players the amount paid for a chance,
  - keep the voided sports tipboard game for 3-1/2 years.

<b>Conducting a Sports Tipboard Game</b> (continued)
<b>Operation of a Sports Tipboard</b>
<ul style="list-style-type: none"> <li>• All tickets and chances must be placed out for play at the same time.</li> <li>• Only the seller may physically touch or write on the game flare.</li> <li>• All tickets and grid squares must be sold for the price preprinted on the flare and not allowed for resale.</li> <li>• A tipboard ticket or grid square may not be given to a player free of charge or for any other consideration.</li> </ul>
<b>Revealing the Winners</b>
<p>Before opening seals, all unsold tickets must be secured and made unavailable for sale. All unsold squares on a grid must be marked "VOID". The organization must retain all flares and unsold tickets in their records for 3-1/2 years.</p> <p>Game scores posted by the applicable league are considered official and will be used to determine the winning numbers on the sports tipboard game. Posting the results of the professional sporting event to the flare or grid in permanent ink is required (this is not considered altering the flare).</p>
<b>Prize Payouts</b>
<ul style="list-style-type: none"> <li>• Prizes may not be awarded to any player for a lost, marked, defaced, resold or an altered ticket.</li> <li>• Prize receipts are required for winning sports tipboard prizes of \$100 or more. Prizes are not cumulative. For example, if a player wins \$50 on the first half score and then wins \$75 on the final score, these are two separate wins and no prize receipt is required.</li> <li>• The organization employee or volunteer must immediately deface a winning sports tipboard ticket or mark the winning player's grid square as paid when redeemed by the player.</li> <li>• The player must claim winning sports tipboard tickets or chances within seven days after the last designated time frame of the professional sporting event. The player is responsible for redeeming a winning ticket or chance.</li> </ul>
<b>Closing the Game</b>
<ul style="list-style-type: none"> <li>• A sports tipboard game is considered <b>closed</b> when all chances have been sold or when the seals are opened, whichever occurs first. No chances may be sold after the game has closed.</li> <li>• A sports tipboard game is considered <b>complete</b> seven days after the last time frame of the professional sporting event or the date when all prizes have been claimed, whichever occurs first.</li> <li>• Sports tipboard game receipts must be deposited into the gambling account <u>within four business days of the completion</u> of the sports tipboard game (see above definition of when a sports tipboard game is "complete").</li> </ul>

## Conducting a Sports Tipboard Game (continued)

### Sports Tipboards— Q & A

**Q. What is a sports tipboard?**

A. A sports tipboard is a tipboard game based on the outcome of a professional (not amateur or college) sporting event. There will be variations on how the games are structured, but winning chances will be based on the score of a game.

**Q. Are sports tipboards legal in Minnesota?**

A. Yes. In 2012, a law was passed in Minnesota to allow sports tipboards to be sold only by licensed charitable organizations under the regulatory control of the Gambling Control Board. The Board held off on approving sports tipboards until 2018, when the U.S. Supreme Court ruled in favor of sports betting.

**Q. What does a sports tipboard game look like?**

A. Sports tipboards look similar to other tipboard games; the only difference is the winning numbers (tickets or chances on a sign-up grid) will be determined by actual score of a professional sporting event.

**Q. How much does a tipboard ticket or chance cost?**

A. The maximum price per chance is \$10.

**Q. Are sports tipboards available for sale now?**

A. Yes. If your organization is interested in conducting sports tipboard games, contact a licensed distributor. A list of licensed distributors can be found on the Gambling Control Board's website at [mn.gov/gcb/distributors.html](http://mn.gov/gcb/distributors.html).

**Q. Do all chances on the tipboard have to be sold prior to the start of an event?**

A. No. But no tickets or chances may be sold after the seals have been opened or after the professional sporting event has ended, whichever comes first. There can be unsold spaces on a sports tipboard with seals. Sellers must void any unsold spaces immediately prior to revealing the seals. If the winner is not sold, the licensed organization keeps the proceeds. However, if the winner is sold, a game with unsold squares could end up with negative net receipts.

**Q. Do we still have to fill out prize receipts?**

A. Yes. Prize receipts are required to be filled out for prizes of \$100 or more. Each prize is considered a "win" for prize receipt purposes. Some examples:

- If an individual wins a \$100 prize at halftime of a professional football game, and the same individual wins another \$100 based on the final outcome of the game, the winner must fill out two prize receipts forms—one for each win.
- If an individual wins a \$50 prize at halftime, and the same individual wins another \$50 at the end of the 3<sup>rd</sup> quarter, even though the individual won \$100 in total, the winner need not fill out a prize receipt form.

**Q. Do winners have to be present to win?**

A. No, players need not be present to win.

**Q. Where may sports tipboards be conducted?**

A. Sports tipboards may only be conducted through licensed charities at lawful gambling premises. Any other method of conducting sports tipboards is illegal.

**Q. What is the maximum payout?**

A. The maximum *ideal* payout is 85%. However, if there are unsold squares or tickets, the actual payout may be higher than 85%.

**Q. How does my organization get a sports tipboard game?**

A. Sports tipboard games must be purchased from a licensed distributor. Contact a licensed distributor to discuss game options and purchase sports tipboards.

## Conducting a Sports Tipboard Game (continued)

### Sports Tipboards— Q & A, continued

**Q. How long do players have to claim a prize?**

- A. Sports tipboard prizes must be claimed within seven days after the end of the professional sporting event. After that period, the prize value will be retained by the charity.

**Q. How do I account for the game (sales, prizes, deposit)?**

- A. With sports tipboard games, there are two important events: When a sports tipboard game is "closed" and when a sports tipboard game is "complete".
- A sports tipboard game is considered "closed" when all chances are sold or when seals are revealed.
  - A game is considered "complete" when all prizes have been paid or within seven days after the professional sporting event, whichever occurs first.

A licensed organization is required to deposit proceeds within four business days from the date the game is complete.

**Q. May we mail checks to winners?**

- A. Yes.

**Q. Do sports tipboards fall under the combined receipts tax like regular tipboards?**

- A. No. Sports tipboards are tax exempt. Reporting forms from the Gambling Control Board and Department of Revenue include a special line for reporting these games.

**Q. Who do I call if I have other questions?**

- A. Gambling managers should contact their Compliance Specialist at the Gambling Control Board with questions regarding the actual conduct of these games.

The Board has prepared an online course on sports tipboards. This course contains a wealth of information on how to conduct sports tipboards. To take the course, go to [www.mn.gov/gcb](http://www.mn.gov/gcb) and select the "Education" tab.

### Auditing a Tipboard Game

All tipboard games, including sports tipboard games, must be audited. The final audit of the game must be done by someone other than the seller and/or the person who prepared the deposit. Sellers may be asked to make a preliminary audit of their own games, but they may not do the final audit.

### Fund Loss

If a fund loss is discovered:

1. Notify local law enforcement within five days of discovering the loss, and notify the Gambling Control Board. Fund losses not reported will not be considered by the Board.
2. Within 60 days, provide the Gambling Control Board with documentation of reimbursement or a request for a profit carryover adjustment. This documentation must be provided to the Board within 60 days or the fund loss will not be considered by the Board.

Refer to the *Internal Operations and Oversight* chapter, Fund Loss section.

If tipboard games (played or unplayed) are lost due to a disaster such as fire, flood, blizzard, tornado, or other catastrophic event, immediately contact the Department of Revenue at 651-297-1772 for instructions on how to report the destroyed games.

## Other Tipboard Games

### Cumulative Tipboard Game

**What is it?** A "cumulative tipboard game" is played with two or more deals with the same form number but containing a unique serial number for each deal. A portion of each deal's predetermined prize payout is designated to a cumulative prize pool. The game is packaged as a cumulative game by the manufacturer.

**What are the conduct requirements?** In addition to general requirements and restrictions for the conduct of a tipboard game, the following apply to the conduct of a cumulative tipboard game.

- The game may only be played with deals having the same form number from the same family and manufacturer.
- The organization may have more than one deal in play at the same time but may not commingle deals.
- The prize pool board must be posted until the game is completed or discontinued.
- When a seal winner is determined for a deal, the seller must open or uncover the seal on the prize pool board and award the prize.
- The winning ticket and the winning seal tab, if any, from the prize pool board must be stapled to the prize receipt form.
- When closing or discontinuing a deal within a cumulative tipboard game, the organization must immediately open or uncover the seal for that deal.

### Multiple Seal Tipboard Game

**What is it?** A "multiple seal tipboard game" is a tipboard game in which select tickets are redeemed by players for a predetermined prize amount under a seal number matching the ticket presented by the player.

**What are the conduct requirements?** In addition to the general requirements and restrictions for the operation of a tipboard game, the following apply to the conduct of a multiple seal tipboard game.

- Deals may not be commingled.
- When a player presents a winning ticket for a predesignated seal, the seller must immediately open or uncover the predesignated seal on the flare and award the prize.
- If the winning ticket offers a choice of seals to be opened, the player may select which seal is to be opened. However, the seal must be opened by the seller—not by the player.
- The winning ticket and winning seal tab if any (for a game with no progression) must be stapled to the prize receipt form.
- An organization may discontinue the play of the game before all tickets are sold in a deal.

## Other Tipboard Games (continued)

### Progressive Tipboard Game

**What is it?**

A "progressive tipboard game" is a game that has a portion of its predetermined prize payout designated to one progressive jackpot prize. The jackpot prize increases from one deal to the next until the jackpot prize is won, or the predetermined jackpot amount printed on the flare by the manufacturer is reached.

**What are the conduct requirements?**

In addition to the general requirements for a tipboard game, the following apply to the conduct of a progressive game.

1. The game is played with deals having the same form number from the same family and manufacturer.
2. The flare containing the current progressive jackpot amount must be posted while the game is in play.
3. When the progressive jackpot reaches the jackpot amount listed on the flare, no additional contribution may be made to the progressive jackpot.
4. The LG471 Progressive Paper Pull-tab or Tipboard Contact Information form must be completed by all potential winners.
5. **If the seal prize winner is present:**
  - the winner must select a window(s) to be opened or uncovered by the seller;
  - the winner must complete and sign in ink a progressive jackpot prize receipt;
  - the organization must pay the winner by check within two business days of the signed prize receipt;
  - the organization may pay the winner with cash if the jackpot prize is \$599 or less; and
  - the organization must furnish the winner with appropriate federal and state tax forms.

**If the seal prize winner is not present:**

  - the seller opens or uncovers the window(s) the player selected and recorded on the contact information form;
  - the organization must send the prize receipt and notification letter to the winner by certified mail within two business days; and
  - the organization must pay the winner by check within two business days of receipt of the signed prize receipt and furnish the winner with appropriate federal and state tax forms.

If the jackpot winner does not claim the prize within 30 days of the date the certified letter was mailed, the prize is forfeited by the player.
6. If there is no seal prize winner or the progressive jackpot is not won, the next deal may be put in play or the progressive game may be closed. The organization may close a "dead deal" within the game and put a new deal into play or discontinue the game.
7. The winning ticket and any winning seal tab from the flare must be stapled to the prize receipt.

## Records and Reports

### Required Forms to Use

Complete and keep the following required Inventory forms:

- LG844 Perpetual Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets
- LG847 Current Site Inventory List
- LG846 Physical Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets Monthly Report
- LG830 Merchandise Prize Perpetual Inventory—if using merchandise prizes or merchandise certificates

Use the LG830 to maintain a record of all merchandise prizes including:

- The value of merchandise prizes your organization has purchased.
- How many have been awarded as prizes.
- Date awarded.
- The value of unawarded prizes still in inventory.

You will need this information to complete the LG100F Lawful Gambling Fund Reconciliation at the end of each month.

For progressive tipboard games, the following forms must be completed and kept with your records:

- LG470 Progressive Paper Pull-Tab or Tipboard Jackpot Tracking Record
- LG471 Progressive Paper Pull-Tab or Tipboard Contact Information
- LG472 Progressive Paper Pull-Tab or Tipboard Jackpot Prize Receipt
- LG473 Progressive Paper Pull-Tab or Tipboard Audit Record
- LG474 Progressive Paper Pull-Tab or Tipboard Jackpot Monthly Worksheet

### Monthly Reporting

Each month, an organization must report to the Gambling Control Board tipboard gross receipts, prizes, net receipts, and cash variances. Organizations must submit this information in an electronic file which includes the LG100A Lawful Gambling Receipts and Expenses by Site.

Forms and instructions are available at [www.mn.gov/gcb](http://www.mn.gov/gcb) (under GCB Monthly Reports) or from the Gambling Control Board.

In addition, each month, an organization must submit a G1 Lawful Gambling Monthly Tax Return to the Department of Revenue, reporting tipboard gross receipts, prizes, and net receipts.

Forms and instructions are available from the Department of Revenue.

### Keep Your Games and Records

- All played tipboards games and records must be kept in a secured area (recommended not susceptible to flooding) for at least 3-1/2 years after the month in which the games were reported as closed on the LG100A.
- Unsold tipboard tickets may not be opened.
- All redeemed winning tickets must be kept with the tipboard flare.

## Records and Reports: Common Questions

- Q. **Where do we report the cost of our merchandise prizes?**
- A. The cost of the merchandise prizes is reported on the LG100F until the prizes are awarded. Once awarded, the cost is reported on the LG100A as prizes paid.
- Q. **How do we report tipboard merchandise prizes bought and paid for in the same month?**
- A. If all merchandise prizes are awarded in the same month they were purchased, report them as prizes on the LG100A.
- Q. **How do we report tipboard merchandise prizes that were paid for but not awarded during that month?**
- A. Report the value of tipboard merchandise prizes on hand at the end of the month on Line 10 of the LG100F Lawful Gambling Fund Reconciliation.
- Q. **How do we report tipboard merchandise prizes that were awarded and reported in one month but not paid for until the next month?**
- A. Report the value on Line 16 of the LG100F Lawful Gambling Fund Reconciliation.
- Q. **How do we report spoiled merchandise (meat) prizes?**
- A. Damaged or spoiled merchandise prizes may be reported as a miscellaneous expense on the LG100A, Line 21.
- Contact your Compliance Specialist at the Gambling Control Board for reporting requirements, and keep supporting documentation.
- Q. **What do we do with leftover (unawarded) meat packages?**
- A. Donate: Leftover meat packages may be donated to a food shelf as a lawful purpose expenditure. Use code 2 on the LG100C.
- Sell: If a meat package is sold, an organization must deposit the funds into the gambling bank account.
- Contact your Compliance Specialist at the Gambling Control Board for reporting requirements.

# PADDLEWHEELS

This chapter contains information on the conduct of paddlewheels, records, and reports.

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“Meat raffles” are often conducted using a “Mini-30” paddlewheel.

These games must be conducted and reported following statute and rule requirements for paddlewheel games.

## Common Terms

<b>Bar code</b>	<p>Bar codes are used by the Department of Revenue to track the distribution, sales, and reporting of paddletickets throughout the state.</p> <p>It is the manufacturer's responsibility to place a bar code on each paddleticket master flare.</p>
<b>Master flare</b>	<p>A master flare is the posted display with a bar code imprinted or affixed, used in conjunction with sealed groupings of up to 100 sequentially numbered paddleticket cards. The flare must contain the price per play and the ticket count.</p> <p>Flares for paddlewheel with table games must also include the prizes and odds.</p>
<b>Meat raffle</b>	<p>A paddlewheel without a table game in which the prize is a meat package. "Meat raffles" may also be conducted using tipboards or raffle tickets.</p>
<b>Paddleticket</b>	<p>A preprinted ticket that can be used to place wagers on the spin of a paddlewheel.</p>
<b>Paddlewheel</b>	<p>A paddlewheel is a vertical wheel marked off in sections with one or more numbers. When spun, the pointer indicates the winning number.</p> <p>A paddlewheel may be an electronic device that simulates a mechanical paddlewheel.</p>

<b>Items Used in the Conduct of Paddlewheels</b>		
<b>Required Items</b>		
<b>Item</b>	<b>Use</b>	<b>Where to Obtain</b>
<b>Paddleticket card</b>	A card consisting of detachable paddletickets.	Purchased from a licensed distributor.
<b>Paddlewheel</b>	A manually operated vertical wheel marked off into sections containing numbers or number/symbol combinations that, after being spun, uses a pointer to indicate the winning number on the wheel.	Purchase from a licensed distributor.
<b>Paddlewheel chip</b>	<p>Required with a paddlewheel table.</p> <p>Each paddlewheel chip:</p> <ol style="list-style-type: none"> <li>1. must have permanent edge spots which are different in color than the rest of the chip;</li> <li>2. must be clearly and permanently impressed, engraved, or imprinted (on one or both sides) with your organization's license number and the dollar value of the chip;</li> <li>3. may not be made of plastic, wood, or paper;</li> <li>4. may be issued in denominations of \$1, \$2, \$5, and \$25; and</li> <li>5. must meet color requirements: <ul style="list-style-type: none"> <li>• \$1 white chips</li> <li>• \$2 yellow chips</li> <li>• \$5 red chips</li> <li>• \$25 green chips</li> </ul> </li> </ol>	Purchase from any source; the chips must meet the standards contained in Minnesota Rules, Part 7861.0300, subpart 9.
<b>Paddlewheel table</b>	A table with slots in the tabletop used to place bets prior to the spin of the paddlewheel.	Purchase from a licensed distributor.
<b>Video surveillance system</b>	<p>Required with a paddlewheel table.</p> <p>Used to record and monitor real-time game activity when a paddlewheel table is used.</p>	Purchase from any source.

<b>Paddlewheel Prizes</b>	
<b>Prize Limit</b> The value of a paddleticket prize may not exceed \$70.	
<b>Types of Prizes Allowed</b>	<b>Types of Prizes Not Allowed</b>
<p><b>Without a table:</b> Prizes for a paddlewheel game without a table may consist of:</p> <ol style="list-style-type: none"> <li>1. cash;</li> <li>2. gift cards or gift certificates; and</li> <li>3. merchandise, which includes certificates for merchandise or services.</li> </ol> <p>There is a maximum cash prize of \$70.</p> <p><b>With a table:</b> Prizes for a paddlewheel game with a table may only consist of chips, redeemed for cash, with a maximum cash prize of \$70.</p>	<ul style="list-style-type: none"> <li>• Prizes may not consist of lawful gambling equipment, i.e. paper pull-tabs, tipboard tickets, paddlewheel tickets, raffle tickets, or bingo paper.</li> <li>• Cash may not be substituted for merchandise prizes, certificates for merchandise or services, gift cards, or gift certificates.</li> <li>• Merchandise prizes or certificates are not allowed for a paddlewheel game conducted with a table.</li> </ul>
<b>Merchandise Prizes</b>	
<b>Donated prize</b>	Merchandise prizes may be donated.
<b>Lessor restrictions</b>	<p>For a leased premises:</p> <ol style="list-style-type: none"> <li>1. The lessor may donate prizes.</li> <li>2. An organization may purchase from the lessor a certificate for merchandise or gift card to be redeemed for food or beverages at the premises if: <ol style="list-style-type: none"> <li>a. the certificate or card has a redeemable monetary cash value;</li> <li>b. the certificate or card does not contain restrictions on its redemption, such as requiring a purchase of food or beverage of equal or greater value or redeemable for a specific item;</li> <li>c. the certificate or card may be redeemed at any time during regular business hours of the permitted premises; and</li> <li>d. the cost to the organization is 50% or less of the redeemable cash value.</li> </ol> </li> </ol>
<b>Compliance with prize limit</b>	<p>To determine compliance with prize limits, merchandise prizes that are donated or purchased at a discount must be valued at their fair market value.</p> <p>The fair market value of a merchandise prize must not be an amount less than the purchase price.</p>
<b>Report on LG100A</b>	<p>For purposes of reporting on the monthly LG100A:</p> <ul style="list-style-type: none"> <li>• donated prizes have no value (not reported); and</li> <li>• report merchandise prizes at the actual cost plus shipping and sales tax.</li> </ul>

## **Paddlewheel Prizes** (continued)

### **Certificate for Merchandise or Services—Required Information**

A certificate for merchandise or certificate for services awarded as a prize must include:

- a complete description, including the value, of the merchandise or services;
- the vendor's name from whom the certificate must be redeemed; and
- a statement expressly prohibiting the substitution of cash or another type of merchandise or services described on the certificate.

### **Ownership of Prizes Required; Payment**

- For paddlewheels consisting of 32 numbers or less, merchandise prizes may be paid for up to 30 days after your organization receives the prize.
- For all other paddlewheel without table games, an organization must pay in full for paddlewheel prizes or otherwise become the owner without lien or interest of others prior to the conduct of the paddlewheel game.
- Purchase merchandise prizes directly from the vendor and pay with a check drawn on the gambling account. Cash from the game may not be used to pay for merchandise prizes.

## Conducting a Paddlewheel Game

For information on who may and may not participate in lawful gambling, see Chapter 3, page 20.

### Information Required to be Posted at Each Premises

**General information posted**

The following information must be prominently posted at each premises:

- organization name;
- license number and premises permit number;
- a statement that illegal gambling is prohibited at the premises;
- the problem gambling helpline number (1-800-333-HOPE) at each point of sale; and
- a clear and legible sign stating the amount of any cash prize and the fair market value of all merchandise prizes to be awarded for each game played without a paddlewheel table.

**House rules posted**

The minimum size for the house rules sign is 11" x 17". The house rules must be clearly visible at the point of sale.

The house rules governing the conduct of lawful gambling must include all organization policies that affect the play of the game, including any restrictions in addition to those imposed by Minnesota Statutes, Section 349.181, on who may not participate in the conduct of lawful gambling at the premises.

In addition, the following must be included in the house rules:

1. All paddletickets on a card must be sold before the paddlewheel is spun.
2. The paddlewheel must make at least four complete revolutions before the pointer stops. If the pointer stops directly on top of a peg, the number preceding the peg is the winning number.
3. For paddlewheels conducted without a table, the winner is not required to be present when the paddlewheel is spun, but must claim the prize by the conclusion of activity for the day.

**Name of paid employee**

Each paid gambling employees must clearly display his or her name when conducting lawful gambling.

### Information Required to be Kept at Each Premises

**LG847 and distributor invoice**

The following must be kept at each premises:

- a current site inventory record (LG847) that lists each set of paddletickets kept on the premises; and
- a copy of the distributor's invoice for each set of paddletickets in play and for each unplayed set of paddletickets stored on the premises.

An organization may use the LG844 Perpetual Inventory to meet this requirement for the LG847 if:

- the organization only has one permitted premises; and
- the LG844 is maintained on site.

The organization may keep a separate site inventory list for paper pull-tab games, paddletickets, and tipboards.

**Separation of equipment**

A clear physical separation or divider must be maintained between an organization's gambling equipment, another organization's gambling equipment, and the lessor's business equipment.

## Conducting a Paddlewheel Game Without a Table

### Check the Wheel

The paddlewheel must be in working order and in balance before play may begin.

The following procedures should be used to check paddlewheels.

1. Check each peg and the pointer for uneven wear and replace any worn peg or worn pointer before the wheel is used.
2. Check the balance of the paddlewheel by:
  - inspecting the back of the paddlewheel and removing any foreign object that may affect the paddlewheel’s balance;
  - positioning the pointer so it does not interfere with the spin of the paddlewheel; and
  - slowly rotate the paddlewheel 45 to 90 degrees at a time in one direction. The paddlewheel operator must determine whether there is any abnormality in the rotation or any reverse rotation after the paddlewheel stops. The wheel must continue to be rotated until the entire wheel has been evaluated by this method in both directions.
  - If the paddlewheel is out of balance, it must be balanced before conducting a paddlewheel game.

### Starting Cash Banks and Drawers

A starting cash bank is gambling money placed in the cash drawer prior to the beginning of the game, and is used to make change and pay cash prizes awarded.

### Putting a Game Into Play

**Before a game is put into play**

- Each flare must be checked for the following:
- the game matches the invoice; and
  - the serial number on the bar code matches the serial number printed on the first paddleticket card.

The organization may not change the flare.

**Game transfer not allowed**

Games in play may not be transferred to another permitted premises.

### Business Hours

Paddlewheel tickets may only be sold and winning tickets redeemed at times when the premises is open for the conduct of its regular business. The hours that an organization will conduct gambling within the business hours of the site are determined by the organization.

## Conducting a Paddlewheel Game Without a Table

(continued)

### Selling the Tickets

**All tickets sold**—All the paddletickets on a paddleticket card must be sold before the spinning of the paddlewheel. Each ticket must be sold for the same price.

**Cash only**—Only cash, traveler’s checks, money orders, or cashier checks may be accepted for the purchase of a paddlewheel ticket.

Checks, debit cards, and credit cards are not allowed. Credit may not be extended to a player.

**Maximum ticket price** for each ticket is \$2.

**Age restrictions**—Only persons 18 and over may participate as a paddlewheel player.

**Display prizes**—If merchandise is offered as prizes, the merchandise must be displayed in full view of the players in the immediate vicinity of the game.

### Spinning the Wheel

The paddlewheel may only be spun by the paddlewheel operator. A player may not spin the paddlewheel.

The paddlewheel must make at least four complete revolutions before the pointer stops. If four complete revolutions are not made, the spin is void and the paddlewheel must be spun again. If the pointer stops directly on top of a peg, the number preceding the peg is the winning number.

Multiple spins of the paddlewheel to award multiple prizes for one paddleticket card is not allowed. However, an organization may sell multiple paddleticket cards for a single spin of the paddlewheel.

### Awarding Prizes; Defacing Winning Tickets

The LG830 Merchandise Prize Perpetual Inventory is used to record merchandise prizes awarded. Separate LG830 forms may be used.

Upon awarding the prize, the seller must deface and keep the redeemed winning ticket. All winning paddletickets must be defaced. The most common method is to staple the ticket to the paddleticket card.

### Multiple Winners Per Spin

A prize must be awarded to the holder of the ticket that matches the number indicated by the paddlewheel pointer.

Multiple sets of tickets may be sold for the same spin. All tickets from each set used must be sold prior to spinning the wheel.

An organization may also offer prizes to the ticket numbers bordering the winning number on the wheel. If so, those prizes must be displayed in the same manner as the prize awarded to the ticket indicated by the pointer.

### Closing the Occasion

When closing the occasion, the seller must:

- place a cover over the paddlewheel or otherwise make it inoperable;
- count the cash in the game drawer;
- separate the starting cash bank amount from the game proceeds; and
- enter the date the game was closed on the LG847 Current Site Inventory, or the LG844 Perpetual Inventory.

## Conducting a Paddlewheel Game Without a Table

(continued)

### All Games in Play Closed at Month End

At the end of the month all partially played groupings of paddleticket cards must be closed. Report played paddleticket groupings with any unsold paddletickets on the Schedule B2. The barcode label must be sent with your tax return when the sealed group of tickets is removed from play and reported. A sealed group of tickets is considered one game and one entry on the Schedule B2.

### Deposit Information (for Paddlewheel Games with and without a Table)

First National Bank Deposit Slip	
Date	10/6/20
99999-001	
Paddlewheel	
80601-80610	\$300.00
80611-80615	\$150.00
<b>TOTAL</b>	<b>\$450.00</b>

Deposit and record cash in hand, or secure the cash until it can be deposited. Deposit the gambling receipts into the gambling account within four business days of the occasion.

Do not wait until the entire grouping of paddletickets has been sold to deposit the cash.

On the deposit slip, list the following information:

1. premises permit number
2. date of the deposit
3. paddleticket card numbers sold during that day's activity
4. actual amount of cash deposited from each day's paddlewheel activity.

If **merchandise prizes** are awarded, the deposit amount should equal the gross receipts (total amount wagered).

If **cash prizes** are awarded, the deposit amount should equal the net receipts (amount wagered minus the cash amount paid out in prizes).

### Auditing a Paddlewheel Game

The final audit of the game must be done by someone other than the paddlewheel operator, the person who prepared the deposit, or the person who deposited the gambling receipts. Sellers may be asked to make a preliminary audit of their own games, but they may not do the final audit.

### Fund Loss

If a fund loss is discovered:

1. Notify local law enforcement within five days of discovering the loss (within 24 hours if the game was played in a dispensing device), and notify the Gambling Control Board. Fund losses not reported will not be considered by the Board for profit carryover adjustment.
2. Within 60 days, provide the Gambling Control Board with documentation of reimbursement or a request for a profit carryover adjustment due to a fund loss. This documentation must be provided to the Board within 60 days or the fund loss request will not be considered by the Board. Use form LG250 Fund Loss Request (Profit Carryover Adjustment).

Refer to the *Internal Operations and Oversight* chapter, Fund Loss section.

If played or unplayed games are lost due to a disaster such as fire, flood, blizzard, tornado, or other catastrophic event, immediately contact the Department of Revenue at 651-297-1772 for instructions on how to handle the fund loss.

## Conducting a Paddlewheel Game With a Table

### Special training required

Before conducting a paddlewheel game with a paddlewheel table, an organization's gambling manager must attend a board-authorized class on the conduct of paddlewheels with a paddlewheel table. Thereafter, a replacement gambling manager must attend the class within 60 days of the effective date of the new gambling manager's license.

If the replacement gambling manager does not attend the class within 60 days, paddlewheel activity must stop until the gambling manager/replacement gambling manager has attended the board-authorized class.

To schedule the required training contact your Compliance Specialist at the Gambling Control Board.

### Number of paddlewheel tables limited at premises

- No more than two paddlewheel tables may be located at a permitted premises.
- If there are two paddlewheel tables at a site, each table and its paddlewheel drop box must bear a paddlewheel table identification number that distinguishes it from the other table and its drop box.
- Each paddlewheel and paddlewheel table must also have a state registration stamp affixed to it by the distributor.

### Paddlewheel table—digital video surveillance system required

#### **A digital video surveillance system is required when conducting a paddlewheel game with a paddlewheel table.**

The digital video surveillance system must meet the following specifications:

1. record at the same time the operator, paddlewheel table rail to rail and a picture of the wheel pointer and number of the paddlewheel table;
2. must not have an audio recorder;
3. record real date and time of activity in a location on the video that does not obscure the paddlewheel table or the wheel pointer;
4. allow for immediate verification of the value of chips, placement and payment of bets, the pointer, the winning number on the paddlewheel, and drop box slot;
5. show the identification number of the paddlewheel table when an organization conducts more than one paddlewheel table;
6. record in color and be capable of variable focus;
7. have sufficient clarity to distinguish the numbers on the table and the denominations of chips and bills;
8. record at a rate of at least 30 frames per second; and
9. be programmable with a seven-day memory backup.

Specific information regarding the video surveillance system is provided at the special training class conducted by the Gambling Control Board. Additional requirements may apply to new and upgraded video surveillance systems. Contact the Gambling Control Board to ensure your system meets all current requirements.

## Conducting a Paddlewheel Game With a Table (continued)

### Digital Video Recording of Initial Operation Must be Submitted

Within 14 calendar days of the initial operation or within 14 days of switching the DVR system of a paddlewheel table, an organization must send a video recording of at least one day's activity to the Board.

The Board will review the recording to verify that an organization is complying with rule requirements. If the Board determines the recording does not meet rule requirements or does not receive a recording, the organization will be advised to make corrections before resuming paddlewheel activity.

### Surveillance System Access and Operation

Only a gambling manager or authorized organization member/employee may:

- start and stop the DVR system from the time a table is open for the day to the closing of the table;
- access an organization's DVR system and recordings.

Keep the system locked and inaccessible to the paddlewheel table operator and cashier.

### Maintain Surveillance System Properly or Close Game

If the digital video surveillance system at a paddlewheel table is not operating properly and providing a clear, unobstructed view of the table and wheel, the paddlewheel table must be closed.

### Weekly Review

On a weekly basis, an authorized person must review at a minimum one day's activity per table.

A log must be kept showing who conducted the review and when it was conducted.

### Digital Video Recordings Kept for 90 Days

The recordings must be kept in a safe and secure storage place for 90 days.

The recordings may not be accessible to the paddlewheel table operator or cashier.

## Conducting a Paddlewheel Game With a Table (continued)

### General Information

For information regarding prizes, information required at the premises, and general requirements and restrictions, refer to those sections contained earlier in this chapter.

### Information Posted

In addition to the house rule and general information requirements outlined earlier in this chapter, the following information must be posted:

1. The cash denominations at which paddlewheel chips are sold and redeemed.
2. A player must first purchase paddlewheel chips from the paddlewheel operator.
3. Chips must be safeguarded. A chip dropped into a table betting slot must be retrieved by authorized organization employees.
4. A player must purchase with chips only as many paddletickets as the player desires to bet on the immediate next spin of the paddlewheel.
5. A player is assigned a unique identification number that the player must write on the back of purchased paddletickets.
6. The player places a bet by inserting a paddleticket in a selected betting slot on the paddlewheel table. Jammed tickets are void.
7. A player may not touch a paddleticket after the paddlewheel operator announces "bets closed" and until the operator announces "place bets."
8. All paddletickets on a card must be sold before the paddlewheel is spun.
9. The paddlewheel must make at least four complete revolutions before the pointer stops. If the pointer stops directly on top of a peg, the number preceding the peg is the winning number.
10. A winning "odd" or "even" bet is determined by a winning number of only the designated colored circle. However, a player loses all "odd" and "even" bets if the pointer stops on a specially designated "house number." (This house rule is only required if an "odd" or "even" bet is accepted.)
11. A prize payout is made in chips that must be redeemed through the cashier.
12. A player must be present to win.

It is recommended that the following be included in the house rules:

- Bets are not valid if they exceed one or more of these limits:
  - \$50 in aggregate for a spin
  - \$10 on a single number
  - \$25 for a line bet
  - \$25 on either "odd" or "even"
- Maximum prize payout is \$70 cash per winning paddlewheel ticket.

## Conducting a Paddlewheel Game With a Table (continued)

### Check Equipment Before Starting Play

<p><b>Wheel</b></p>	<ol style="list-style-type: none"> <li>1. Check each peg and the pointer for uneven wear and replace any worn peg or worn pointer before the wheel is used.</li> <li>2. Check the balance of the paddlewheel by:                     <ul style="list-style-type: none"> <li>• inspecting the back of the paddlewheel and removing any foreign object that may affect the paddlewheel’s balance;</li> <li>• positioning the pointer so it does not interfere with the spin of the paddlewheel; and</li> <li>• slowly rotate the paddlewheel 45 to 90 degrees at a time in one direction.</li> </ul> <p>The paddlewheel operator must determine whether there is any abnormality in the rotation or any reverse rotation after the paddlewheel stops. The wheel must continue to be rotated until the entire wheel has been evaluated by this method in both directions. If the paddlewheel is out of balance, the paddlewheel must be balanced before conducting paddlewheels.</p> </li> </ol>
<p><b>Table</b></p>	<ol style="list-style-type: none"> <li>3. Unlatch the slotted top and remove any chips, tickets, or foreign objects that may have fallen through the slots.</li> <li>4. Place the paddlewheel chip tray on the table.</li> <li>5. Slide the drop box into the table and lock it. Check to see that the lock on the drop box is operable, otherwise the paddlewheel may not be operated.</li> <li>6. Check the money plunger and the table chip tray to ensure that they are not cracked or broken, otherwise they must be replaced.</li> </ol>
<p><b>Chips</b></p>	<ol style="list-style-type: none"> <li>7. Check each chip to make sure that the organization’s license number and the dollar value of the chip is clearly and permanently impressed, engraved, or imprinted on the chip. Worn, cracked, or broken chips may not be used and must be replaced. Chips must not be made of plastic, wood, or paper.</li> </ol>
<p><b>Digital video surveillance system</b></p>	<p>If the digital video surveillance system is not operating properly, the paddlewheel table must be closed.</p>

## Conducting a Paddlewheel Game With a Table (continued)

### Before the Start of Activity—Required Procedures

Refer to the sample LG750 Paddlewheel with Table—Daily Report Instructions, included in this section, for instructions on “Before the start of activity.”

### Sale of Chips and Paddletickets

**Purchase on premises at paddlewheel table**—To be valid for a spin, all paddletickets must be sold at the permitted premises immediately before a spin. The player must purchase paddlewheel chips and paddletickets from the paddlewheel operator at the paddlewheel table.

**Maximum ticket price** for each ticket is \$2. Each paddleticket on the paddlecard must be sold for the same price and be a separate and equal chance to win with all other paddletickets sold for the spin.

**Age restriction**—Only persons 18 and over may participate as a paddlewheel player.

**Player unique ID number**—When a player first purchases paddlewheel chips, the operator must give the player a card containing a unique ID number. The player must return the card to the operator when the player stops playing.

**Selling chips (cash only)**—Only cash, traveler’s checks, money orders, and cashier checks may be accepted for the purchase of chips. Checks, debit cards, and credit cards are not allowed. Credit may not be extended to a player.

**Selling paddletickets**—Paddletickets must be purchased only with chips, except that paddletickets for the immediate next spin may be purchased directly with cash in an amount equal to the value of the tickets.

**Receiving currency**—Upon receiving cash from a player for the purchase of chips or tickets, the paddlewheel operator must:

- spread each bill of currency face down and flat, in sequence of denomination, in the inner table area perpendicular to the chip tray, and momentarily move the operator’s hand away from the currency so the currency is within the camera’s view;
- spread the chips or purchased paddletickets out on the playing surface, and momentarily move the operator’s hand away from the chips or paddletickets so that the chips or paddletickets are within the camera’s view;
- restack the chips and push them to the player; and
- place the currency in the drop box after giving the player the chips or paddletickets.

**Sell all tickets or give refund**—If all the tickets on a card cannot be sold, refund the cost of the paddletickets to the players. The returned tickets must be defaced and kept with records in a secured area (that is not susceptible to flooding) for 3-1/2 years.

## Conducting a Paddlewheel Game With a Table (continued)

### Drop Box

After play has begun, a money plunger must remain in the drop box slot while the drop box is attached to the table. The paddlewheel operator must remove the plunger when coin, currency, or credit/fill slips are being inserted into the drop box.

The paddlewheel operator must place all cash received for chips or paddletickets into the drop box.

The contents of the drop box may only be accessed by a two-person count team.

### Bet Limits

A player may not place a bet that exceeds one or more of the following limits:

- \$50 in aggregate for a spin of the paddlewheel
- \$10 on a single number
- \$25 for a line bet
- \$25 on either "odd" or "even"

A bet is void if it exceeds one or more of these limits. Paddletickets used to make the excess portion of the bet must be treated as losing tickets.

### Placing Bets

**Using ID number**—Each player must write the player's assigned identification number on the back of the player's paddletickets before placing the tickets in a betting slot on the table.

**Bet on immediate next spin**—A player must bet all of the player's purchased paddletickets on the immediate next spin.

If a player purchases a paddleticket and does not bet the ticket on the immediate next spin, the ticket is not valid and may not be wagered on any other spin. The player must give the ticket back to the paddlewheel operator who must treat it as a losing ticket.

**To place a bet**, a player must place the purchased paddleticket in a betting slot on the table. If a player forces the ticket all the way through the slot into the cavity of the table, the paddleticket is not valid and must be treated as a losing ticket.

**Assisting players**—The operator may assist a player with a disability if the operator first verbally announces to all players at the table that assistance is being given.

### Closing Bets

The operator shall announce "*bets closed*" when the operator has determined:

- no other player desires to purchase a paddleticket for the immediate next spin;
- there is no partially sold paddleticket card; and
- the players have bet all their tickets.

After "*bets closed*" is announced, players may not place a bet, change a bet, touch any ticket, or place their hands on top of the table.

## Conducting a Paddlewheel Game With a Table (continued)

### Spinning the Wheel

The paddlewheel may only be spun by the paddlewheel operator. A player may not spin the paddlewheel.

The paddlewheel must make at least four complete revolutions before the pointer stops. If four complete revolutions are not made, the spin is void and the paddlewheel must be spun again. If the pointer stops directly on top of a peg, the number preceding the peg is the winning number.

Multiple spins of the paddlewheel to award multiple prizes for one paddleticket card is not allowed.

### Numbering and Recording Each Spin

Each spin for each day of activity must be sequentially numbered by the paddlewheel operator beginning with "one" for the first spin of the day, progressing in number sequentially until activity for the day is completed.

The spin number must be written with a nonerasable marker either on:

- the face of the first paddleticket card stub for which tickets have been sold for a particular spin; or
- the back of the last stub from which tickets have been sold for a particular spin.

All spin numbers must be recorded in the same location on the stub. When the sale of tickets for a particular spin continues into a new sealed grouping of paddleticket cards, the spin number must also be written on the face of the first stub of the new group of tickets.

The paddlewheel operator must also initial each paddleticket card stub using a nonerasable marker when recording the spin number.

**After each spin** the paddlewheel operator must record with a nonerasable marker the winning number or numbers on:

- the face of the stub with the lowest serial number of the cards related to that spin; or
- the back of the stub with the highest serial number of the cards related to that spin.

### Continuing Play with New Group of Paddletickets

**Check master flare**—The operator may not continue selling tickets for any particular spin into a new group of paddleticket cards unless the master flare for the new group contains the same prize payout as the master flare associated with the previous group.

**Post the master flare** of the new group for which the sale of tickets is continuing and the finished group from which tickets were sold for the same spin until the end of the spin. Then remove the old master flare.

## Conducting a Paddlewheel Game With a Table (continued)

### Awarding the Prize

The prize payout must be a predetermined variable multiple of the amount wagered, must be made in chips, and must not exceed the following ratios:

<u>RATIO</u>	<u>BET</u>
40 to 1 .....	single number in the outer concentric circle
20 to 1 .....	single number in the middle concentric circle
10 to 1 .....	single number in the inner concentric circle
5 to 1 .....	line
2 to 1 .....	"odd" or "even"

When redeeming a winning ticket and awarding a prize, your paddlewheel operator must:

1. remove all losing tickets from the slots on the table, and in view of the players tear them in half and discard the torn tickets in a container that is not easily accessible by a player;
2. remove and pay off the winning tickets, if any, slot by slot. Your operator must:
  - circle or record, in ink, the winning number or set of numbers on the face or on the back of the winning ticket;
  - pay off the winning ticket in chips to the player who has the card containing the unique ID number written on the back of the ticket; and
  - record the prize amount in ink on the face or on the back of the winning ticket; and
3. deface and keep any redeemed winning ticket. The most common method is to staple the ticket to the paddleticket card.

### Redeeming Chips at Cashier

**Cash bank**—Chips may be redeemed only through a chip and cash bank cashier.

- The cash bank must be kept separate from all other cash.
- Chips must be redeemed for the same value for which they were sold.
- The chips must be kept separate and apart from the chip bank until after the records are completed for the accounting period during which the chips were redeemed.

### Tipping

Only paddlewheel chips may be used to tip the paddlewheel operator. The operator must redeem the actual chips received as tips through the chip and cash bank cashier and may not exchange those chips for other chips from any chip tray.

## Conducting a Paddlewheel Game With a Table (continued)

### Closing a Paddlewheel Game to Players

When closing the game, the paddlewheel operator must:

- tell players that chips must be redeemed through the paddlewheel chip and cash bank cashier;
- collect all identification cards from the players;
- cover the wheel or make the wheel inoperable; and
- remove and secure the drop box, but the paddlewheel operator may not open the drop box.

**Keys to drop box**—During the activity for a paddlewheel table, the key to at least one lock securing the drop box contents must be maintained and controlled by an employee or a volunteer of the organization who is not the paddlewheel operator or the chip and cash bank cashier. The organization is responsible for the safeguarding and secure storage of the paddleticket cards and chips.

### LG751 Maintained by Operator

Throughout the game's activity, each paddlewheel operator must maintain a separate LG751 Paddlewheel with Table—Daily Sales Report.

The figures from the LG751 are transferred to:

- the LG750 Paddlewheel with Table Daily Report (summary section); and
- the LG752 Paddlewheel with Table—Operator's Percent of Hold by another person other than the paddlewheel operator.

### Deposit Information

See Deposit information in the "Conducting a Paddlewheel Game—Without a Table" section in this chapter.

### Closing the Game

For "Closing the Game—Required Procedures" refer to the LG750 Paddlewheel with Table—Daily Report Instructions, included in this section.

### All Games in Play Closed at Month End

At the end of the month all partially played groupings of paddleticket cards must be closed. Report played paddleticket groupings with any unsold paddletickets on the Schedule B2.

A sealed group of tickets is considered one game and one entry on the Schedule B2.

### Auditing a Game

The final audit of the game must be done by someone other than the paddlewheel operator, cashier, or the person who prepared the deposit.

### Fund Loss

See Fund Loss information in the *Conducting a Paddlewheel Game With a Table* section in this chapter.

## Conducting a Paddlewheel Game With a Table (continued)

### Preventing Employee Theft

Monitoring paddlewheel with a table activity and the profit percentage is a valuable tool in detecting—and preventing—possible employee theft.

**Payout percentages**—When an organization purchases paddletickets, distributors provide a payout percentage sheet. The payout percentage sheet will help an organization determine whether or not it is losing money on paddlewheel games conducted with a table.

**Use the LG752**—To monitor each operator’s percent of hold, use the LG752 Paddlewheel with Table—Operator’s Percent of Hold.

- Use one sheet for each operator per site.
- The sheet may not be completed by the paddlewheel table operator.
- To determine the operator’s percent of hold, divide the net receipts by gross receipts for each activity date and record it on that operator’s LG752.
- It is suggested to use the LG752 as a tool to help determine which occasion to review for the week.

**Review payout percentages**—The percentages will give an indication if there’s a problem. If the percentages are higher than the figure provided with the game, the seller might:

- not be tearing up a losing ticket, marking it as a winner, and redeeming the chip with the tips;
- be spinning the wheel until a winner is determined by the spin. Only one spin of at least four revolutions per play is allowed;
- be paying a player for a non-winning ticket; and
- be incorrectly recording the prize payout.

**Report suspected theft**—If employee theft is suspected in the paddlewheel table operation, immediately contact your Compliance Specialist at the Gambling Control Board.

## Records and Reports

### Required Forms to Use

Complete and keep the following required forms:

- LG844 Perpetual Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets
- LG847 Current Site Inventory List
- LG846 Physical Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets Monthly Report
- LG830 Merchandise Prize Perpetual Inventory—if using merchandise prizes or merchandise certificates

Maintain a record of all merchandise prizes, including:

- the value of the merchandise prizes purchased
- how many have been awarded as prizes
- the value of prizes still left in inventory
- the paddleticket serial numbers used for games where merchandise prizes are awarded
- (meat) prizes bought and used in the same day
- vendor invoices

**When conducting paddlewheel activity with a table**, in addition to the above records, complete and keep the following required forms:

- LG750 Paddlewheel with Table—Daily Report (and fill slips)
- LG751 Paddlewheel with Table—Daily Sales Report
- LG752 Paddlewheel with Table—Operator’s Percent of Hold

Digital video surveillance recordings of daily paddlewheel with table activity must be kept in a safe and secure place for at least 90 days. A log must be kept showing the date and name of the person who completed the weekly review.

### Monthly Reporting

Each month, an organization must report to the Gambling Control Board paddlewheel gross receipts, prizes, net receipts, and cash variances. Organizations must submit this information in an electronic file which includes the LG100A Lawful Gambling Receipts and Expenses by Site.

Forms and instructions are available at [www.mn.gov/gcb](http://www.mn.gov/gcb) (under GCB Monthly Reports) or from the Gambling Control Board.

In addition, each month, an organization must submit a G1 Lawful Gambling Monthly Tax Return to the Department of Revenue, reporting paddlewheel gross receipts, prizes, net receipts, and cash variances.

Forms and instructions are available from the Department of Revenue.

### Keep Your Games and Records

Keep the following in a secured area (recommended not susceptible to flooding) for at least 3-1/2 years after the month in which paddlewheel games are reported as closed on the LG100A:

- master flares
- paddleticket card stubs
- winning paddletickets (must be defaced)
- unsold paddletickets (must be defaced)
- all paddlewheel records

# LG750 Paddlewheel with Table — Daily Report

Organization: ABC Ski Table Operator: 12345

Date: 10/9/2020 Site Name: Bob's Bar Table: 1

STARTING CASH BANK			ENDING CASH BANK		
\$ 100 x _____	= \$ _____		\$ 100 x _____	= \$ _____	
\$ 50 x _____	= \$ _____		\$ 50 x _____	= \$ _____	
\$ 20 x <u>50</u>	= \$ <u>1,000</u>		\$ 20 x <u>20</u>	= \$ <u>400</u>	
\$ 10 x <u>20</u>	= \$ <u>200</u>		\$ 10 x <u>15</u>	= \$ <u>150</u>	
\$ 5 x <u>50</u>	= \$ <u>250</u>		\$ 5 x <u>35</u>	= \$ <u>175</u>	
\$ 1 x <u>100</u>	= \$ <u>100</u>		\$ 1 x <u>80</u>	= \$ <u>80</u>	
Starting cash \$ <u>1,550</u>			Ending cash \$ <u>805</u>		
Cashier: <u>Rose Marie</u>			Cashier: <u>Rose Marie</u>		
Verified by: <u>John Manager</u> <small>(may not be wheel operator)</small>			Verified by: <u>John Manager</u> <small>(may not be wheel operator)</small>		
CHIP BANK INVENTORY (CASHIER)					
OPENING			CLOSING		
	Quantity	Value		Quantity	Value
\$25 (green)	50	\$ 1,250	\$25	50	\$ 1,250
\$5 (red)	50	\$ 250	\$5	49	\$ 245
\$1 (white)	50	\$ 50	\$1	50	\$ 50
TOTAL		\$ 1,550	TOTAL		\$ 1,545
Cashier: <u>Rose Marie</u>			Cashier: <u>Rose Marie</u>		
Verified by: <u>John Manager</u> <small>(may not be wheel operator)</small>			Verified by: <u>John Manager</u> <small>(may not be wheel operator)</small>		
<b>CHIP VARIANCE:</b>					
		Closing			\$ <u>1,545</u>
		Minus starting			\$ <u>1,550</u>
		Chip variance			\$ <u>-5</u>

For Drop Box Cash and Fill/Credit Slip information, use a separate LG750 for each table. Include the totals in the Daily Report Summary on the LG750 used to summarize daily activity for all tables (limit 2 tables per site).

TABLE DROP BOX CASH	
\$ 100 x _____	= \$ _____
\$ 50 x _____	= \$ _____
\$ 20 x <u>40</u>	= \$ <u>800</u>
\$ 10 x <u>5</u>	= \$ <u>50</u>
\$ 5 x <u>20</u>	= \$ <u>100</u>
\$ 1 x <u>20</u>	= \$ <u>20</u>
TOTAL \$ <u>970</u>	

**Drop box must be opened and cash counted in the presence of 2 persons.**  
Counted by: Lucy Larson  
Verified by: Bill Bank  
(may not be wheel operator or cashier)

TABLE FILL AND CREDIT SLIPS	
Fill number	Fill amount
4051	\$1,550
<b>Total fills</b> \$ 1,550	
Minus credit amount	
Credit number: <u>4,052</u>	\$ 1,545
Value of chips awarded	
\$ 5	

DAILY REPORT SUMMARY		
Adjusted Net Receipts	Cash Profit/Loss	Cash Long/Short
1. Enter amount from line 8 from all LG751s \$ <u>220</u>	4. Ending cash bank \$ <u>805</u>	9. Cash profit/loss (from line 8) \$ <u>225</u>
2. Chip variance (add negative variance; subtract positive variance) \$ <u>5</u>	5. Add drop box cash \$ <u>970</u>	10. Minus adjusted net receipts (from line 3) \$ <u>225</u>
3. Adjusted net receipts \$ <u>225</u>	6. Subtotal \$ <u>1,776</u>	11. Cash long/short \$ <u>0</u>
	7. Minus starting cash bank \$ <u>1,550</u>	
	8. Cash profit/loss \$ <u>225</u>	
Summary completed by: <u>John Manager</u> <u>10/9/2020</u> <small>Signature (in ink) Date</small>		Audit completed by (may not be cashier or operator): <u>John Manager</u> <u>10/9/2020</u> <small>Signature (in ink) Date</small>
Deposit prepared by: <u>Bill Bank</u>		Deposit amount: \$ <u>225</u>

## LG750 Paddlewheel With a Table Daily Report: Instructions

### Before the Start of Activity

**Starting cash bank**

The cashier, who may not be the paddlewheel table operator:

- counts the start-up cash bank for the paddlewheel table activity;
- records the amount in the Starting Cash Bank section; and
- signs the LG750.

A second person, who may not be the paddlewheel table operator, counts the start-up cash and signs on the "verified by" line in the Starting Cash Bank section. This may be done prior to the cashier's count. For example, the gambling manager may count and record the information before the cashier does a count.

**Chip bank inventory**

A person who is not the paddlewheel table operator or cashier:

- counts the chip bank inventory;
- completes the opening Chip Bank Inventory section; and
- signs on the "verified by" line.

This may be done prior to the cashier's count.

The cashier counts the chip bank inventory and signs the LG750.

Chips may not be transferred from one table to another.

**Table fill and credit slips**

Whenever chips are distributed to a paddlewheel table from the chip bank the paddlewheel chip and cash bank cashier must prepare a fill slip.

The fill slip must be at least a two-part carbonless form with the following information:

1. date and time
2. denomination of chips
3. quantity and total dollar value, by denomination, of chips
4. total dollar value of chips
5. table identification number, if more than one table

MARK X IN BOX		
<u>    </u> <b>Fill</b>	<u>    </u> <b>Credit</b>	
White-cashier	White-drop box	
Yellow-drop box	Yellow-cashier	
Table #: _____		
Date: _____		
Time: _____		
Denom.	Number	Amount
_____ X	_____	= _____
_____ X	_____	= _____
_____ X	_____	= _____
_____ X	_____	= _____
<b>TOTAL:</b> \$ _____		
SIGNATURES		
Operator: _____		
Cashier: _____		
56021		

- The paddlewheel table operator completes a fill slip and gives it to the cashier.
- The cashier counts out the requested chips, signs the fill slip, keeps the white copy, and gives the chips and the yellow copy to the paddlewheel table operator.
- The paddlewheel table operator recounts the chips and then signs and inserts the yellow copy into the paddlewheel table drop box.

When additional chips are needed at the paddlewheel table, the paddlewheel table operator must complete a fill slip following the above steps.

## LG750 Paddlewheel With a Table Daily Report: Instructions (continued)

### Closing the Game

**Returning chips to chip bank; credit slips**

The paddlewheel table operator:

- \_\_\_ counts the chips;
- \_\_\_ completes and signs a credit slip for all chips being returned from the table to the cashier;
- \_\_\_ inserts the white copy of the credit slip into the paddlewheel table drop box; and
- \_\_\_ returns the chips to the cashier with the yellow copy of the credit slip.

The cashier:

- \_\_\_ counts and verifies the returned chips to the amount listed on the fill slip;
- \_\_\_ signs the yellow copy of the credit slip kept with the LG750; and
- \_\_\_ puts the returned chips into the cashier's chip bank inventory.

**Chip bank inventory**

After the paddlewheel operator has returned the chips to the cashier, the cashier:

- \_\_\_ counts the chip bank inventory;
- \_\_\_ records the amount in the closing Chip Bank Inventory section of the LG750;
- \_\_\_ completes the Chip Variance section of the LG750; and
- \_\_\_ signs the LG750.

**Ending cash bank**

The cashier counts the ending cash bank, records the amount in the Ending Cash Bank section, and signs the LG750.

**Table drop box cash**

At the end of the activity, the paddlewheel table operator must remove the unopened drop box and lock it in a secure place, such as a safe. Two organization employees must:

- \_\_\_ open the table drop box;
- \_\_\_ count the cash and complete the Table Drop Box Cash section of the LG750;
- \_\_\_ complete the Table Fill and Credit Slips section of the LG750; and
- \_\_\_ sign the LG750.

The paddlewheel table operator and the chip and cash bank cashier may not count the cash together, however, one of them may count the cash.

**Daily report summary and deposit**

A person who is not the paddlewheel table operator or cashier completes the Daily Report Summary on the LG750. The summary is used to compare the adjusted net receipts to the actual cash on hand to determine if there is a cash long or short.

The actual amount of cash from the occasion is the amount deposited into the gambling bank account within four business days.

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# INTERNAL OPERATIONS AND OVERSIGHT

This chapter—one of the most important in this manual—outlines and emphasizes the importance of good internal controls as they apply to the gambling operation for which an organization’s CEO, gambling manager, and members are responsible.

This chapter includes basic information on how to ensure the integrity of a gambling operation by establishing accounting and administrative oversight controls for an organization’s gambling activity.



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## Administrative Controls: Organization Responsibility

**The best way to have an honest and successful gambling operation is to involve an organization’s members.**

**Delegate within the organization** Do not let an outside party, including an accountant, a consultant, a lessor, or a distributor, manage the organization’s gambling operation. To do so puts an organization’s gambling operation—and eventually its license—in jeopardy.

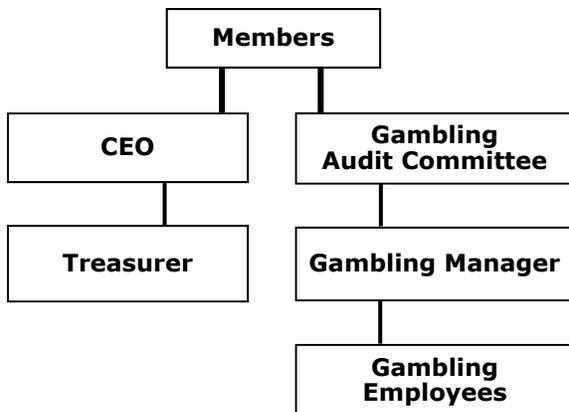
**Involve more than one or two persons** Experience has shown that when an organization delegates too much authority to one person (whether a member or not), or when one person takes over the gambling operation—ordering inventory, auditing games, doing deposits, preparing reports—without oversight, theft often occurs. Most organizations with serious problems had only one or two people involved with the actual day-to-day business of conducting lawful gambling.

**Keeping everyone honest** Lawful gambling is a cash business.  
  
With huge sums of money passing through a person’s hand, there may be a temptation to “just take a little that no one will miss.”  
  
Involving an organization’s membership can prevent a person from being tempted to steal and being criminally charged when caught.

**Preventing major problems** If an organization’s members do their job—provide oversight, approve expenditures, and participate in the gambling operation—major problems will be prevented.

**The organization is accountable and responsible for the actions of its employees and volunteers.**

**Include administrative and accounting controls** as part of the organization’s business plan. The controls should show how the organization is structured and who is responsible for what.



**Job descriptions**—To help the employees and volunteers comply with statutes and rules, it is a good idea to have a specific job description for each person.

EXAMPLE: A job description for a paper pull-tab seller might contain these duties:

- Verify serial numbers on flare to tickets.
- Fill out all prize receipt forms completely.
- Deface all winning paper pull-tab tickets.
- Do not provide any inside information to customers.

Use the checklists provided in each “conduct chapter” as a guideline.

## Administrative Controls: Organization Responsibility

### Organization Duties

An organization may not outsource the management of its gambling operation.

The following duties must be performed only by organization members, gambling employees, or gambling volunteers:

1. Prepare source documents, including:
  - \_\_\_ inventory records for daily tracking of game inventory, site inventory, monthly physical inventory, and merchandise inventory. The person who maintains the perpetual inventory must not be the person who performs the physical inventory;
  - \_\_\_ gambling deposit slips;
  - \_\_\_ gambling occasion and daily activity records; and
  - \_\_\_ authorization for disbursement of gambling funds.
2. Provide oversight of lawful gambling, including:
  - \_\_\_ conducting lawful gambling;
  - \_\_\_ monitoring the organization's permitted premises to detect illegal gambling;
  - \_\_\_ investigating cash variances;
  - \_\_\_ determining product to be purchased;
  - \_\_\_ ordering product;
  - \_\_\_ presenting gambling report to members;
  - \_\_\_ monitoring the organization's lawful purpose rating.
3. Hire, discipline, or fire employees.
4. Train employees.
5. Deposit gambling receipts into gambling bank accounts.
6. Verify cash banks.
7. Verify the accuracy of records and reports, including but not limited to:
  - \_\_\_ check register;
  - \_\_\_ monthly bank statement reconciliation;
  - \_\_\_ tax returns and forms;
  - \_\_\_ final audit of closed games;
  - \_\_\_ bank deposit reconciliation to the game and bank records; and
  - \_\_\_ reconciliation of physical and perpetual inventory.

## **Administrative Controls: Membership Meeting & Minutes**

### **Monthly Report to Membership Required**

Organizations are required to give a monthly gambling report to their membership and to include the report in the minutes of the monthly membership meetings. Minutes must be kept in a secured area for 3-1/2 years. Use the LG1004 Monthly Gambling Report to Members as a guideline for the information that is required to be presented to members.

At the monthly meetings, members vote on all matters related to the conduct of gambling and give prior authorization for all expenditures of gross profits from gambling.

### **Prior Authorization of Membership Required for Expenditures**

- Members must give prior authorization for all gambling expenditures. This means the membership must approve all expenses prior to the check being issued or the electronic transaction being made.

Members may authorize estimated expenditures up to a maximum amount for each category, such as rent, inventory purchases, compensation, etc.

- Report the actual expenditures to the membership at the next month's meeting.
- Members must confirm that the actual amounts presented are less than or equal to the amounts authorized previously.
- Record the approval of expenditures by members in the meeting minutes.

## Monthly Gambling Report to Members

Minnesota Statutes, Section 349.19, subdivisions 3 and 5, and Minnesota Rules, Part 7861.0320, subpart 6, require a monthly gambling report to the membership. Verify that the check register and authorization of expenditures are made available and have been made a part of the meeting minutes.

The items listed below are required to be presented to the membership each month and recorded in the meeting minutes.

<b>Documentation Provided</b>	<b>Reporting Requirements for each form of lawful gambling conducted</b>
1. G1 Lawful Gambling Monthly Tax Return with the following: <input type="checkbox"/> LG100A <input type="checkbox"/> Schedule B2 <input type="checkbox"/> LG100C <input type="checkbox"/> LG100F	<ul style="list-style-type: none"> <li>• Gross receipts</li> <li>• Dollar amount of all prizes paid out</li> <li>• Total value of all merchandise prizes awarded from each form of gambling conducted</li> <li>• Lawful purpose expenditures</li> <li>• Profit carryover reconciliation</li> </ul>
2. Copy of check register or itemized expense journal that includes electronic transactions.	Complete details on all allowable expenses and lawful purpose expenditures including payee, amount, date issued, and purpose.
3. Copies of distributor invoices or perpetual inventory records.	Records of gambling equipment purchases, including type of equipment, quantity purchased, date purchased, unit cost, and name of distributor.
4. Copy of the month-end physical inventory.	Physical inventory taken at month end, including games in play, that lists the manufacturer's ID, part number, serial number, game name, cost of each game; and date and signature, in ink, of person completing the physical inventory.
5. Copy of itemized bank statement reconciliation (LG100F).	Gambling bank account reconciliation that balances with the profit carryover for each month and lists outstanding checks, including check number, payee, and amount; outstanding electronic transactions; deposits in transit; and beginning and ending bank balances for each month.
6. Fund loss report	Any fund loss discovered during the month.
7. Correspondence and other documents: <input type="checkbox"/> Gambling Control Board: Approval/denial letters, allegations, questionable expenses, profit carryover variance, annual report, other <input type="checkbox"/> Department of Revenue: Error corrections, tax bills, tax orders <input type="checkbox"/> IRS: Tax notices <input type="checkbox"/> Miscellaneous correspondence <input type="checkbox"/> Annual audit <input type="checkbox"/> Compliance review report <input type="checkbox"/> Bingo program	Correspondence sent or received relating to the lawful gambling operations.

## Monthly Gambling Report to Members (continued)

### Authorization of Expenditures

Minnesota Statutes, Section 349.15, subdivision 1, requires that "Gross profits from lawful gambling may be expended only for lawful purposes or allowable expenses as authorized by the membership of the conducting organization at a monthly meeting of the organization's membership."

NOTE: When the membership approves an upper limit of expenses for a particular item, the report to the membership the following month must include the specific check or electronic transaction number, payee, purpose, amount, and the date of payment for estimated expenditures from the previous month.

The gambling report must include an itemized list of gambling related expenditures presented to the membership for pre-approval.

### Allowable Expenses

Pre-approval of allowable expenses must include:

- Payee or item to be paid
- Brief explanation of the purpose for each expenditure
- Expense amount or estimated amount

### Lawful Purpose Expenditures

Pre-approval of lawful purpose expenditures must include:

- Payee
- Brief explanation of the purpose for each expenditure
- Lawful purpose code
- Expense amount

The gambling report must signed and dated by the gambling manager or other organization member who has presented the monthly report.

## Administrative Controls: Chief Executive Officer

### CEO Responsibilities

The chief executive officer (CEO) is responsible for:

1. knowing the lawful gambling statutes and rules and following them;
2. making sure that all information in applications and other documents is true, accurate, and complete, and notifying the Gambling Control Board of any changes in application information;
3. authorizing the Gambling Control Board access to the organization's records, gambling premises, and gambling bank accounts;
4. along with the gambling manager, developing internal controls to protect the organization's gambling assets and maintain proper accounting;
5. presiding over organization monthly meetings where the expenditure of gambling profits and gambling issues are considered; and verifying that the gambling report is completed;
6. assuring the accuracy of the G1 Lawful Gambling Monthly Tax Return and the LG100A, LG100C, LG100F;
7. assuring that gambling funds have been spent only for authorized and approved lawful purpose contributions and allowable expenses; and
8. attending a gambling manager seminar, if the organization has not been licensed in the past 12 months.

### Prevent Embezzlement or Theft

To avoid the possibility of embezzlement or theft, the CEO should actively try to get organization members involved. For example:

- take advantage of continuing education classes;
- establish an audit committee;
- establish a gambling committee;
- establish a committee to get organization members involved in providing oversight; or
- check up-to-date information at [www.mn.gov/gcb](http://www.mn.gov/gcb).

## Administrative Controls: Areas of Oversight

The organization's chief executive officer and membership should establish oversight in the following areas, whether by appointing members to specific duties or establishing gambling committees:

1. auditing closed games;
2. reviewing cash shortages;
3. reviewing deposits;
4. monitoring expenditures and ensuring compliance with the lawful purpose rating;
5. reviewing fund losses and internal controls;
6. monitoring the organization's permitted premises to detect illegal gambling;
7. verifying the inventory;
8. providing information to the membership each month;
9. reconciling and verifying profit carryover;
10. verifying monthly and annual reports provided to the Department of Revenue, Gambling Control Board, and to the local unit of government, if any; and
11. reviewing the Organization Annual Report.

## Administrative Controls: Gambling Manager

The **gambling manager** is the person who is in charge of the day-to-day activities of the organization's gambling operation.

The gambling manager must:

- be licensed by the Gambling Control Board;
- have a \$10,000 bond;
- have attended a gambling manager seminar and passed a written test; and
- complete a continuing education class every calendar year.

**License required**—See the *Gambling Manager License* chapter for qualifications to be licensed.

### Gambling Manager Duties

A gambling manager's duties include but are not limited to:

1. supervising, hiring, firing, and disciplining gambling employees, including an assistant gambling manager, if any;
2. reviewing and monitoring the conduct of games;
3. determining the product to be purchased and put into play;
4. determining the policy of when to put games into play;
5. ensuring all receipts and disbursements have been properly accounted for in compliance with statute and rule requirements;
6. ensuring that all inventory records have been reconciled each month;
7. supervising all licensing and reporting requirements;
8. promptly filing all required monthly and annual reports;
9. assuring that the organization is in compliance with all statutes and rules related to lawful gambling;
10. assuring that illegal gambling is not conducted at a permitted premises; and
11. attending a majority of the organization's regular meetings.

The gambling manager must also ensure that required reports are properly filed with the Gambling Control Board, the Department of Revenue, the IRS and, if required, the local unit of government.

## Administrative Controls: Assistant Gambling Manager

### Assistant Gambling Manager Duties

An assistant gambling manager is a person who performs any of the following:

- six or more of the functional responsibilities listed on pages 2 and 3 of the LG202 Internal Controls Worksheet (functional responsibilities are defined in Minnesota Rules, Part 7861.0320, subpart 1D);
- hires, disciplines, or fires the organization's gambling employees;
- completes the license and permit application requirements;
- negotiates leases; or
- determines product to be purchased.

**No license required**—There are no licensing requirements for an assistant gambling manager.

### More Than One Assistant Gambling Manager Allowed for an Organization

One or more assistant gambling managers may be employed by an organization if each assistant gambling manager is:

- directly supervised by the gambling manager; and
- an active member or employee of the organization.

**An assistant gambling manager may not be involved in the conduct of lawful gambling of another organization, except for bingo as noted below.**

### Assistant Gambling Manager for Bingo

An assistant gambling manager may be employed by more than one organization if:

- the organizations lease space in the same premises for the conduct of bingo; and
- the assistant gambling manager is not paid directly or indirectly by the lessor or owner of the premises.

**Duties allowed**—An assistant gambling manager who is employed by more than one organization at the same premises for the conduct of bingo may supervise gambling employees during bingo occasions at the premises and assist the gambling manager with his or her duties.

**Duties not allowed**—Assistant gambling managers employed by more than one organization at the same premises for the conduct of bingo may not do any of the following:

1. supervise the organization's licensing and reporting requirements;
2. hire, fire, or impose permanent discipline on gambling employees, except for temporary disciplinary action that may be necessary during a bingo occasion. If temporary disciplinary action is taken, the assistant gambling manager may make a recommendation to the gambling manager regarding permanent disciplinary action;
3. determine program content or prize level requirements;
4. determine the product to be purchased and put into play;
5. be a gambling employee or volunteer at any other site where your organization conducts lawful gambling; and
6. be a gambling employee or volunteer for any other organization conducting lawful gambling at another site.

## Accounting Controls: Start-up Loan

**Original start-up loan**—When starting a gambling operation, an organization may take out a loan from either a bank or from the organization’s general fund to use as start-up funds. Deposit the money into a gambling account from which all gambling expenses are paid and report this amount on Line 15 of the LG100F, Lawful Gambling Fund Reconciliation.

**Start-up loans for additional site(s) not allowed**—Money for start-up costs for additional sites must come from the organization’s gambling account—not from another start-up loan.

**Paying back original start-up loan; Board approval required**—An organization must receive prior written approval from the Gambling Control Board before it may pay back the original start-up loan.

Submit a letter to the Gambling Control Board requesting approval to pay back the loan. Include supporting documentation showing the original transaction(s) and interest costs incurred if the loan was received from a lending institution.

## Accounting Controls: Gambling Account

**Separate gambling bank account required**

All licensed organizations are required to keep receipts from lawful gambling separate from all non-gambling revenue of the licensed organization and deposit in a bank account used only for lawful gambling receipts. Because of this requirement, organizations new to lawful gambling should open a new bank account to be used solely for lawful gambling receipts. An organization may transfer gambling funds from the gambling checking account to a nonchecking gambling account such as a savings account. The gambling account(s) must be with a bank, savings and loan, or credit union within Minnesota.

**Gambling account requirements**

Organizations must maintain a gambling checking account that complies with statutory requirements (Minnesota Statutes, Section 297E.06, subdivision 2).

Specifically, an organization must have a *separate* gambling checking account from which the organization can obtain, upon demand, the original check or a copy of the original check, front and back.

**Gambling account restrictions and signatures**

- The person who accounts for an organization’s gambling funds may not be a person who accounts for the organization’s non-gambling funds, such as the organization’s treasurer.
- The organization’s treasurer may not sign checks from the gambling account or the authorization for electronic transactions.
- Two active organization members must sign all checks from the gambling account. More than two members may be authorized. Failure to have two authorized signatures may result in a citation from the Gambling Control Board.
- Pre-signing blank checks is not allowed.
- Two active organization members must authorize all expenditures made from the gambling account by electronic transfer. An acceptable method of documenting this authorization is by having two active members review the electronic payments listed on each month’s bank statement. If the electronic payments were authorized, the two active members would then sign and date the bank statement to document their authorization.

**Two signatures required, or receive a citation.**

## Accounting Controls: Gambling Account (continued)

### Check Register—Required

A check register is a record of transactions in a checking account including expenditures and deposits. A check register typically calculates a running balance in the checking account. In this way, it's a lot like a real-time record of the bank account. The gambling manager/organization can check to see the total balance in the account as well as the checks and disbursements.

The check register is a necessary part of the monthly reconciliation of gambling bank account statements.

In the check register include:

- The transaction date of expenditure or deposit.
- The check number or write "EFT" for electronic funds transfer.
- The payee.
- The amount of expenditure or deposit.
- The running balance.

Record checks in numerical order in the check register. Any voided checks must be kept with the gambling records for 3-1/2 years and recorded in the check register by number, with the notation "void".

### Deposits and Reimbursements

#### **Reimbursements are allowed for the following:**

1. missing receipts or receipts that the organization failed to deposit into the account;
2. cash shortages;
3. disallowed expenditures or expenses;
4. fund loss denied by the Gambling Control Board;
5. dishonored (bounced) checks or dishonored debit card payments for raffles;
6. rebate or credit refund for an expenditure originally paid out of gambling funds; and
7. profit carryover variance as authorized by the Gambling Control Board or any requirements to bring your organization into compliance with tax law.

**Advertising proceeds**—If an organization sells lawful gambling-related advertising, i.e. on raffle tickets or bingo programs, the money must be deposited into the gambling account and reported as other income on the LG100A.

**Tax refunds**—Lawful gambling-related tax refunds must be deposited in the gambling account.

### Restrictions on Transfers to General Bank Account

Gambling funds may not be transferred to an organization's general bank accounts without Gambling Control Board approval.

The only exceptions are:

1. a 501(c)(3) organization or a 501(c)(4) festival organization, for lawful purpose code 1, if the organization has met 70/30 standards for their general account expenditures; or
2. organizations restricted to one electronic fund transaction for the payment of gambling taxes for an organization as a whole may transfer to the general account the amount of taxes related to the conduct of gambling at the time when due and payable.

### Pay Directly From Gambling Account

- Pay all gambling-related expenses and lawful purpose expenditures, including gambling taxes, directly from the gambling checking account—either by check or electronic transaction.
- For electronic transactions, the bank statement must show the date, amount, payee name, and either the payee account number or the transaction number.
- All expenditures must have prior approval by organization members, and the approval must be documented in the organization's monthly meeting minutes.

## Accounting Controls: Gambling Account (continued)

### Emergency Expenditures From Non-Gambling Bank Account

Emergency expenditures may be made from a non-gambling bank account if the expenditure has been approved by the organization's membership.

An emergency expenditure means a financial obligation due and payable which, if not met, would require the organization to stop gambling immediately.

Gambling Control Board approval is required prior to repaying the non-gambling bank account for the emergency expenditure.

### When Two Checks May be Required (Gambling & Non-Gambling)

Occasionally an organization may need to issue two checks—one from the organization's gambling bank account and one from its general fund—for certain expenditures.

EXAMPLE—An organization purchases or leases an item that will not be used exclusively for lawful gambling, such as a copier machine.

A portion of the cost to purchase or lease a copy machine used to copy gambling reports and other items related to gambling may be taken as an allowable expense.

If 25% of the copies relate to gambling, then 25% of the cost of the copy machine is an allowable expense:

- Pay the vendor the 25% allowable expense portion with a check from the gambling account.
- Pay the vendor the remaining 75% with a check from the general account.

### Accounting Basis

The **cash basis** of accounting means that expenses are recognized when they are paid (writing the check) or when income is received.

All allowable expenses and lawful purpose expenditures must be reported on either the LG100A or LG100C on a cash basis.

### Membership Review

The check register for the gambling bank account must be accessible to any member who requests to review it.

### Keep Records

Organizations are required to keep complete, accurate, and legible general accounting records, with supporting documentation for all gambling transactions, in a secured area for at least 3-1/2 years, including all voided and canceled checks, deposit tickets, bank statements, and invoices. It is strongly recommended to use a storage area not susceptible to flooding.

## Accounting Controls: Lawful Gambling Check Register

### Lawful Gambling Check Register

It is suggested that an organization use the following Lawful Gambling Check Register which includes columns for expenditures, deposits, and a running balance. This serves as the required check register. Categorizing the expenditures helps in completing the allowable expense section of the LG100A form.

#### **Columns 1-2**

Enter the number of the check, or write "EFT" for electronic fund transactions. When using checks, use and list checks in numerical order by date.

#### **Column 3**

Enter the name of the payee on the check or electronic transaction.

#### **Column 4**

Enter the actual payment amount.

#### **Columns 5-14**

For the items in the allowable expense columns, see the *Allowable Expenses* chapter for information on these categories.

#### **Column 15**

For the items in the lawful purpose expenditures columns, see the *Lawful Purpose Expenditures* chapter for information on this category.

#### **Columns 16 and 17**

Use the *Other* columns to record amounts:

- for merchandise prizes
- transferred to start new cash banks
- transferred to increase cash banks
- transferred to replenish the cash banks due to negative receipts
- transferred to another gambling account

These are not expenditures as an organization still has the money after the check is issued or the transfer is made.

#### **Columns 18 and 19**

Use column 18 to record deposits. Column 19 is your running balance.

### Balance Lawful Gambling Check Register at Month End

- At the end of each month, balance the Lawful Gambling Check Register. The total amount in column 4 should equal the combined totals of columns 5 through 17.
- Verify that columns 5 through 14 correspond to amounts reported on the LG100A and that column 15 is reported on the LG100C.
- Compare check/electronic transaction amounts and dates to the bank statement.
- Any check or electronic transaction amount not on the statement must be reconciled as outstanding.
- Investigate and correct any discrepancies.





## Accounting Controls: Deposit Review

### Deposit Receipts Within Four Business Days

An organization must deposit all receipts in the gambling bank account within four business days of the completion of a bingo occasion, deal, game, or date of raffle. Electronic game receipts must be deposited when cumulative total net receipts reach \$2,000 and on or before the first day of the next month.

It's important to get the deposit in on time—otherwise it may be considered "temporary theft."

**Prevent late deposits**—Know your bank's cut-off time to ensure deposits are credited on the day they are made.

### Deposit Slip Information

The deposit slip must clearly identify the premises, amount deposited, source of income, and also include the following:

- For electronic games, include the occasions (dates) that were the source of the deposit.
- For paper pull-tabs and tipboards include the serial number for each game.
- For bingo, include the date of the bingo occasion.
- For raffles, include the date of the raffle. Raffle deposits made prior to the month of the raffle are carried as a reconciling entry on the LG100F Lawful Gambling Fund Reconciliation.
- For paddlewheels, include the series numbers of all paddletickets sold during that day's paddlewheel activity.
- For other gambling-related income, deposit tickets should describe the income source, such as:
  - reimbursements for excessive cash shortages;
  - tax refund;
  - deposits for missing receipts;
  - reimbursement for disallowed expenditures; or
  - advertising.

### Audit Deposits Each Month

Auditing deposits and closed games prevents the hiding of fund losses, such as theft, and ensures that information is reported accurately.

1. Verify that all receipts for closed games have been deposited into the gambling bank account. This verification should be done by someone other than the person who completes the Schedule B2 or LG100A.
2. Compare each cash-in-hand amount reported on the Schedule B2 to the deposit receipt. The amounts should match.
3. Check for accurate amounts, and verify that all deposits were made within the required timeframe. Are deposits consistently late? If yes, it is possible that money is being "borrowed" (temporary theft) by someone and reimbursed before the deposit is actually made.
4. For paper pull-tab games, compare the date game was removed from play as shown on the Schedule B2 to the date on the LG861.
5. Match all deposit receipts to the gambling bank statement.

## Accounting Controls: Receipts Journal

### Receipts Journal—Optional

While not required, it is suggested that all deposits for each premises be recorded in a *Receipts Journal* in addition to the check register. If the *Receipts Journal* (included on the next page) is used, follow these procedures.

#### **Column 1**

Enter the date of the deposit.

#### **Column 2**

Describe each deposit. For example, you could use:

- date(s) of electronic occasions
- date of bingo occasion
- date of paddlewheel activity
- date of raffle
- serial number of paper pull-tabs
- serial number of tipboards
- refunds
- reimbursements

#### **Column 3**

Enter the total deposit listed on the bank deposit slip. If a deposit slip has more than one type of receipt, such as bingo and paper pull-tabs, then make an entry in each column for the separate amounts.

#### **Columns 4-9**

Enter the amount deposited for each game conducted.

#### **Column 10**

From the gambling bank account(s) bank statement, enter the interest earned as of the bank transaction date. Do not prepare a deposit slip for this entry. Report the total interest earned in the month on the LG100A.

#### **Column 11**

Record other deposits that may include but are not limited to:

- reimbursements for excess cash shortages
  - tax refunds (list interest income separately, if applicable)
  - reimbursement for denied expenditures
  - lawful gambling-related advertising income
  - income from sales of gambling-related supplies originally purchased with gambling funds, and sold to another organization
  - gambling equipment returned to a licensed distributor for a refund
- NOTE: Gambling equipment may not be sold to another organization.

#### **Month-end total**

Calculate month-end totals. At the end of each month, the total of Column 3 must equal the total of Columns 4 through 11.

Compare receipts journal, Column 3, to gambling bank statements.

- Deposits not on the gambling bank statement are reported on the bank reconciliation as "in transit."
- Investigate any discrepancies, such as unexplained or missing deposits.



## Accounting Controls: Bank Reconciliation

### Reconcile Monthly Bank Statement

Reconciliation of the monthly gambling bank statements is a part of the profit carryover reconciliation. The following procedures are recommended for reconciling monthly bank statements.

1. Record the closing or ending balance from the bank statement.
2. Record the deposits made since the ending date on the bank statement. Identify all deposits recorded in the checkbook register that are not on the bank statement or deposits on the bank statement that are not in the check register. Reconcile the deposits to game and bank records.
3. Subtotal the closing balance and the deposits made since the ending date on the statement.
4. List the check numbers, dates issued, and amounts that have not cleared the account on this statement or any prior statements. Include electronic transactions.
  - Compare the list of checks and electronic transactions that have cleared the bank with the checkbook register.
  - List the outstanding checks issued and electronic transactions made but not yet listed on the bank statement. Record the check number and the dollar amount of the checks and electronic transaction information.
  - Record any bank debit or credit memos not recorded in the checkbook register, such as bank service charges.
5. Add the total amount of all checks not returned or electronic transactions not on the statement.
6. From the subtotal in item 3 above subtract the total checks not returned and electronic transactions not on the statement. This is the balance.

The month-end balance shown on the gambling bank statement should match the checkbook register balance. This process is much easier and faster if you have the bank cut the monthly bank statement at the close of business on the last day of the month.

## Accounting Controls: Profit Carryover Reconciliation

Profit carryover is a cumulative figure showing the total net gambling receipts minus gambling expenditures.

- Reconciliation of the profit carryover with the ending monthly balance in all gambling bank accounts is required.
- Use the LG100F to reconcile the gambling fund to the profit carryover each month. The LG100F is emailed each month with the LG100A and LG100C in an electronic format to the Gambling Control Board.
- Each line of the LG100F must be reported accurately. A variance between an organization's profit carryover and reconciled bank balance indicates that a mistake has been made in the current month or previous months.

The electronic format is available at [www.mn.gov/gcb](http://www.mn.gov/gcb).

### Steps Needed to Reconcile Profit Carryover

1. Reconcile the monthly bank statement for each gambling account. Include a list of outstanding checks and deposits in transit.
2. Reconcile the gambling fund using the LG100F and all month-end bank reconciliations to get a total gambling fund balance.
3. Determine the profit carryover on LG100F using the amounts from the LG100A and LG100C.
4. Compare the gambling fund balance with the profit carryover on LG100F and investigate any discrepancies.

If a variance remains after it has been thoroughly investigated, contact your Compliance Specialist at the Gambling Control Board.

## Accounting Controls: Monthly Inventory Verification

### Monitor Inventory Each Month

The gambling inventory must be monitored each month. If an organization has missing games, this may mean that the games have been played, the receipts have not been deposited into the gambling account, and the games have not been reported on the Schedule B2 or LG100A.

Two or more persons in the organization must be responsible for inventory. This internal control procedure helps protect an organization from theft.

### Perpetual, Physical, and Annual Inventory—Separate Responsibilities

**Perpetual inventory**—One person maintains the perpetual inventory, an ongoing record of games received by the organization as a whole per the distributor invoices and games closed.

- This person may not do the physical inventory or the annual certified inventory and cash count required by the Department of Revenue.

**Physical inventory**—A different person conducts a physical inventory at the end of each month to verify the accuracy of the perpetual inventory record. This means the person actually goes to each premises where games are stored or in play, records the inventory including games in play, and signs and dates, in ink, the physical inventory records.

- This person may not be the individual who maintains the inventory on a daily basis. For example, a paper pull-tab seller or a person who does the perpetual inventory may not be involved in doing the physical inventory.
- This person may not conduct the annual certified inventory and cash count required by the Department of Revenue.

**Comparison of perpetual and physical inventory**—A person compares the accuracy of the perpetual and physical inventories to ensure that no inventory is missing.

**Annual Certified Inventory**—See the *Inventory* chapter for information on the annual inventory and cash count that is required by the Department of Revenue for all licensed organizations at the end of the organization's fiscal year.

### Site Inventory

At each site, an organization must have a site inventory listing all games. When doing a site visit, review the site inventory list, and locate all games on the list. If a game cannot be found or if games are found that are not included on the list, this indicates a potential fund loss. Contact your Compliance Specialist at the Gambling Control Board for information on how to report missing games.

See the *Inventory* chapter for requirements and instructions.

## Internal Controls: Auditing Games

### Auditing Paper Pull-Tab and Tipboard Games; Verifying B2 and Deposit

1. **Review the game flare** to verify the ideal gross receipts and total ideal prizes available including the last sale prize, if any.
2. **Count all unsold tickets.**
3. **Add the prize values** of all redeemed tickets.
4. **Verify the above figures** with the Schedule B2 information. To assure the accuracy of reporting actual long/short amounts, do the math as explained in the column headings of the Schedule B2.
5. **Compare the cash-in-hand** amounts on the Schedule B2 to the amount on the deposit receipt.
6. **Review the prize receipts** for clear and complete information.
  - Are they signed by the employee and the winner?
  - Do they contain the date and time?
  - Has all required information been completed?
  - Was the redemption made during business hours?
  - Do signatures appear valid?

If the answer is "no" to any of the above questions regarding prize receipts, review with the sellers the procedures for completing the prize receipts. Contact a Compliance Specialist with any concerns.

- Are lessors, lessor family members, or gambling employees signing as the winner? If the answer is "yes" review with the sellers and/or the lessor the restrictions of who may and may not play.
7. **Examine the tickets**
    - Have winning tickets been defaced?
    - Verify that serial and part numbers correspond between tickets, flare, invoice, and perpetual inventory.
    - Is the game listed on the invoice correctly?
    - Examine the unsold tickets to verify that they have not been tampered with. Broken perforations on the windows of a paper pull-tab ticket may indicate that an individual has been manipulating tickets (called "peeking" or "cracking") to identify winners. If tampered tickets are found, contact a Compliance Specialist at the Gambling Control Board.

### Reviewing Paper Pull-Tab and Tipboard Games at the Site—Spot Checks

Spot checking games at the site is an effective way to identify and prevent potential theft if money is missing. Theft charges could be filed.

For a closed game at the site:

- verify that the cash has been deposited within four business days of game close or that the cash is still at the site; and
- review prize receipt dates and times as that is a good indicator of when a game was played and closed.

For a game in play:

- count the cash drawer;
- compare the value of the unsold tickets and total prizes paid to the cash count and the LG861; and
- check the accuracy of posting.

If there are potential problems, contact a Compliance Specialist at the Gambling Control Board.

## Internal Controls: Auditing Games (continued)

### Be on the Lookout for Counterfeit Currency

Counterfeit \$20 and \$100 bills have been discovered at gambling premises in Minnesota. These were real, lower denomination bills that had been bleached and then reprinted in \$20 and \$100 denominations.

Because the bills were printed on authentic US Treasury paper, counterfeit detection pens were not effective. The only giveaway on the bills was the magnetic strip embedded in the paper.

**One- and two-dollar bills do not contain the strip. All other bills printed since 1990 contain the strip which will show the bill's real denomination.**

Alert your paper pull-tab sellers to carefully inspect all \$20, \$50, and \$100 bills they receive, even bills exchanged for change by the lessor. The magnetic strip embedded in the bill can be seen by holding the bill up to a bright light.

Verify that the denomination on the strip matches the denomination printed on the bill.

Also, instruct your sellers not to accept a bill from a customer who claims to have received a counterfeit bill in change from the paper pull-tab operation. Instruct the customer to call the police if they are in possession of a questionable bill. The Board will likely deny a fund loss request involving counterfeit currency if the organization has not exercised due diligence in educating its employees on how to identify counterfeit bills.

The following is from the U.S. Secret Service website:

If you receive a counterfeit bill:

1. Do not return it to the passer.
2. Delay the passer if possible.
3. Observe the passer's description, as well as that of any companions, and the license plate numbers of any vehicles used.
4. Contact your local police department (or U.S. Secret Service).
5. Write your initials and the date in the white border areas of the suspect note.
6. Limit the handling of the note. Carefully place it in a protective covering, such as an envelope.
7. Surrender the note only to a properly identified police officer or a U.S. Secret Service special agent.

**For more information go to:**  
[www.newmoney.gov](http://www.newmoney.gov)

## Internal Controls

### Use the Required LG202 Internal Controls Worksheet

In addition to any other documented procedures an organization has approved and implemented, an organization must use the LG202 Internal Controls Worksheet.

The worksheet is used to clarify who may and may not perform functional responsibilities and provides for a proper segregation of responsibilities. The worksheet contains shaded areas to show who may not perform certain responsibilities. This worksheet should be reviewed and updated at least once each year or whenever there are staff/personnel changes.

The LG202 is available from this manual, at [www.mn.gov/qcb](http://www.mn.gov/qcb), or from the Gambling Control Board.

### Objectives of Internal Controls

An organization is responsible for developing a system of internal accounting and administrative controls for its gambling operation that will help the organization to:

- develop a plan for recording, counting, depositing, and verifying gambling funds and resolving any discrepancies;
- determine procedures and accountability for inventory control, opening and closing games, auditing closed games, and resolving any discrepancies;
- maintain security of gambling funds and equipment;
- spend gambling proceeds for lawful purposes and allowable expenses as approved by the organization's membership;
- protect the organization from theft and fraudulent reporting and ensure compliance with reporting requirements; and
- ensure that fair play of games to the public is not restricted.

MINNESOTA LAWFUL GAMBLING  
**LG202 Internal Controls Worksheet**  
Keep this required worksheet in your files.

Organization Name: \_\_\_\_\_ License Number: \_\_\_\_\_

**OBJECTIVES:** Your organization is responsible for developing a system of internal accounting and administrative controls for your lawful gambling operation. In addition to any other documented procedures your organization has approved and implemented, the use of this required form will help your organization identify key areas of concern and responsibility. Your system must meet the following objectives:

1. transactions are made with the authorization of your organization's management;
2. gambling revenue transactions are recorded properly and completely to maintain accountability for assets;
3. assets are secured and access to assets is only permitted with the authorization of your organization's management;
4. recorded gambling funds and equipment are monitored on an ongoing basis and discrepancies are resolved;
5. separation of duties, functions, and responsibilities to protect the organization from theft and fraudulent reporting and to ensure compliance with all lawful gambling reporting requirements; and
6. fair play of the games to the public is not restricted.

**GAMBLING MANAGER DUTIES:** The gambling manager's primary duties are:

1. supervising, hiring, firing, and disciplining gambling employees, including an assistant gambling manager, if any;
2. reviewing and monitoring the conduct of games;
3. determining the product to be purchased and put into play;
4. determining the policy of when to put games into play;
5. ensuring all receipts and disbursements have been properly accounted for in compliance with statute and rule requirements;
6. ensuring that all inventory records have been reconciled each month;
7. supervising all licensing and reporting requirements;
8. promptly filing all required monthly and annual reports;
9. assuring that the organization is in compliance with all statutes and rules related to lawful gambling;
10. assuring that illegal gambling is not conducted at a permitted premises; and
11. attending a majority of the organization's regular meetings.

**ASSISTANT GAMBLING MANAGER:** A person is considered an assistant gambling manager if they perform **any** of the following:

- Hires, fires, or disciplines gambling employees.
- Determines product to be purchased.
- Completes license and permit application requirements.
- Negotiates leases.
- Six or more functional responsibilities listed in items 1-17 on pages 2-3.

List name(s) of your organization's assistant gambling managers.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

<b>LG202 Internal Controls Worksheet</b>								
Organization: _____ License: _____		Gambling manager	Member/Committee	Employee/Volunteer	Lessor - Bar Op	Lessor - Booth Op	Accountant	Other (Specify)
<b>FUNCTIONAL RESPONSIBILITIES</b>	List the name(s) of the person(s) assigned. Attach additional sheets if necessary.							
<b>REPORTS</b>								
1. Prepares reports submitted to Gambling Control Board and Revenue. ..... If performed by accountant or other person, list person who verifies.								
2. Presents monthly gambling report to membership.								
3. Records the monthly gambling report and authorization of expenditures in organization meeting minutes								
<b>EXPENDITURES</b>								
4. Ensures prior authorization for all gambling expenditures is obtained from membership.								
5. Monitors lawful purpose rating for compliance.								
<b>BANK ACCOUNT AND DEPOSITS</b>								
6a. Maintains the check register <b>(may not do item 14)</b> . ..... If 6a performed by accountant or other person, list person who verifies.								
6b. Prepares checks and electronic transaction authorizations for signatures.								
7. Signatories on gambling account <b>(may not be organization's treasurer)</b> .								
8. Prepares bank deposits <b>(may not do items 13 or 14)</b> .								
9. Deposits gambling receipts <b>(may not do items 13 or 14)</b> .								

## LG202 Internal Controls Worksheet

Organization: \_\_\_\_\_ License: \_\_\_\_\_

FUNCTIONAL RESPONSIBILITIES	List the name(s) of the person(s) assigned. Attach additional sheets if necessary.							
		Gambling manager	Member/Committee	Employee/Volunteer	Lessor - Bar Op	Lessor - Booth Op	Accountant	Other (Specify)
<b>INVENTORY</b>								
10a. Maintains perpetual inventory <b>(may not do item 10b).</b>								
10b. Conducts month-end physical inventory <b>(may not do item 10a or be the seller).</b>								
11. Compares month-end physical inventory to perpetual inventory & reconciles differences. ..... If <b>11</b> is performed by accountant or other person, list who verifies.								
12. Maintains merchandise inventory records.								
<b>AUDITS AND VARIANCES</b>								
13. Performs final audit of closed games <b>(may not do items 8, 9, 25, or be the seller).</b> ..... If performed by accountant or other person, list who verifies.								
14. Reconciles bank statement to checks, electronic trans- actions, and deposits listed in check register. Reconciles bank deposits to game and bank records <b>(may not do items 6a, 8, or 9).</b> ..... If performed by accountant or other person, list who verifies.								
15. Verifies and resolves profit carryover variances. ..... If performed by accountant or other person, list who verifies.								
16. Investigates and resolves fund losses (theft) of missing inventory, tickets, and/or receipts.								
17. Investigates and resolves cash shortages.								
<p><b>NOTE:</b> Your organization's members, gambling employees, or gambling volunteers must:</p> <ul style="list-style-type: none"> <li>• complete all source documents for gambling occasion and daily activity records,</li> <li>• complete all inventory records (daily tracking, site, physical and perpetual), and</li> <li>• verify that all gambling expenditures, equipment, assets, and receipts are properly accounted for.</li> </ul>								

## LG202 Internal Controls Worksheet

Organization: \_\_\_\_\_ License: \_\_\_\_\_

FUNCTIONAL RESPONSIBILITIES	List the name(s) of the person(s) assigned. Attach additional sheets if necessary.							
		Gambling manager	Member/Committee	Employee/Volunteer	Lessor - Bar Op	Lessor - Booth Op	Accountant	Other (specify)
<b>OTHER</b> 18. Establishes procedures to ensure security over assets (equipment and receipts).								
19. Establishes procedures for opening/closing games and for the conduct of games which ensure that fair play to the public is not restricted.								
20. Develops job descriptions for employees and volunteers.								
21. Trains employees.								
22. Orders products as authorized by gambling manager or assistant gambling manager.								
23. Performs random spot checks of games in play.								
24. Verifies cash banks.								
25. Performs random spot checks of closed games ( <b>may not do 13</b> ).								
26. Monitors conduct at all of the organization's permitted premises to detect illegal gambling.								
27. List other responsibilities (attach additional sheets).								

### OTHER GUIDELINES

#### Security recommendations:

- Ensure that security measures are put into place to protect assets and all employees/volunteers understand the procedures to follow.
- The use of a safe is recommended to secure assets.
  - √ Keep the safe locked at all times.
  - √ Do not leave the safe open and unattended.
  - √ Give the combination only to assigned personnel.
  - √ Never post the safe combination.
- If a security alarm is used, instruct employees on the proper procedures to follow.
- Do not hide money in an unsecured container on the premises. Money must be kept secure at all times.
- Keep track of keys. Do not leave keys on the premises.
- Limit access to assets. Determine who may have access to assets.

The establishment of a **Gambling Committee**, comprised of members, is suggested to help provide oversight and provide recommendations to the membership.

A **Gambling Committee** might perform the following:

- Review prepared reports.
- Establish criteria for charitable contributions.
- Review requests for charitable contributions and make recommendations to the membership.
- Final audit of games.
- Maintain or verify the check register.
- Monitor compliance with lawful purpose rating.
- Reconcile bank statements to checks, electronic transactions, and deposits listed in check register.
- Reconcile bank deposits to game and bank records.
- Verify and resolve profit carryover variances.
- Other functions determined by the membership.

#### Signature

I affirm that a comprehensive system of internal controls has been developed and implemented, and will be available for review. The effective date of this system of internal controls is \_\_\_\_/\_\_\_\_/\_\_\_\_.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Gambling Manager

\_\_\_\_\_  
Date

**Data privacy notice:** The information requested on this form and any attachments will become public information when requested and received by the Board, and will be used to determine your compliance with Minnesota statutes and rules governing lawful gambling.

## Internal Controls: Cash Shortages

This section on cash shortages deals primarily with cash shortages in paper pull-tab games. However, this information can generally be applied to other forms of lawful gambling.

### What is a Cash Short?

“Cash shortage” is commonly referred to as “cash short.”

- Cash short is when the cash deposited is less than the net receipts. It occurs when mistakes are made when handling the cash or tickets.
- A cash shortage is different than negative net receipts (a game played to a loss). Negative net receipts occur when prizes awarded exceed ticket sales for the game.
- A cash shortage differs from a fund loss, which involves missing cash or inventory.

See the *Fund Loss* section in this chapter.

### What is the .3% Reporting Limit?

Some are under the misconception that statutes allow theft or mismanagement of funds up to a .3% limit as a cash shortage. This is not true. Minnesota statutes impose a limit on reporting cash shortages as an allowable expense, but they do not provide an allowable limit for the theft or mismanagement of gambling funds.

### What is the Board’s Authority to Require a Reduction in Cash Shortages?

Minnesota Rules, Part 7861.0320, subpart 1E, states in part:

*“...The board must require that the organization revise its internal accounting and administrative control systems if they do not meet the requirements in this subpart. Failure to respond to the board’s notice that the organization must revise its internal accounting and administrative control systems must result in the board taking disciplinary action.”*

By addressing cash shortages during the compliance review process, your Compliance Specialist will work with you to be aware of potential problems. This is done by reviewing shortages for each site, recommending changes in internal controls, additional employee training, and changes in procedures. Ultimately, it is your organization and charities that benefit from these efforts.

### Does a Cash Shortage Indicate a Potential Problem?

**Cash shortages fall into two general categories**

**Human error or mistakes include:**

- Overpaying on a winning paper pull-tab.
- Giving the wrong change to a player.
- Giving the wrong number of paper pull-tab tickets to a player.
- Not auditing or reporting games accurately, which skews net receipt figures reported to the Department of Revenue.
- Money mixing between cash drawers.

**Dishonesty or stealing include:**

- Skimming by anyone associated with the games or cash. Regular losses may indicate that skimming is occurring. For example, gambling employees might be:
  - opening paper pull-tabs (not allowed) and not paying for them;
  - taking funds directly from the cash banks and game receipts;
  - giving free paper pull-tabs to friends; or
  - taking a percentage but keeping the amount under .3% to prevent detection.
- Someone stealing cash or paper pull-tabs when unattended or the premises is closed.

## Internal Controls: Cash Shortages (continued)

### Reimbursements for Cash Shortages

#### **BOOTH Operations**

For booth operations and owned premises, complete a separate Worksheet CS-Cash Shortages each month for each site.

- If there is a cash shortage, check the records to determine what caused an excessive shortage and if any corrective action needs to be taken. Refer to the *Prevention* section in this chapter.
- Carry forward any positive difference between the shortage limit and actual shortage to offset future excess cash shortages during the fiscal year of July 1 through June 30.
- If the **cumulative** cash shortages exceed .3% of the gross receipts per site at fiscal year end on June 30, reimburse the gambling account from a non-gambling source of funds by July 20.
- Report the reimbursement on LG100A.

#### **BAR Operations**

For bar operations at leased sites, the lessor is responsible for cash shortages.

Any cash shortage at the end of the month is deducted from the monthly rent or reimbursed by the lessor to the organization.

#### **Paper pull-tab dispensing device shortages**

- **Cash bank**—If the shortages are in the cash bank used to redeem winning tickets, then the lessor is responsible.
- **Malfunctions**—If the shortages are caused by malfunctions of the machine (when the cash in the machine does not match the number of tickets dispensed), then the organization is responsible.

### Worksheet and Instructions

Worksheet CS-Cash Shortages and instructions are available at [www.mn.gov/gcb](http://www.mn.gov/gcb), or contact your Compliance Specialist at the Gambling Control Board.

Keep the worksheet with your records. Do not send it to the Gambling Control Board or Department of Revenue unless specifically requested to do so.

## Internal Controls: Cash Shortages (continued)

### Prevention

#### Monitor your site shortages

Monitoring shortages at each site will point out which gambling premises may have problems that require attention.

An organization may also want to monitor its employees. If a site is experiencing excessive cash shortages, do not ignore the problem. **Take action!**

- Supervise the conduct of games. Review prize receipts for clear and complete information, a valid ID, and names and signatures of winners.
- Develop strong working relationships with gambling employees.
- Continually support employees by supervising them directly, reviewing procedures and changes, rewarding them for jobs well done, and providing additional oversight and training.

#### Review your internal controls

- Are internal controls being followed?
- Is there enough separation of responsibilities in handling the receipts, so that the organization has checks and balances to verify the amounts deposited with the amounts reported?

For good internal controls, the person who counts the cash, completes the deposit slip, and makes the deposit should not be the same person who is responsible for reporting that information on the Schedule B2. A seller may not complete the final audit of a game for reporting on the Schedule B2.

#### Limit access to gambling product and cash

Limit access to the gambling product and cash. For example, buy a safe for nightly security of the cash from closed games and games in play. Lock up all unplayed, in-play, and closed games. Inform sellers to secure the games when the games are left unattended, and get receipts when cash changes hands (for example, between lessor and gambling manager).

#### Check games in play

Designate an organization member, employee, or volunteer who is not a seller to select and spot check games in play. The person should:

- Count all the unsold tickets, redeemed winning tickets, and the cash drawer.
- Subtract the unsold ticket count from the total ticket count of the game to get the gross receipts.
- Subtract the redeemed winning ticket amount from the gross receipts amount to get the net receipts.
- Compare the net receipts to the cash on hand, less the starting cash bank. They should match.

If a large variance in a game occurs, investigate.

- Review the LG861 Site Control/Tracking and Auditing of Paper Pull-Tab Game form.
- Determine who has been selling from the game since it was placed out for play or the last spot check was made.
- Interview sellers and remind them that cash shortages are not tolerated.
- Review prize receipts (see next page).

## Internal Controls: Cash Shortages (continued)

### Cash Shortages Continue? What to Do?

#### **Change your internal controls**

If cash shortages continue in spite of spot checks, establish stronger internal controls.

To strengthen the organization's internal controls, make each seller or group of sellers responsible for a separate game or games. This procedure helps to secure the game and can identify a specific person if shortages occur.

- Assign sellers their own paper pull-tab games to sell.
- Lock and secure the game.
- Allow no one other than the seller access to the game.
- Keep receipts in a locked bank bag in a safe when the seller is not working.

#### **Audit games every shift**

This is similar to spot checking. Ask each seller to audit the games at either the beginning or the end of the work shift. The seller should:

- count the cash drawer, unsold tickets, and redeemed winning tickets, and
- record the information on a control form and sign it.

The next seller should audit the same game and sign the control form to confirm the accuracy of the previous shift.

Suggestion: Someone other than the sellers should periodically compare the cash to the LG861 tracking form. This review ensures the accountability of the sellers.

#### **Review your prize receipts**

Look for clues that may indicate a problem.

- Does one person's name continually appear on prize receipts for most of the major winners in a game?
- Is this person a regular customer? A friend or relative of the seller? An unfamiliar name?
- Are date and time or signature lines frequently left blank?
- Is the signature for the same player consistent?
- Is the information legible?
- Is the time that is listed on the prize receipt during business hours?
- Are the dates on the prize receipts prior to or after the dates the game was in play?

#### **Make changes at the premises**

If cash shortages continue, consider other options.

- Install a paper pull-tab dispensing device. If the space is leased, the lessor may provide the cash bank.
- Install security cameras and watch the tapes.
- Discontinue gambling at the site and notify the Gambling Control Board of the reason for terminating the lease.

## Internal Controls: Fund Loss

### Fund Loss by Questionable Means

- A “fund loss by questionable means” involves missing cash or inventory, counterfeit currency or tickets, or prizes paid from a game not conducted in compliance with statute and rule. A fund loss may be due to situations such as burglary, robbery, or employee theft.
- Use the LG250 Fund Loss Request (Profit Carryover Adjustment) form to request approval from the Gambling Control Board to adjust the profit carryover to account for the loss.
- A police report is required in order for the Gambling Control Board to consider the fund loss request.
- If either unplayed (new) games or played game remnants (in storage) are lost due to a disaster such as fire, flood, blizzard, tornado, or other catastrophic event, contact the Department of Revenue at 651-297-1772 immediately for instructions on how to handle the inventory loss.

### Cash Shortages

A cash shortage is the difference between the net receipts for a game and the actual cash on hand to be deposited for that game, and usually is caused by a mistake. (See the *Cash Shortages* section in this chapter for additional information.) A fund loss by questionable means is not included in the cash shortage calculation.

### Notify Local Law Enforcement IMMEDIATELY, AND Notify Board Within 60 Days

When a fund loss is discovered, report it to local law enforcement officials:

- within 24 hours for a fund loss from a paper pull-tab dispensing device, **OR**
- within five days of the discovery for all other forms of gambling.

The Board will not consider the fund loss request if the loss is not reported:

- to local law enforcement officials within the above timeframes; or
- by filing the LG250 with the Board within 60 days, even if you do not yet have a copy of the police report.

If the organization fails to meet these reporting requirements, the organization will be required to:

- reimburse its gambling account with funds from a non-gambling source for the amount of the loss; and
- provide documentation of the reimbursement to the Board within 60 days of the loss.

### Reporting a Fund Loss

1. Report the loss to the membership and document it in the meeting minutes.
2. For instructions on reporting the game(s) on a separate Schedule B2, refer to the tax instruction booklet available from the Department of Revenue.
3. If part of the game or money is missing, contact the Department of Revenue at 651-297-1772 for assistance on determining how the game should be reported on the Schedule B2.
4. Submit the Schedule B2 with the tax return due for that month.
5. The games should be noted in the inventory records as a fund loss and should no longer be included as unplayed on the inventory records.
6. Record the amount of the loss on the LG100F until the fund loss is either approved or denied by the Gambling Control Board.

For questions on reporting a fund loss, contact your Compliance Specialist at the Gambling Control Board.

## Internal Controls: Fund Loss (continued)

### Required Action that Must be Taken Within 60 days...ONE of the Following

#### 1. Request an adjustment to the profit carryover

#### IMPORTANT

- An organization may request an adjustment to its profit carryover.
- **Within 60 days of discovering the loss**, send the LG250 Fund Loss Request (Profit Carryover Adjustment) form and attachments directly to the Gambling Control Board. If any of the required attachments are unavailable, send the request to the Board anyway, and attachments can be mailed separately at a later date.
- **The Board will not consider a fund loss request for an adjustment if the request is not submitted within 60 days of discovering the loss.** (Minnesota Rules, Part 7861.0320, subpart 9.)

The LG250 Fund Loss Request (Profit Carryover Adjustment) form asks for the following information:

- premises name;
- amount of loss;
- date and time of loss;
- explain of loss;
- how were assets secured;
- who was in control of assets;
- who had access;
- date reported to membership;
- what internal controls were in place;
- were internal controls followed; and
- resulting internal control changes.

Attach to the LG250 copies of the following:

- local law enforcement report, if available, or a copy of a letter indicating that a report copy has been requested;
- separate Schedule B2 for the games in question;
- LG100F; and
- meeting minutes where the loss was reported to the members.

Do not attach the request form and attachments to the tax return or other reports.

Until the fund loss is either approved or denied by the Gambling Control Board, record the fund loss amount on the LG100F.

#### 2. Reimburse the gambling account

If an organization does not submit an LG250 Fund Loss Request (Profit Carryover Adjustment), then within 60 days of discovering the fund loss the organization must provide documentation to the Gambling Control Board showing that the gambling account was reimbursed with funds from a non-gambling source for the amount of the loss.

Submit the following:

- a copy of the canceled gambling bank account deposit slip and bank receipt;
- a copy of the canceled check from a non-gambling source; and
- the date the loss was reported to the membership.

## Internal Controls: Fund Loss (continued)

### Fund Loss—Restitution or Insurance Payment

If an organization has insurance that may cover part or all of the loss, the Gambling Control Board will not take action on the fund loss request until the insurance claim has been settled. If restitution is ordered, the Board may take action on the fund loss request, even if the restitution has not been received.

**IMPORTANT: Even if the insurance payment or restitution has not been received within 60 days of discovery, the organization must still submit the fund loss request within 60 days of discovering the loss.**

When an insurance payment or a restitution payment is received, do the following:

1. deposit the funds into the gambling account within four business days;
2. make copies of the insurance check and the deposit receipt and submit them to the Gambling Control Board. Write the organization's license number and "Fund Loss Attachment" on the copies; and
3. on your next monthly LG100F, reduce the amount that is listed on the LG100F as a fund loss by the amount deposited.

The Board will reduce the amount of the requested profit carryover adjustment (fund loss request) to reflect the insurance or restitution payment amount.

If multiple restitution payments will be received over a period of time, an organization should follow the same procedures above whenever a payment is received, or contact their Compliance Specialist for instructions.

### Gambling Control Board Consideration

When an organization submits a fund loss report, the Gambling Control Board will review whether the organization had adequate security and internal controls in place to prevent the loss. A major reason for denials of fund loss requests is that an organization had inadequate internal controls and/or security over its gambling assets.

#### Security

When gambling equipment and funds are not under an employee's direct control, they must be in a secure, locked location.

- Leaving gambling funds on a counter—even in a premises that is closed and locked—may be considered poor security.
- Another reason for denial of a fund loss request is a lack of acceptable security, such as hanging a key to the pull-tab booth or safe on the wall, or setting a bank deposit on the bar and walking away to do something else.
- An example of good security is to lock the gambling money in a secured safe. Many organizations bolt the safe to a floor or booth.

#### Internal controls

Good internal controls will help an organization identify a fund loss in a timely manner and will assist in identifying who would have had access or an opportunity to steal the funds or equipment.

Examples of poor internal controls:

- If an organization discovers that deals of paper pull-tabs are missing from inventory and determines that this occurred over the last six months, the fund loss request will likely be denied because of poor internal controls and oversight.
- If money from a game closed on December 10 is stolen from the gambling manager's car on December 24, the Gambling Control Board would likely deny the request because the funds were not deposited within four business days.

### Gambling Control Board Approval or Denial

**Approval**—If the Gambling Control Board approves a fund loss request, the organization will be notified in writing to adjust the LG100F, Lawful Gambling Fund Reconciliation.

**Denial**—If the Gambling Control Board denies a fund loss request, the organization will be notified in writing to reimburse its gambling account from a nongambling source and provide proof of reimbursement within 90 days of the Gambling Control Board's denial.

## Internal Controls: Illegal Gambling

### Sanctions Imposed for Illegal Gambling

**Premises permit**—If illegal gambling occurs at a premises, the Gambling Control Board shall suspend the premises permit up to 90 days for a first occurrence.

The Gambling Control Board considers several factors in determining the length of the suspension:

1. Did the organization notify the lessor, in writing, that illegal gambling was being conducted at the premises and request that the lessor take appropriate action?
2. Did the organization or any of its agents know that the game or device at the site was illegal or was designed to be capable of being used in a manner that causes illegal gambling?
3. To what degree did the organization cooperate with state and local authorities?
4. Did the organization or any of its agents participate in the illegal gambling?
5. What was the nature or severity of the violation?

**Organization license**—The Gambling Control Board will suspend or revoke an organization's license if the organization or any of its agents participated in the illegal gambling or knowingly permitted it.

### What To Do If You Suspect Illegal Gambling is Happening at Your Site

Notify the lessor, in writing, that illegal gambling is being conducted at the premises. In addition, contact the local law officials or the Department of Public Safety's Alcohol and Gambling Enforcement Division at 651-201-7500, Ext. 3.

It is important that action be taken to stop the illegal gambling activity before it affects the status of the organization's premises permit.

### Payment of Rent When Premises Permit is Suspended

The Gambling Control Board may authorize an organization to withhold rent from a lessor for a period of up to 90 days if the Board determines:

- that illegal gambling occurred on the premises; or
- that the lessor or its employees participated in the illegal gambling or knew of the gambling and did not take prompt action to stop the gambling.

The organization has the right of continued tenancy during the time period that the Board determines rent may be withheld.

**Suspended premises**—If the premises permit is suspended, the organization may not pay rent or other costs contained in the lease agreement for the site during the term of the suspension.

<b>Internal Controls: Illegal Gambling</b> (continued)	
<b>What is a Bet?</b>	
<p>A "bet" is defined as "a bargain whereby the parties mutually agree to a gain or loss by one to the other of specified money, property or benefit dependent upon chance although the chance is accompanied by some element of skill." (Minnesota Statutes, Section 609.75, subdivision 2.)</p>	
<b>Private Social Bets Allowed</b>	
<p>Social bets are allowed only if they are done in a private social setting. However, social bets are illegal if:</p> <ul style="list-style-type: none"> <li>• they are part of "organized, commercialized, or systematic gambling"; or</li> <li>• the owner of the location of a social bet derives any profit from the bet, organizes regular occasions for such bets, or advertises their occurrence.</li> </ul>	
<b>Card Games Allowed</b>	
<p>Tournaments or contests for card games known as cribbage, skat, sheephead, bridge, euchre, pinochle, gin, 500, smear, or whist are only allowed when:</p> <ul style="list-style-type: none"> <li>• there is no direct financial benefit to the promoter or organizer; and</li> <li>• the sum of all prizes does not exceed \$200 per occasion.</li> </ul> <p>An entry fee is allowed for these games.</p>	<p><b>Texas Hold 'em</b>—A Texas Hold 'em tournament (card game) is allowed under the following conditions:</p> <ul style="list-style-type: none"> <li>• <b>no entry fee</b> or other consideration for participation is allowed;</li> <li>• there is no direct financial benefit to the promoter or organizer;</li> <li>• no person under 18 may participate;</li> <li>• the value of all prizes awarded to an individual winner at a location may not exceed \$200 per day; and</li> <li>• reasonable accommodations must be made for players with disabilities. Accommodations to the table and cards shall include the announcement of cards visible to the entire table and the use of braille cards for players who are blind.</li> </ul> <p>Texas Hold 'em may not be played on a video device.</p>
<b>Chance Drawings</b>	
<p>State law allows chance drawings that do not require consideration if:</p> <ul style="list-style-type: none"> <li>• the participant is not required to purchase a ticket for a drawing in order to win a prize; and</li> <li>• the participant must be allowed to enter the drawing without any consideration for a chance to win a prize.</li> </ul> <p>A drawing organizer may not imply that a participant must pay a donation for the chance to win a prize (for example, "Suggested Donation \$5"), or may not coerce a participant to pay a donation for the chance to win a prize. If the organizer implies or coerces the participant in any manner, there is a substantial risk of violating law.</p>	
<b>Poker Runs</b>	
<p>Poker runs are usually associated with snowmobiles or other motorized vehicles, and the participant pays for the chance of picking up cards at various locations that enable the best winning hand to win a prize. This is not a legal form of gambling under the Gambling Control Board, and the poker run sponsor runs the risk of operating a gambling place and/or conducting an illegal lottery.</p>	

## Internal Controls: Illegal Gambling (continued)

### Dice restrictions

Social dice games are permitted on the premises and adjoining rooms of an establishment licensed to sell alcoholic beverages. Only the following games are allowed, and restrictions apply to these games as noted:

- board games played with dice; or
- dice games commonly known as Shake-a-day, Horse, Liar's poker, Who buys, Last chance, 3-2-1, Aces, and 6-5-4.

**Restrictions**—Wagers or prizes for the games must be limited to food or beverages, and **the retail establishment may not organize or participate financially in the games.**

All other forms of dice games are illegal, and are not allowed in establishments licensed to sell alcoholic beverages.

### Video game of chance or touch screen video

Any video game may be illegal. Some machines have the capability to change from a legal game (such as Trivia) to an illegal game (such as poker) with the flip of a switch. If the machine is capable of playing illegal games, it is considered a video game of chance.

**Ask the lessor** questions about the video games at the site to determine **if they are legal**. Some questions to ask:

- Is the machine capable of playing illegal games that include common gambling forms?
- Is the lessor aware of the consequences?

Contact the Department of Public Safety with questions.

### Video Poker Machines or Eight-Line Video Slots

These are considered gambling devices and as such are illegal outside of a dwelling (home) or a tribal casino.

### Sports tipboards now legal

A form of sports wagering, known as sports-themed tipboards, was allowed by law in Minnesota in 2012 (Minnesota Statutes, Section 349.12, subdivision 34). However, because federal law at the time restricted wagering on the outcome of sporting events, the Minnesota Gambling Control Board held off on approving any sports tipboard games. In 2018, the U.S. Supreme Court ruled in favor of legalized sports betting which opened the door for the sale of sports tipboards in Minnesota beginning in July 2018.

See Chapter 8 of this Manual for sports tipboard information.

### Questions?

For questions regarding illegal gambling, contact the Department of Public Safety's Alcohol and Gambling Enforcement Division at 651-201-7500, ext. 3, or [www.dps.mn.gov](http://www.dps.mn.gov).

## Reports: Filing Requirements

### Due the 20th of the Following Month

G1 Lawful Gambling Monthly Tax Return .....File with Department of Revenue  
 Schedule B2—Lawful Gambling Report of Barcoded Games.....File with Department of Revenue  
 Worksheet E—Combined Net Receipts Tax ..... Keep in organization’s file

Send the following by email to the Gambling Control Board using the required electronic format.

- LG100A—Lawful Gambling Receipts and Expenses by Site
- LG100C—Lawful Purpose Expenditures
- LG100F—Lawful Gambling Fund Reconciliation

The electronic format is available at [www.mn.gov/gcb](http://www.mn.gov/gcb).

### Monthly for Membership

LG1004 Monthly Gambling Report to Members ..... Keep in organization’s file  
 LG216 Rent Worksheet (for each leased site) (if applicable) ..... Keep in organization’s file  
 LG267 Worksheet for Code 22 Real Property or Capital Assets (if applicable) ..... Keep in organization’s file  
 Worksheet CS—Cash Shortages (if applicable)..... Keep in organization’s file

### Organization’s Fiscal Year End

Annual certified inventory and cash count.....File with Department of Revenue  
 NOTE: This is required for all licensed organizations. Contact the Department of Revenue for the form or format to use.

If gross receipts are over \$750,000, an annual audit is required and must be sent to the Department of Revenue.

### Local Unit of Government

Check with your local unit of government (city or county) regarding any taxes and reporting requirements that may apply to your organization.

## Case Studies: Embezzlement

### What Happened?

A CEO of a licensed gambling organization embezzled over \$77,000 from the organization's general funds in a two-year period. The money was profits from the gambling operation that were transferred to the 501(c)(3)'s general funds.

*"Our former president embezzled over \$77,000 from our organization's general funds in a two-year period."*

### How Did It Happen?

The CEO opened another general account at the same bank as their other general account, but the CEO was the only authorized signer. Instead of depositing money donated from the gambling bank account in the regular general fund, he deposited the gambling money in the new account. Then he spent the money for personal use.

### Why Didn't Anyone Catch On?

Because the treasurer did not keep sufficient accounting records and did not present a treasurer's report at their membership meetings, no one suspected anything. The CEO saw the opportunity to steal the money, which was in excess of what the organization needed, and he knew the treasurer would be unable to track the money.

### What Could Have Been Done to Prevent It?

**Communication**—The other board members never questioned the CEO or treasurer. One reason is that there were no reports to question. The other reason was that the treasurer became aggressive if anyone posed questions.

**Checks and Balances**—The organization had no internal controls in place for the general funds to hold the treasurer or CEO accountable. There was very poor recordkeeping and no account reconciliation, either of which would have prevented the embezzlement.

### So How Was It Discovered?

**Communication**—The gambling manager reported what appeared to be an error in the treasurer's reporting of lawful purpose transfers from the gambling account to the general funds. The gambling manager was key to finding the problem.

Bank records were requested, and members learned about the new account even though the CEO had just closed the account. An outside accountant quickly reviewed the statements and verified the missing funds.

**Editorial Note**—The organization fortunately had a gambling manager in place who had a fully accountable gambling operation. This enabled the organization to track funds and help law enforcement determine that gambling fund transfers and general monies were used personally by the CEO.

Whether problems occur on the general fund or gambling side of the ledger, membership participation is the key to success.

## Case Studies: Fund Losses

### The “Almost Did Everything Right” Case



The seller did the following:

- closed the paper pull-tab booth at night and audited games in play;
- compared cash in hand to net receipts and recorded information;
- put the records and following day’s start-up cash in a safe;
- put game receipts in a bag for the night depository; and
- then left the bag in the booth and went to the restroom.

When the seller returned, the money was missing.

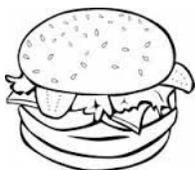
**Board action:** The fund loss was denied because the money was not kept secure at all times.

This fund loss could have been prevented if the seller had secured the money before going to the restroom.

#### The Hamburger Caper

- A bartender was counting money at the end of the evening.
- Two people entered the bar and ordered hamburgers.
- The bartender left the money unattended and went to the kitchen to prepare the order.
- When the bartender returned to the bar, the people had taken the money and left.

**Board action:** The fund loss was denied because the money was not kept secure at all times.



This fund loss could have been prevented if the organization’s employee had properly secured the funds before leaving the bar area.

#### The Inside Bingo Heist

- The bingo paymaster was getting money for a bingo occasion, carrying the money in an unsecured manner (unbound, unwrapped, and not in a money bag).
- Before returning to her station, she stopped at the concession counter. Someone came up behind her and took the money from her hand.
- The suspect ran outside and jumped into a vehicle at the side entrance. The getaway vehicle, driven by the paymaster’s (now ex-) boyfriend, hit several other vehicles as it sped away from the scene.

**Board action:** The fund loss was denied because of the lack of adequate security over cash and inventory within the premises.

## Case Studies: Fund Losses (continued)

### The Magical Disappearing Deposits



- Paper pull-tab deposits “mysteriously” disappeared from a premises.
- The seller, who became a suspect, either failed to secure the money or remove the deposits that had been placed in a moneybag and secured overnight in the bar’s safe.
- Several people, both bar and organization employees, had access to the moneybag.

**Board action:** The fund loss was denied because of lack of adequate security over cash within the premises.

### Good grief! An Alarm and A Safe and Still.....

- The paper pull-tab seller closed the paper pull-tab booth for the evening, following the organization’s internal control procedures.
- The paper pull-tab seller put the receipts into the organization’s safe.
- The paper pull-tab seller set the security alarm system before leaving the bar.
- Suspects entered the building, setting off the security alarm.
- The suspects removed the safe containing paper pull-tab receipts.

**Board action:** The fund loss was approved because the organization had used proper internal controls and a safe to ensure that assets were protected at all times.



### The Drive-In Adventure

- The suspect drove a vehicle into the rear door of the business to gain entry to the bar.
- The suspect removed the paper pull-tab dispensing machine from the premises.
- The suspect then drove off from the premises.

**Board action:** The Gambling Control Board approved the fund loss because the loss was beyond the organization’s control.



### The “Open for All to Safely See” Case

- The suspects used a pry bar to force open the back door of the premises.
- The suspects then pried open another door inside the premises, gaining access to the room containing a safe.
- The safe was cemented to the floor.
- The suspects removed the money from the unlocked safe. The safe was not damaged.

**Board action:** The Gambling Control Board denied the fund loss because the safe had been left unlocked.

**NOTE:** Some organizations leave their safe unlocked during the day so bartenders and sellers have access to the cash when the owner or person who knows the combination is not at the premises.

**This is unacceptable internal controls.** Money left in a safe must be kept secure at all times—so keep the safe locked.



## Case Studies: Fund Losses (continued)

### The “Hide the Key to the Safe” Case

- The organization used a keyed safe to secure the funds overnight.
- The paper pull-tab seller hid the key to the safe at night, so the day person could open the safe in the morning.
- The bar was burglarized. The suspects found the key to the safe, opened the safe, and removed the funds.



**Board action:** The fund loss was denied, because the organization hid the key to the safe on the premises and the suspects found it to remove the money.

Hiding keys or combinations to the safe on the premises is an unsatisfactory internal control. This fund loss could have been prevented if the key to the safe had been secured off site.

### The “Uncool Hide and Seek” Case

- A suspect possibly hid in the bathroom at closing.
- The suspect took the money that was hidden in an unlocked cooler.

**Board action:** The fund loss was denied, because the organization hid the money instead of locking the money in a locked cabinet or safe.

### The “What’s Not Cooking” or “Where’s the Dough?” Case

- The bar was burglarized by a suspect who broke in through a door.
- The suspect took the money that was hidden in an unused oven in the storage room.

**Board action:** The fund loss was denied, because the organization hid the money instead of locking the money in a locked cabinet or safe.



### The Storage Room “Hide and Seek” Case

- The bar was burglarized by breaking through a side door.
- All the bar machines were broken into. The suspects found the money bags containing the paper pull-tab receipts hidden in the storage room.

**Board action:** The fund loss was denied because the organization hid the money instead of locking the money in a safe.

## Case Studies: Inventory

*A person might be provided with the opportunity to steal—even someone the organization members have known and trusted all their lives—if the organization does not conduct a physical inventory every month.*

Most gambling-related theft and fraud can be prevented if the organization follows an effective system of internal controls. The examples below describe how poor internal controls for inventory and deposits may result in a fund loss for an organization.

### The Case of the “Non-Shrinking” Inventory

- An organization authorized the lead pull-tab seller at their site to order more paper pull-tab games as needed and to decide which games the other sellers were to put into play.
- Occasionally, the lead seller would put a game in play at the beginning of her shift and then remove the game from play at the end of her shift. Then she’d put the cash, winning tickets, prize receipts, flare, and any unsold tickets all in the original box the game came in and take it home.
- Once home, the cash went in her purse and the rest of the items, except the box, went in the garbage. She carefully closed the box and ran it through a shrink wrap machine so that it looked like it had never been opened. Then she brought the box back to the site and put it with the other unopened games.
- When the CEO conducted the physical inventory at the end of each month, she didn’t notice that some of the “unopened” games on the shelf were actually empty.
- Over time, the number of “unplayed” games in inventory doubled and then tripled. When the lead pull-tab seller was hospitalized after a car accident, the gambling manager decided to put into play one of the games that had been in inventory for over a year. When he lifted up the game box, he knew the organization had been duped.

**Solution:** The gambling manager should have become suspicious when the number of games in inventory kept increasing month after month. When delegating responsibility, it’s still important to closely monitor all aspects of the gambling operation.



### The “Perfect but Not So Perfect Records” Case

An organization kept what seemed to be excellent perpetual inventory records, but still experienced a theft of unplayed paper pull-tab games.

- The organization provided invoices to its accountant for every paper pull-tab game purchased. The Schedule B2 reports listed every game closed. This information was used to produce the perpetual inventory record.
- The organization did not conduct a monthly physical inventory in which an employee, a member, or a volunteer visited each of the sites to verify that the games listed on the perpetual inventory were actually located at each premises.
- The organization did not discover until a year later that over 20 games listed in inventory at one site were missing. Apparently, the games had been played at the site, no deposit for the games had been made, and the closed games had been destroyed.

**Solution:** If the organization had completed the required on-site physical inventory each month, the theft would have been discovered immediately and a \$10,000 fund loss could have been avoided or lessened.

## Case Studies: Criminal Charges Filed

The following are felony cases where criminal charges were filed in Minnesota district courts. The charges resulted from investigations conducted by the Gambling Control Board and Department of Public Safety.

Activity/Problem	Criminal activity
<p><b>Theft.</b> Games were short; LG861 not completed.</p>	<p>The lessor took gambling funds and used them to pay a portion of his business expenses. Felony charges were filed.</p> <p>(In a similar case, an organization was experiencing cash shorts. An investigation revealed that the lessor was taking gambling funds from paper pull-tab games for personal use.)</p>
<p><b>Prize receipts forged.</b> The lessor and one of the lessor's employee forged prize receipts to claim paper pull-tab prizes.</p>	<p>The lessor and an employee used the driver's license of another individual to claim paper pull-tab prizes and falsify prize receipts. Felony charges were filed.</p> <p>(In a similar case, a lessor, in collusion with a paper pull-tab seller, was playing games, using the driver's license of other individuals, and forging prize receipts.)</p>
<p><b>Records altered.</b> Paper pull-tab game and deposit records were inconsistent, and deposits were not made within four business days of game close.</p>	<p>The organization's previous gambling manager altered game and deposit records, and prepared false gambling tax returns. The gambling manager denied using any funds for personal purposes. Felony charges were filed.</p>
<p><b>False tax returns prepared.</b> Deposits were missing.</p>	<p>The gambling manager repeatedly prepared false gambling tax returns and altered inventory records to cover up cash shortages. The gambling manager denied stealing any money. Felony charges were filed.</p>
<p><b>Deposits in transfer.</b> A Department of Revenue audit revealed an apparent theft of gambling funds.</p>	<p>The gambling manager had falsely stated that a theft had occurred and said that was the reason for "late deposits." The gambling manager, in fact, had taken over \$12,500 in gambling funds. The gambling manager was the only person with access to open the portion of the drop safe where deposits were placed. Sellers were only allowed access to open the cash bank/game cash portion of the drop safe. The gambling manager admitted using the money for gambling. Felony charges were filed.</p>

There are different levels of criminal charges based on the activity. For more details, see Minnesota Statutes, Section 609.763, which contains the penalties for lawful gambling fraud.

# INVENTORY

This chapter contains information and instructions on the required inventory systems for paper pull-tab, tipboard, and paddlewheel games.

The four required inventory systems are:

- perpetual
- physical
- site
- merchandise prize

Electronic games, bingo and raffle inventory instructions are located in the *Electronic Games, Bingo, and Raffles* chapters.

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# Inventory

## Gambling Equipment Definitions

Gambling equipment is defined as:

### ELECTRONIC GAMES

- electronic pull-tab devices
- electronic linked bingo devices
- software used to operate electronic pull-tab and electronic linked bingo games

### PAPER PULL-TABS

- paper pull-tabs and jar tickets
- paper pull-tab dispensing devices

### BINGO

- bingo hard cards
- bingo paper sheets
- bingo paper packages
- bingo paper sheet packets
- linked bingo paper sheets
- sealed bingo paper sheets
- bingo number selection devices (includes bingo boards)
- electronic bingo devices (used by bingo players)

### TIPBOARDS

- tipboards
- tipboard tickets
- sports tipboards

### PADDLEWHEELS

- paddletickets
- paddleticket cards
- paddlewheels
- paddlewheel tables

### RAFFLES

- Unsold tickets (Although not defined technically as gambling equipment, unsold raffle tickets are included in the inventory amounts reported on the LG100A.)
- Raffle boards
- Electronic raffle selection systems

## Registration of Permanent Gambling Equipment

Licensed distributors must register permanent gambling equipment with the Gambling Control Board using a state registration stamp.

Permanent gambling equipment is defined as:

- paddlewheels
- paddlewheel tables
- bingo number selection devices
- electronic bingo devices
- electronic pull-tab devices
- paper pull-tab dispensing devices (machines)
- programmable electronic devices that have no effect on the outcome of a game and are used to provide a visual or auditory enhancement of a game



The distributor places the registration stamp on permanent gambling equipment, except for electronic pull-tab devices, electronic linked bingo devices, bingo devices, and programmable electronic devices.

Permanent gambling equipment without a registration stamp is considered contraband.

## Cross-Check System

- When a game is sold to an organization, the distributor will register that game with the Department of Revenue.
- When a game is closed and reported on the Schedule B2, the Department of Revenue will record the game as played in its cross-check system.
- The Department of Revenue can run a report listing all games purchased by an organization that have not been reported as played.

## Inventory (continued)

### Purchase Equipment From Licensed Distributor

The gambling equipment listed on the previous page may be purchased only from a distributor licensed by the Gambling Control Board. Raffle tickets may be purchased from any vendor.

Other items not listed—such as paper pull-tab containers, booths, point of sale systems, license scanner, bingo flashboard, bingo daubers, paddlewheel chips, and scales—may be purchased from any source.

### Frequently Asked Questions About Buying/Selling Equipment

- Q. May our organization buy gambling product from any licensed distributor?**
- A. Yes, as long as the distributor is licensed by the Gambling Control Board. Also, not all distributors carry the same product. The list of licensed distributors is available at [www.mn.gov/gcb](http://www.mn.gov/gcb) or call the Gambling Control Board at 651-539-1900.
- Q. May our organization buy gambling product from more than one distributor?**
- A. Yes, an organization may purchase gambling equipment from more than one distributor. For example, an organization may want to buy paper pull-tab games from two different distributors, bingo paper from another distributor, and electronic pull-tabs from yet another.
- Q. How do we get the best price possible?**
- A. To get the best price possible contact more than one distributor and compare product, cost, and services. Quantity discounts might also be available.
- Q. May we use a copy of the invoices for games as our site inventory?**
- A. No. A current separate list of all games at the site must be maintained. Use the LG847 or LG844.
- Q. Our lessor stated that he would not renew our lease unless we bought our games from a certain distributor. May our lessor place this restriction on our organization?**
- A. No. A lessor may not place restrictions on an organization that would require the organization to order gambling equipment from a specific distributor.
- Q. May we buy gambling equipment from another organization?**
- A. No. An organization may only purchase gambling equipment from licensed distributors.
- Q. The lessor wants us to pay for a booth. Are we allowed to do this?**
- A. No. Rent is all-inclusive, and an organization may not purchase items from the lessor. If you have questions, please contact your Compliance Specialist at the Gambling Control Board.

## Inventory (continued)

### Review Equipment When Received

**Bar code**—A bar code must be affixed by the manufacturer on each paper pull-tab and tipboard flare and on paddleticket master flares.

**Flare**—Inspect each paper pull-tab or tipboard flare to be sure that the outline of Minnesota and the following message are printed on the flare.

Paper Pull-Tab Purchasers—This paper pull-tab game is not legal in Minnesota unless an outline of Minnesota with the letters “MN” inside it is imprinted on this sheet, and the serial number imprinted on the bar code at the bottom of this sheet is the same as the serial number on the paper pull-tab ticket you have purchased.

Compare the serial number on the flare with the serial number on the invoice for each game. Notify the Gambling Control Board and the distributor if the numbers do not match.

### Keep an Invoice With Each Game

Distributor invoices or true copies must be available for review wherever games are located, including:

- where games are delivered;
- with games when they are in transit; and
- at the permitted premises.

The invoices are used to verify that the games have been purchased from a licensed distributor. Verify the games are correctly listed on the invoices. Invoices usually list more than one game, so make copies for games that are at different locations.

When a game is closed and in storage, keep a copy of the distributor invoice for the game available for review with your organization’s gambling records.

Any game not accompanied by an invoice copy is considered contraband and may be seized by the Department of Revenue agents or other authorized law enforcement officials.

### Gambling Equipment Payment Deadline; Delinquency Reported to Board

The distributor or linked bingo game provider must receive payment within 30 days of the invoice date. A distributor or linked bingo game provider is required to notify the Gambling Control Board when an organization is delinquent in paying for its gambling equipment.

If an organization is delinquent, the Gambling Control Board will notify all distributors and linked bingo game providers that all sales and leases to that organization must be on a cash-only basis—that is, payment by check or electronic transaction when delivered. No credit may be extended until the payments are current.

### Secure Your Equipment

All gambling equipment must be placed in a secured area under the organization’s exclusive control. The gambling equipment must be secured and kept separate from gambling equipment owned by other organizations, except for a bingo number selection device.

**Keys**—Ensure control and custody of all keys to the storage area.

**Access to storage**—Maintain a current list of persons who have access to the storage area.

## Inventory (continued)

### How Many People Should Be Involved With the Inventory System?

Good internal controls include having at least four people responsible for gambling inventory records:

- one person to do the ongoing perpetual inventory;
- a different person to take the monthly physical inventory; and
- two or more different people to conduct the annual certified inventory and cash count.

Involving at least four people allows for good accounting checks and balances in the gambling operation and helps protect an organization from theft.

### Perpetual Inventory: Ongoing

One person maintains the perpetual inventory record—an ongoing record from invoices and closed games.

This person may not conduct the physical inventory or the annual certified inventory and cash count.

### Physical Inventory: Monthly

A different person conducts a physical inventory at the end of each month by actually going to the premises and any other location where unplayed and in-play games are stored, recording the inventory, and verifying the accuracy of the perpetual inventory record. The perpetual and physical inventories are compared to verify that all gambling inventory is accounted for.

This person cannot be the individual who:

- controls the inventory on a daily basis;
- is involved in the conduct of the lawful gambling, such as a pull-tab seller;
- maintains the perpetual inventory; or
- conducts the annual certified inventory and cash count.

### Physical Inventory: Annually

All licensed organizations must conduct an annual certified physical inventory and cash count at the end of the organization's fiscal year.

The annual certified physical inventory and cash count may be conducted by two members, officers, or organization employees who are not involved in the organization's gambling activity, or by an independent certified public accountant.

Refer to the *Annual Inventory* section at the end of this chapter for reporting requirements.

## Perpetual Inventory

When purchasing gambling equipment, keep an ongoing tracking system of the equipment. This system is called a perpetual inventory. The perpetual inventory is continually updated during the month.

### What is a perpetual inventory system?

A perpetual inventory is an ongoing document in which all gambling product is logged when it is:

1. received;
2. put into play at each site;
3. removed from play (closed);
4. transferred to another site to be played (only unplayed games may be transferred); or
5. returned to the distributor.

### Perpetual inventory records required

Perpetual inventory records of all gambling equipment—paper pull-tabs, tipboards, paddletickets, bingo paper, and raffle tickets—is required. A properly maintained perpetual inventory system allows an organization to know what is in inventory at any time.

**EXAMPLE:** An organization has just started its gambling operation. Five paper pull-tab games were ordered and received from a distributor on June 5, 2020. As of June 30, 2020:

- one of these games was reported on the Schedule B2 as closed in November;
- two games were in play; and
- two games were not yet put into play.

The perpetual inventory would show four games in inventory and one game that was closed in November.

### Perpetual inventory information

Information in the perpetual inventory records must include but is not limited to the following:

- date of the invoice
- distributor name
- invoice number
- manufacturer ID
- part number
- game name or form number
- serial number
- actual game cost
- date each game was put into play or transferred
- date each game was closed or returned to distributor

### Required forms to use

**Paper pull-tabs, tipboards, and paddletickets**—use LG844.

**Bingo**—use LG900, LG901, LG902, and/or LG930 (see *Bingo* chapter).

**Raffles**—Raffle Logs (See *Raffles* chapter for inventory information).

7/03

Use a separate sheet for each type of game  
 Paper Pull-Tabs  
 Tipboards  
 Paddletickets

**MINNESOTA LAWFUL GAMBLING**  
**LG844 Perpetual Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets**

Organization Name: <b>Oxbow Lions</b> License/Premises Permit Number: <b>99999-001</b>									
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
Invoice date	Distributor name	Invoice number	Manuf. ID	Part number	Game name or form number	Game serial number	Actual game cost (do not include sales tax, freight or 1.7% tax)	Date put into play or transferred	Date game closed or returned to distributor
10/2/20	ABC	01234	WX	567	Whirley Bird	54901	\$41.00	10/4/20	10/11/20
10/2/20	ABC	01234	WX	678	Open Ice	700030	\$53.00	10/12/20	10/26/20
10/2/20	ABC	01234	WX	789	Minmax Cash	600403	\$47.00	10/27/20	

7/03

Use a separate sheet for each type of game  
 Paper Pull-Tabs  
 Tipboards  
 Paddletickets

**MINNESOTA LAWFUL GAMBLING**  
**LG844 Perpetual Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets**

Organization Name: <b>Oxbow Lions</b> License/Premises Permit Number: <b>99999-001</b>									
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
Invoice date	Distributor name	Invoice number	Manuf. ID	Part number	Game name or form number	Game serial number	Actual game cost (do not include sales tax, freight or 1.7% tax)	Date put into play or transferred	Date game closed or returned to distributor
10/11/20	ABC	56789	WX	TB30	MN Tipboard	00011	\$2.50	10/15/20	10/15/20
10/11/20	ABC	56789	WX	TB30	MN Tipboard	00012	\$2.50	10/29/20	10/29/20
10/11/20	ABC	56789	WX	TB30	MN Tipboard	00013	\$2.50		

7/03

Use a separate sheet for each type of game  
 Paper Pull-Tabs  
 Tipboards  
 Paddletickets

**MINNESOTA LAWFUL GAMBLING**  
**LG844 Perpetual Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets**

Organization Name: <b>Oxbow Lions</b> License/Premises Permit Number: <b>99999-001</b>									
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
Invoice date	Distributor name	Invoice number	Manuf. ID	Part number	Game name or form number	Game serial number	Actual game cost (do not include sales tax, freight or 1.7% tax)	Date put into play or transferred	Date game closed or returned to distributor
10/15/20	XYZ	01255	YZ	PW50	MN Paddle	789101	\$10.00	10/15/20	10/24/20
10/15/20	XYZ	01255	YZ	PW50	MN Paddle	891001	\$10.00	10/30/20	
10/15/20	XYZ	01255	YZ	PW50	MN Paddle	987651	\$10.00		

<h1>Physical Inventory</h1>	
<b>What is a Physical Inventory System?</b>	
<p>A physical inventory is conducted when a person actually looks at and records all the gambling product in play and unplayed at the end of the month. The purpose of the physical inventory is to detect missing or stolen games and identify recordkeeping errors by verifying the perpetual inventory record.</p>	
<b>Who Should Conduct the Physical Inventory?</b>	
<p>The physical inventory is conducted by someone going to each premises, and other locations such as a storage shed, where unplayed games are kept. The person makes a list of all inventory—games in play and games not yet played—for paper pull-tab games, tipboards, paddletickets, bingo paper, and raffle tickets.</p> <ul style="list-style-type: none"> <li>• For good accountability, the physical inventory must be done by someone other than the person who maintains the perpetual inventory records or who controls the inventory on a daily basis.</li> <li>• Do not assume that the “physical inventory” compiled by your software is accurate. It must be verified by going to the site to ensure that the inventory is actually there.</li> <li>• A physical inventory must be conducted on the last day of each month or the first day of the next month before the start of play.</li> <li>• The person or persons taking the physical inventory must sign and date, in ink, the inventory sheet after completing the inventory list.</li> </ul>	
<b>Physical Inventory Information</b>	
<p><b>Paper pull-tabs, tipboards, and paddletickets</b>—For each game in play and for games not yet played, list the following on the LG846 Physical Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets Monthly Report:</p> <ul style="list-style-type: none"> <li>• name of the game</li> <li>• serial number</li> <li>• cost of the game, not including sales tax</li> <li>• part number</li> <li>• manufacturer ID</li> </ul> <p>The physical inventory balance does not include closed games or games returned to the distributor for credit.</p>	<p><b>Bingo and raffles</b>—For bingo paper and raffle tickets, see the <i>Physical Inventory</i> section in the <i>Bingo and Raffles</i> chapters.</p>
<b>Verifying and Reporting the Physical Inventory</b>	
<p>The month-end physical inventory record must be compared to the perpetual inventory record. Investigate and correct any differences.</p> <ul style="list-style-type: none"> <li>• For each site, enter the total value of the ending physical inventory on the LG100A.</li> <li>• The total amount must also include:             <ul style="list-style-type: none"> <li>- the cost of bingo paper, whether paid or not, from the LG903; and</li> <li>- the cost of raffle tickets from the LG821 Physical Inventory/Raffles.</li> </ul> </li> <li>• Include the physical inventory in the gambling report presented to your organization’s members at the next monthly meeting.</li> </ul>	
<b>Required Forms to Use</b>	
<p>Paper pull-tabs, tipboards, and paddletickets..... use LG846</p> <p>Bingo..... use LG903 (see <i>Bingo</i> chapter)</p> <p>Raffle tickets..... use LG821 (see <i>Raffle</i> chapter)</p>	<p>Forms and instructions are available at <a href="http://www.mn.gov/gcb">www.mn.gov/gcb</a> or from the Gambling Control Board.</p>



## Site Inventory

### What is a Site Inventory?

A current site inventory of gambling equipment must be maintained at each site where the organization conducts gambling. The site inventory is a listing of all inventory located at the site.

Update the site inventory when a game arrives at the site, is placed into play, and is closed. The site inventory should be kept accessible to sellers in case of site inspection.

### Required Forms to Use

#### **Paper pull-tabs, tipboards, and paddletickets**

Use the LG847 Current Site Inventory List to maintain a current site inventory for paper pull-tabs, tipboards, and/or paddletickets.

An organization may use the LG844 Perpetual Inventory to meet this requirement for the LG847 if:

- the organization only has one permitted premises; and
- the LG844 is maintained on site.

The organization may keep a separate site inventory list for paper pull-tab games, paddletickets, and tipboards.

Update the LG847 when a game:

- arrives at the site;
- is placed into play; and
- is closed and removed from play.

Check the LG847 for accuracy on an ongoing basis.

Keep the LG847 form on site as long as any game listed on it is at the site.

As part of the site inventory for paper pull-tab games, also use the LG861 Site Control—Tracking and Auditing of Paper Pull-Tab Games. See *Paper Pull-Tabs* chapter.

#### **Bingo**

Maintain forms LG900, LG901, LG902, and LG930 for bingo paper. See *Bingo* chapter.

#### **Raffles**

Use the LG821. See *Raffles* chapter.

Forms and instructions are available at [www.mn.gov/gcb](http://www.mn.gov/gcb) or from the Gambling Control Board.



<b>Merchandise Prize Inventory</b>
<b>Merchandise Prize Inventory Required</b>
<p>An ongoing (perpetual) inventory of prizes must be maintained for all merchandise prizes purchased and/or received by donation and awarded in the conduct of lawful gambling. All prizes are to be recorded on this form, even if the prizes are purchased/delivered and awarded in the same day.</p>
<b>Merchandise Prizes—What is Allowed</b>
<p>A merchandise prize includes certificates for merchandise, certificates for services, donated merchandise, gift cards, and gift certificates.</p> <p>Merchandise may not be used as a prize for paddlewheels with table games or progressive tipboard games.</p> <p>Refer to each chapter for information on prizes and prize limits.</p>
<b>Required Form</b>
<p>Use the LG830 Merchandise Prize Perpetual Inventory form.</p> <p>Instructions are available at <a href="http://www.mn.gov/gcb">www.mn.gov/gcb</a> or from the Gambling Control Board.</p>



## Annual Inventory and Cash Count Report

Each licensed organization must conduct an annual certified physical inventory and cash count at the end of its fiscal year. The report must be submitted to the Department of Revenue within 30 days after the end of the organization's fiscal year.

A certified cash count for games in play must be taken for each site on the last day of the fiscal year at the close of business, or the first day of the new fiscal year before the start of business.

The certified physical inventory and cash count may be conducted by two members, officers, or organization employees who are not involved in the organization's gambling activity, or by an independent certified public accountant.

The persons conducting the inventory and cash count must do the following:

1. visit each site to do the inventory and cash count;
2. count all cash for start banks and games in play; and
3. make a list of all games in play (games that will not be reported as played on that month's tax return) and unplayed games in inventory at all sites.

Use the following Revenue forms:

1. CI Annual Certified Physical Inventory and Cash Count Summary.
2. CC Annual Certified Cash Count by Site.
3. INV Annual Certified Physical Inventory by Site.

For additional information on completing the inventory and cash count, refer to the Lawful Gambling Tax Instruction Booklet available from the Department of Revenue, or contact Revenue at 651-297-1772.

## Inventory Destruction

### When May Gambling Equipment Inventory Be Destroyed?

**Played games**—All played games may be destroyed by an organization after 3-1/2 years from the date reported on the Schedule B2.

**Other games**—Contact the Department of Revenue at 651-297-1772 for instructions and permission to destroy any games that fall into the following categories:

1. unplayed bingo paper;
2. games that will not be put into play and that cannot be returned to the distributor; and
3. games that are damaged due to a catastrophic event such as fire, flood, or vandalism.

# ALLOWABLE EXPENSES

This chapter covers expenditures known as allowable expenses. These expenses must be directly related to lawful gambling and paid from the gambling account.



Accounting procedures for establishing and maintaining gambling accounts, writing checks, and recording allowable expenses are outlined in the *Internal Operations* chapter.

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## Allowable Expenses

An allowable expense is the **percentage** of the total cost incurred by your organization in the purchase of any good, service, or other item which corresponds to the proportion of the total actual use of the good, service, or other item that is **directly related to the conduct of lawful gambling.**

### Pay From Gambling Checking Account

All expenses directly related to the conduct of lawful gambling must be paid from an organization's gambling checking account, either by check or electronic transaction.

All expenses are reported on the LG100A. The LG100A is filed each month with the LG100C and LG100F in electronic format to the Gambling Control Board.

The electronic format is available on the Board's website, [www.mn.gov/gcb](http://www.mn.gov/gcb).

Refer to the Gambling Account section of the *Internal Operations* chapter for additional information.

### Reimbursement to Individual Allowed

A person may make an expenditure and be reimbursed from the gambling account with membership approval. The person must provide itemized receipts for the expenditure. An organization must maintain documentation regarding the expenditure to support the reimbursement.

### Membership Approval Required

All expenditures require membership approval before the check is written or the electronic transaction is made.

Refer to the *Internal Operations & Oversight* chapter, *Membership Meeting and Minutes* section, for additional information.

### Denied Expenditures

Organizations are responsible for providing proof that the expenditure was for an expense directly related to the conduct of lawful gambling. If any expenditure is determined not to be an allowable expense, the organization will be required to reimburse its gambling account with funds from a non-gambling source.

## Accounting Services and Annual Audit

What is allowed:

- Accounting services for preparing monthly lawful gambling tax forms.
- Annual audit, required if gross receipts are \$750,000 or more or when specifically required by the commissioner of the Department of Revenue.

For questions regarding the filing requirements for an annual audit or the annual certified inventory and cash count, contact the Department of Revenue, Lawful Gambling Tax Unit, at 651-297-1772.

## Advertising

### Must Be Directly Related to Gambling

Only the portion of the advertisement directly related to lawful gambling may be paid from gambling funds.

EXAMPLE:

If the promotional material advertises:

- bingo, which is directly related to lawful gambling; and
- a steak fry, which is not directly related to lawful gambling,

pay only the portion of the advertisement related to bingo from the gambling account.

### Content—Required Information

If the cost of advertising is paid by a licensed organization from its gambling account, then advertising materials such as signs, newspaper ads, flyers, banners, website, online advertising, and promotional materials must contain the:

- organization name; and
- organization license number.

Items for visual enhancement, such as lights in a booth or on a paper pull-tab dispenser, do not have to contain organization information.

### Keep Ad Copies

Copies of all ads, such as newspaper, online ads, flyers, magazine, radio, TV, etc. must be kept to support the advertising expenditure.

**Questions?** For questions regarding advertising expenses, contact your Compliance Specialist at the Gambling Control Board.

## Advertising (continued)

Which of the following classified ads may be paid from gambling funds as an allowable expense?

<b>Classified Ads</b>	
Piano for sale. Upright, good condition. Newly tuned. Call I. Mintune at 555-555-4321.	Tree trimming and removal. Free est. Call Tim Burr at 555-555-2345.
<p><b>Hall available for your event. Halls and meeting rooms available to nonprofits free of charge. Central location. Call Ima Vailable at 555-555-9876.</b></p> <p style="text-align: center; font-size: 24px; border: 1px solid black; border-radius: 50%; width: 30px; margin: 0 auto;">1.</p>	<p><b>Help wanted. Paper pull-tab sellers for busy charitable gambling operation. Need dependable individuals with good "people" skills. Call 555-555-6789 and ask for Paul Tabb.</b></p> <p style="text-align: center; font-size: 24px; border: 1px solid black; border-radius: 50%; width: 30px; margin: 0 auto;">2.</p>
Purrfect cat—free to a good home. Adorable tabby. Neutered, shots, good disposition. Call Kit Elitter at 555-555-1234.	<p style="text-align: center;"><b>ABC Lodge Kids Party City Park May 6, 2-4 p.m.</b></p> <p style="text-align: center; font-size: 24px; border: 1px solid black; border-radius: 50%; width: 30px; margin: 0 auto;">3.</p>

**1. This ad does not qualify as an allowable expense.**

The cost to advertise the availability of halls and meeting rooms in your building does not qualify as an allowable expense.

**2. This ad qualifies as an allowable expense.**

The cost of help wanted ads for gambling employees is an allowable expense.

**3. This ad does not qualify as an allowable expense, as it does not advertise lawful gambling.**

The cost to advertise a youth activity could be a lawful purpose expenditure (explained in *Lawful Purpose Expenditures* chapter).

## Advertising (continued)

This ad publicizes **only** the conduct of lawful gambling. Therefore, the full cost of the ad (100%) is an allowable expense.

This ad publicizes **both** lawful gambling and other organization activities. Only the cost of the top half of this ad (50%) may be paid as an allowable expense. The remainder of the cost must be paid with funds from a non-gambling source.

**ABC Lodge**  
**2015 South Oxbow Avenue**  
**Oxbow, MN**

**Bar Bingo**  
**Thursday and**  
**Friday nights**  
**7:00 - 11:00 p.m.**

**Paper pull-tabs**

**Daily**  
**5 p.m. - 1 a.m.**  
**Sundays**  
**Noon - 11:30 p.m.**

**Meat Raffles**  
**Saturday 5:30 p.m.**  
**& Sun. 3:00 p.m.**



**License 09999**

**ABC Lodge**  
**2015 South Oxbow Avenue**  
**Oxbow, MN**  
**Lic. 99999**

**\*\*\*Charitable Gambling\*\*\***  
**Enjoy playing pull-tabs!**

**Meat Raffle**  
 Sunday 3 p.m. & Wednesday 5:30 p.m.

**UPCOMING EVENTS**

Friday, May 5, **Fish Fry - All you can eat**





**Spaghetti Feed**  
 Friday, May 20

Banquet and meetings rooms available  
 for nonprofit organizations  
 at no charge.

- Q. **If we place a radio or TV spot to advertise our Friday night meat raffle, would the cost be an allowable expense?**
- A. Yes. Keep a written copy of the ad with the invoice to support paying for the ad from gambling funds.
  
- Q. **May our organization use gambling funds to pay for an ad in a convention program?**
- A. Yes, but only the percentage of the cost directly related to the conduct of lawful gambling may be taken as an allowable expense.
  
- Q. **May our organization use gambling funds to pay for an ad listing how gambling funds were spent for lawful purposes?**
- A. Yes. The cost of the ad could be an allowable expense. Check with your Compliance Specialist.

## Compensation and Payroll Taxes

### What is Allowed

Compensation (wages) paid to an organization's employees for the percentage of time spent on activities directly related to the conduct of gambling is an allowable expense. Compensation includes the following:

- wages
- payroll tax
- federal unemployment tax
- Minnesota unemployment compensation tax
- workers' compensation insurance
- FICA
- federal and state income tax withholdings
- monetary bonus

**Bar operation**—At a bar operation, an organization may compensate an organization employee for the conduct of tipboards and paddlewheels if the games are limited to 32 tickets or less per game and the frequency of the activity is one day or less per week. If conducted more than one day a week and compensation is paid, then the operation is considered a booth operation and the lease must be amended because booth rent limits would then apply.

A compensated employee may not be a lessor, a lessor's employee, or a member of the lessor's immediate family. An employee of a lessor may be compensated by an organization for conducting gambling at sites not owned by the lessor.

An organization may compensate an employee of a lessor for gambling-related activities that are not related to the site owned by the lessor.

### Rate of Pay and Benefits

It's up to each organization to determine the rate of pay, frequency of payment, and benefits for its employees. Because job duties vary considerably between organizations, there are no standard pay levels for different positions. Some gambling managers are strictly volunteers and receive no compensation, while others are full-time employees with health care, vacation, and retirement benefits.

### Percentage Allowed

Some of the organization's employees might spend 100% of their work time on activities related to gambling. If an organization **OWNS** its site, others such as bartenders might spend only a portion of their working time on gambling-related activities.

To determine the percentage of compensation to claim as an allowable expense, conduct a **time study**. In the time study, document how much actual time each employee spends on activities related to the conduct of gambling compared to the amount of time spent on all other activities.

**EXAMPLE:** An organization **owns** its site and employs ten bartenders.

- A time study determines that 30% of all bartenders' time is spent selling paper pull-tabs.
- Therefore, 30% of the bartenders wages, including corresponding taxes, bonuses, and benefits, may be paid from the gambling operation.

## Compensation and Payroll Taxes (continued)

### Compensation Restrictions for Lessor, Immediate Family, and Employees

Compensation may not be paid to a lessor, lessor's immediate family, or lessor's employees for the conduct of lawful gambling.

**EXCEPTIONS:**

1. Compensation may be paid if the person is employed by an organization only for the sale of pull-tabs or tipboards from a booth operation at the premises.
2. An employee or a member of the lessor's immediate family may be compensated for the conduct of gambling at other sites not owned by the lessor.

Compensation may not be paid to a lessor's employee, such as a waiter or waitress, for gambling-related activities such as auditing closed games for the lessor's site. An organization may compensate an employee of a lessor for gambling-related activities that are not related to the site owned by the lessor.

**Q. May we compensate a member of the lessor's immediate family (wife) who works off-site auditing games and doing bookkeeping for the premises for which we lease space from her husband?**

- A. No, because the duties are related to the premises being leased from the lessor (her husband).

### Workers' Compensation Insurance, Requirements

According to the Department of Labor and Industry, many organizations believe that as a nonprofit organization they are not required to carry workers' compensation insurance on their gambling employees. This belief is a common misconception.

**Employers and employees defined**

The Minnesota workers' compensation law states that all employers are required to purchase workers' compensation insurance or become self-insured.

- Employers are generally defined as those who hire others to perform services.
- Employees are generally defined as people hired to perform services for another.

**Nonprofit organizations need workers' compensation insurance in most cases**

The law requires a nonprofit organization to provide workers' compensation coverage if it pays more than \$1,000 in salary or wages in a year for all non-gambling and gambling employees, including part-time employees. (Minnesota Statutes, Sections 176.041, subdivision 1(16); and 176.181, subdivision 2)

**Questions?**

Contact the Customer Assistance unit at the Department of Labor and Industry regarding requirements for obtaining workers' compensation insurance coverage. Their phone number is 1-800-342-5354 or 651-284-5005.

For more information on workers' compensation, go to  
[www.doli.state.mn.us](http://www.doli.state.mn.us)

## Compensation and Payroll Taxes (continued)

### Records Required

Keep a signed federal W-4 withholdings form and all required state and federal forms for each gambling employee. Form I-9 must be kept with the organization's records for 3-1/2 years. Federal W-2 withholdings forms are required at the end of the calendar year.

**Payroll timesheets** must be kept as part of an organization's permanent records and should include:

1. Employee name, address, and social security number.
2. Name of premises.
3. Payroll period dates.
4. Duties and rate of pay.
5. Dates worked and total hours worked for each date .
6. Total hours worked for the payroll period.
7. Starting and ending time.

For each payroll period, maintain a **Payroll Register** that includes:

1. Employee name and social security number.
2. Gross pay.
3. Federal and state withholding tax based on employee's signed W-4 form.
4. FICA withholding.
5. Other deductions, such as health insurance and/or life insurance.
6. Net pay.
7. Check or electronic transaction number.

Record the total tax withholding and deductions from the employee's gross pay in the Lawful Gambling Check Register contained in the *Internal Operations* chapter. Examples of a Payroll Timesheet and Payroll Register are on the next two pages.

### Pay By Check or Electronically

**Transferring gambling funds to a general account to pay compensation is not allowed.**

Compensation may be paid using any of the following methods:

- A check from the gambling account.
- Electronic transfer from the gambling account to the employee's bank account.
- Electronic transfer to a payroll processing firm for transfer to the employee's bank account.
- Electronic transfer to a payroll processing firm and payment then made by check from the payroll processing firm.

If a payroll processing firm prepares the payroll, the authorization for the electronic transfer to the payroll processing firm must be signed by at least two organization members. The treasurer may not sign the transfer authorization.

**Payroll processing firm**—An organization may choose to use the services of a payroll processing firm to pay compensation costs and related payroll taxes.

An organization may only use the services of a payroll processing firm that:

1. is currently registered with and meets the criteria of the Department of Revenue as a third-party bulk filer under Minnesota Statutes, Section 290.92, subdivision 30;
2. is able to provide proof of a third-party audit and an annual report and statement of financial condition;
3. is able to provide evidence of a fidelity bond; and
4. can provide proof of having been in business as a third-party bulk filer for the most recent three years.

### Reporting on the LG100A

Compensation is reported on a cash basis. This means that the wages, benefits, or payroll taxes are reported in the month that they were actually paid, not in the month earned or accrued.





## Equipment and Repairs

### What is Allowed

Examples of the purchase, lease, or repair of office equipment, gambling equipment, and gambling-related equipment:

- bingo balls
- bingo hard cards
- bingo number selection devices
- bingo flashboards
- calculators
- chairs and desks
- computers
- daubers for defacing tickets
- electronic bingo devices
- paddlewheels
- paddlewheel table & chips
- paper pull-tab ticket containers
- paper pull-tab dispensing devices
- safes
- scales
- scanners
- software
- tables
- ticket counters
- video verifiers

**Also see Gambling Product next page.**

### Selling Equipment—What Is and Is Not Allowed

**Gambling equipment** may not be sold or transferred to another organization or entity except through a licensed distributor. (Refer to the *Inventory* chapter for the definition of gambling equipment.)

**Gambling-related equipment**—If an organization sells any equipment not defined as gambling equipment that was initially purchased with gambling funds, the proceeds from the sale must be deposited back into the gambling bank account.

EXAMPLE: If an organization sells two old paper pull-tab jars for \$30 to an organization just starting a paper pull-tab operation, deposit the \$30 back into the gambling bank account.

Report the sale as a negative expense on the LG100A. For assistance, contact your Compliance Specialist.

## Investigation Fees and Gambling Manager Bond

### What is Allowed

Examples of allowable expenses for fees and bond include:

- city or county investigation fee. This is not the same as a local gambling tax (up to 3%) that is a lawful purpose expenditure reported on the LG100C as code A8.
  - A city or county may not impose both an investigation fee and a local gambling tax.
  - A city or county may not impose a license or permit fee or require a license or permit from the city or county;
- filing fee to register with Attorney General Charities Unit; and
- cost of the gambling manager’s bond.

For license, permit, and regulatory fees paid to the State of Minnesota, see the *Lawful Purpose Expenditures* chapter, code A18.

## Gambling Product

### What is Allowed

Gambling product and sales tax includes:

- electronic games
- paper pull-tab games
- tipboard games
- bingo paper
- bingo boards
- paddleticket cards and paddletickets
- printing cost for raffle tickets
- electronic raffles systems
- raffle boards
- sales tax on the above items

See also Equipment and Repairs on the previous page.

#### Sales tax on Gambling Product

Even if an organization is sales tax exempt, the organization is required to pay sales tax on gambling product.

Sales to tax exempt organizations are taxable if the items purchased are not used in the performance of the charitable, religious, or educational functions of the exempt organization. This includes sales of all lawful gambling equipment and supplies to any organization conducting gambling activities because the gambling equipment is not used in the performance of exempt functions.

### Deadline for Payment; Delinquent Organizations Reported

- The distributor or linked bingo game provider must receive payment for gambling equipment within 30 days of the invoice date.
- A distributor or linked bingo game provider is required to notify the Gambling Control Board if an organization is delinquent in paying for its gambling equipment or gambling product.
- If an organization is delinquent, the Gambling Control Board will notify all distributors and linked bingo game providers that all sales to that organization must be on a cash-only basis, that is, by check or electronic transfer when delivered. No credit may be extended until the payments are current.

## Insurance

### What is Allowed

Amounts expended for **theft insurance and/or liability insurance** may be allowed. An itemized statement from the insurance company is required that shows the specific insurance costs that are directly related to gambling.

Refer to the *Compensation* section for information on workers' compensation insurance.

## Miscellaneous Services and Supplies

### What is Allowed

Examples of miscellaneous services and supplies include:

- Bank service charges for the gambling account.
- Help wanted ad for gambling employees.
- Office supplies, such as paper, pens, envelopes, rubber bands, toner, etc.
- Printing costs. This does not include printing costs for raffle tickets. Refer to the *Gambling Product* section in this chapter.
- Lodging, meals, and transportation for attending authorized gambling classes and seminars.
- Off-site storage used for gambling. The sites must be located in Minnesota.
- For owned sites, the percentage of expenses directly related to lawful gambling for garbage, trash hauling, or cleaning the gambling area may be paid from the gambling account.

## Penalties and Interest (gambling tax-related)

### What is Allowed

Tax penalties, interest on taxes, and interest on tax penalties directly related to the conduct of lawful gambling, including payroll taxes, may be reported as an allowable expense. They are not a lawful purpose expenditure.

EXAMPLE: An organization owes \$38 to the IRS for the 12/14 730 tax and owes interest and penalties on this amount totaling \$20 as of 9/15. The organization would pay and report:

- the original tax of \$38 as a lawful purpose expenditure; and
- the interest and penalties of \$20 as an allowable expense.

## Rent and Cash Shortages

### What is Allowed

**Rent for electronic games, paper pull-tabs, tipboards, and paddlewheels** is based on gross profits (net receipts) from electronic, pull-tab, tipboard, and paddlewheel activities. Rent may not exceed 10% of gross profits with a cap of \$1,750 for booth operations in total for all organizations at the site. Rent may not exceed 20% for a bar operation conducting paper pull-tabs, tipboards and paddlewheels. There is no rent cap for rent paid for a bar operation. For electronic games conducted by the lessor, rent may not exceed 15% of net receipts.

**Bingo rent** is based on:

- not more than 10% of the monthly gross profit from all lawful gambling activities held during bingo occasions, excluding bar bingo; or
- a rate based on a cost per square foot not to exceed 110% of a comparable cost per square foot for leased space, as approved by the director of the Gambling Control Board.

Rent may not be paid based on any other factors, including the number of players in attendance.

**Bar bingo**—Rent may not be paid for a bar bingo occasion, and net receipts from bar bingo cannot be factored into rent calculations.

**Raffles**—Rent may not be paid for raffles.

Refer to the *Premises Permits* chapter for additional rent information.

### Paying Rent For Leased Site

1. Each month complete the LG216 Worksheet for Calculating Lawful Gambling Monthly Rent, available at [www.mn.gov/gcb](http://www.mn.gov/gcb) or from the Gambling Control Board.
2. When rent is based on a percentage of net receipts, the rent is paid in the month after the receipts are earned.
3. Rent payments must be made payable to a business, not to an individual.
4. Cash shortages that are the responsibility of the lessor are either deducted from the monthly rent or reimbursed by the lessor to the organization (see next page).
5. Rent may not be augmented. Non-gambling money may not be used to directly or indirectly supplement rent.

### What is a Cash Shortage

When the net receipts for a game are greater than the cash deposited, there is a cash shortage. When net receipts for a game are less than the cash deposited, there is a cash long.

Cash shortages are figured on a monthly basis using the Schedule B2. Organizations with any combination of a bar operation, dispensing device, or booth operation should report the games on separate Schedule B2's for each type of operation. See the *Internal Operations* chapter for more detail on cash shortages.

### At Leased Site: Who is Responsible for Cash Shortages

**For a bar operation** with no booth and no dispensing device, lessors are responsible for all cash shortages.

**For a bar operation** with only a dispensing device:

- cash shortages in the cash bank are the lessor's responsibility; and
- cash shortages caused by device malfunctions are the organization's responsibility.

**For a booth operation only**, the organization is responsible for all cash shortages.

### At Owned Site: Who is Responsible for Cash Shortages

At a site the organization owns and where it conducts lawful gambling, the organization is responsible for all cash shortages.

## Rent and Cash Shortages (continued)

### Reimbursement of Cash Shortages for Leased Sites

**Lessor's responsibility**

Cash shortages that are the lessor's responsibility must be reimbursed each month by the lessor. The cash shortages may be:

1. deducted from the monthly rent payment; or
2. reimbursed by the lessor in the form of a check written out to the organization and deposited into the gambling account by the end of the following month.

If a lessor requests to reimburse cash shortages for each game when the game is pulled, the gambling manager and lessor may audit the game together. If the lessor makes up any shortages prior to the deposit being made, the reimbursement must be recorded on the LG861.

### Negative Net Receipts and Rent – Q & A

- Q.** Our organization has a bar-op site, Joe's Bar, where we conduct both paper and electronic pull-tabs. We pay 20% rent for paper pull-tab net receipts and 15% rent for electronic pull-tab net receipts. In January, our paper pull-tab net receipts totaled \$5,000 and our electronic net receipts totaled -\$2,000. There were no cash shortages. We paid Joe \$700 rent. Was that correct?
- A.** To determine the rent, multiply the paper net receipts of \$5,000 by 20% to get \$1,000. Then multiply the electronic pull-tab net receipts of -\$2,000 by 15% to get -\$300. Then add the \$1,000 paper pull-tab rent to the -\$300 electronic pull-tab rent to get \$700. The rent that you paid Joe for January was correct.
- Q.** Last month was really slow. We closed just two paper pull-tab games and they both lost money. Our paper net receipts was -\$1,500 and we only had \$1,000 of electronic net receipts. How much rent do we owe Joe?
- A.** Your paper pull-tab net receipts of -\$1,500 times 20% equals -\$300. Your electronic pull-tab net receipts of \$1,000 times 15% equals \$150. When you add your paper and electronic rent together, you get -\$150. Because that amount is negative, no rent is owed to Joe for last month. There's no carryover of "negative rent" to a subsequent month and the lessor would not owe the organization for any "negative rent".
- Q.** Besides our game losses last month, Joe's Bar was also \$30 cash short. Since we don't owe any rent, does Joe still have to reimburse us for the cash shortage amount?
- A.** Yes. Joe is required by law to reimburse your organization for the \$30 cash shortage. If he doesn't give you the money, you can deduct it from next month's rent.

## Rent and Cash Shortages (continued)

### Cash Longs

If the game has a cash long, the cash long is deposited in the organization's gambling account. The lessor may not keep the cash long as it is the organization's money.

Frequent cash longs could indicate that a seller is not returning the correct change to customers, or that proceeds from one game are being placed into the cash drawer for another game.

### Cash Shortage Problems

It is the organization's responsibility to monitor cash shortages and take steps to reduce cash shortages. Excessive cash shortages that are reimbursed on a continual monthly basis are usually temporary theft.

- Q. **Our leased site has high cash shortages that run about 1% every month. We deduct the shortages from rent every month. As long as we get our money, what's the problem?**
- A. The problem is that it is temporary theft. Your organization's money is being "borrowed" and that is theft. Also, the missing money is not available for the organization to use as the organization doesn't get it back until it is deducted from rent.

### How Can Cash Shortages Be Reduced?

It is the organization's responsibility to monitor cash shortages at all sites and take corrective action to reduce cash shortages.

**Refer to the *Internal Operations* chapter for comprehensive information on cash shortages.**

# Utilities

## What is Allowed

**Owned premises**—If an organization owns the permitted premises, the percentage of utilities that is directly related to gambling may be paid as an allowable expense. Utilities may include heating, cooling, lighting, water, and telephone services.

**Licensed veterans and fraternal organizations** that wholly own or wholly lease a building as their primary headquarters may qualify to report certain utility costs for that building as a lawful purpose expenditure. Refer to Code A16 in the *Lawful Purpose Expenditures* chapter.

**Leased premises**—If an organization leases the premises, rent is all-inclusive and no utilities may be paid for that site.

## OWNED PREMISES ONLY—Formula for Determining Utilities Percentage

**Square footage**

- A. Calculate the square footage specifically used for gambling. Do a separate calculation for each type of gambling activity not conducted in the same area, and add all amounts.....A. \_\_\_\_\_sq. ft.
- B. Calculate the total area of the premises. If the premises has multiple levels, include the total square footage for all levels.....B. \_\_\_\_\_sq. ft.

**Hours used**

- C. Calculate the hours the area is used for gambling each week. Do a separate calculation for each type of gambling activity not conducted in the same area, and add all amounts.....C. \_\_\_\_\_hours
- D. Calculate the hours the entire premises is open for business each week. ....D. \_\_\_\_\_hours

**Percentage allowed**

- E. Divide figure A by figure B ..... \_\_\_\_\_
- F. Divide figure C by figure D ..... \_\_\_\_\_
- G. Multiple figure E by figure F. This is your allowable percentage ..... \_\_\_\_\_%

**Example**

- The bingo area has 3,000 square feet. A = 3,000
- The premises has 12,000 total square feet. B = 12,000
- Bingo is conducted 8 hours a week. C = 8
- The building is open 72 hours a week. D = 72
- E = .25
- F = .11
- G = 3%

**Result**

The percentage of utilities directly related to bingo in this example equals 3%. If the monthly utility bill from the electric company is \$600, then:

- \$18 (\$600 × 3%) could be paid from the gambling account directly to the utility company.
- The remainder of the bill would be paid from the organization’s general account.

## Utilities (continued)

### Pay Directly to Vendor by Check or Electronic Transaction

**Check**—The percentage of the allowed utility cost directly related to gambling may be paid from the gambling bank account by check made payable directly to the utility vendor, such as the electric association or gas company. The check may not be issued to a third party.

—OR—

**Electronic transaction**—Or, it may be paid by an electronic transaction from the gambling bank account directly to a bank account specified by the utility company. For each electronic transaction, the monthly gambling bank statement must provide the date, amount, payee’s name, and transaction number or payee’s account number.

## Other Expenses

### What is Allowed

Other expenses may be allowed, if they are determined to be directly related to the conduct of gambling. Contact your Compliance Specialist with questions.

### Items Not Used Exclusively for Gambling—Percentage Allowed

In some cases, an organization may use gambling funds to help purchase an item that will not be used exclusively for lawful gambling. However, first determine the percentage of the expenditure that applies directly to gambling.

**EXAMPLE**—A portion of the cost to purchase or lease a copy machine used to copy gambling reports and other items related to gambling may be taken as an allowable expense. If 25% of the machine use is related to gambling, then 25% of the cost of the copy machine is an allowable expense:

- Pay the 25% allowable expense portion from the gambling bank account.
- Pay the remaining 75% from your general account.

Maintain documentation verifying that the 25% allowable expense portion is directly related to gambling.

### Questions Regarding Allowable Expenses?

Other questions regarding allowable expenses should be directed to your Compliance Specialist at the Gambling Control Board.

# LAWFUL PURPOSE EXPENDITURES

This chapter covers the expenditures that an organization makes from its gambling account for donations and certain taxes. Some LPE are also called "charitable contributions".



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<b>Lawful Purpose Expenditures Code Summary</b>		
This one-page chart lists the lawful purpose expenditures that are allowed, and the codes to use when reporting these expenditures. Refer to the code information for restrictions not noted in this chart.		
CODE	CODE	CODE
<b>1</b> To and by 501(c)(3) organizations or 501(c)(4) festival organizations.	<b>11</b> To and by a nonprofit organization which is a church or a body of communicants.	<b>18</b> Fees paid to the state for organization license, premises permits, and gambling manager license.
<b>2</b> Relieving the effects of poverty, homelessness, or disability.	<b>12</b> Water quality testing for public waters, provided that the MPCA has approved the project.	<b>19</b> Recognizing humanitarian service demonstrated through volunteerism or philanthropy.
<b>3</b> Program for education, prevention, or treatment of problem gambling.	<b>13</b> - Wildlife management project that benefits the public-at-large, provided that the DNR has approved the project.  - Costs related to grooming and maintaining snowmobile or all-terrain vehicle trails that are grant-in-aid trails, or other trails open to public use, provided that DNR has approved the project.  - Supplies and materials for safety training and education programs coordinated by the DNR.	<b>20</b> Contribution to another licensed organization, with Board approval.
<b>4</b> Funding a public or private nonprofit education institution registered with or accredited by Minnesota or any other state.		<b>21</b> Contribution to a parent organization that has received prior Board approval.
<b>5</b> Scholarships.		<b>Real Property/Capital Assets</b>
<b>6</b> - Recognition of military service (open to the public). - Active military personnel in need.		<b>22</b> Repair, maintenance, or improvement of owned real property and capital assets, or replacement of owned capital asset that is no longer repairable, subject to annual limit.
<b>7</b> Activities and facilities benefiting youth under age 21.		<b>23</b> Acquisition or improvement of capital assets (excluding real property) used exclusively for lawful purpose, with a cost greater than \$2,000, with Board approval.
<b>8</b> Payment of local, state, and federal taxes on receipts from lawful gambling.	<b>14</b> Conducting nutritional programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled.	<b>24</b> Acquisition, erection, improvement, or expansion of real property used exclusively for lawful purpose, with Board approval.
<b>9</b> Real estate taxes and assessments on gambling premises:  - owned by a licensed organization (includes veterans organizations), or - wholly leased by a licensed 501(c)(19) veterans organization.	<b>15</b> To community arts organizations or expenditures to fund arts programs in the community.	
<b>10</b> - Contributions to the United States, state of Minnesota, or any of its subdivisions or agencies or instrumentalities (except a direct contribution to a law enforcement or prosecutorial agency).  - A fund administered and regulated by a city or county (for lawful purposes).	<b>16</b> Utility costs (fuel for heating, water, electricity, and sewer costs) for building wholly owned or wholly leased by licensed veteran or fraternal organizations and used as their primary headquarters (if portion leased out, percentage for primary headquarters allowed with Gambling Control Board director approval).	<b>25</b> Erection or acquisition of comparable building to replace building destroyed or made uninhabitable due to fire or catastrophe, or taken or sold under eminent domain proceeding, with Board approval.
		<b>26</b> Contribution to non-licensed 501(c)(19) organization that is not affiliated with contributing organization and whose owned or leased property is not a permitted premises.
	<b>17</b> Meals and other membership events of licensed veterans organizations, limited to members and spouses only, held in recognition of military service (limit \$5,000 per year for all organizations at post home).	

## Lawful Purpose Rating

For each 12-month period (July to June) a licensed organization will be evaluated by the Gambling Control Board to determine a rating based on the percentage of annual net receipts (gross receipts less prizes paid) spent on lawful purpose expenditures.

### Star Rating Determined

Organizations will be evaluated according to the following criteria.

<b>% Spent on Lawful Purpose</b>	<b>Rating</b>	
more than 50%.....	5 star	★ ★ ★ ★ ★
more than 40%.....	4 star	★ ★ ★ ★
more than 30%.....	3 star	★ ★ ★
more than 20%.....	2 star	★ ★ One year automatic probation
Less than 20%.....	1 star	★ One year automatic probation

EXCEPTION: For an organization that conducts lawful gambling exclusively in a location where the primary business is bingo, the minimum rating is 20%.

### Automatic Probation for 1 and 2 Star Ratings

- An organization that fails to expend a minimum of 30% of annual net receipts on lawful purposes is automatically on probation for the following fiscal year starting on July 1.
- By the end of the one-year probationary period, the organization must increase their rating to a minimum of 30% or be subject to sanctions by the Gambling Control Board.
- If an organization fails to meet the minimum after a one-year probation, the Board may suspend the organization’s license or impose a civil penalty of up to \$10,000.

### Suspension or Civil Penalty Criteria

Before imposing a suspension or civil penalty, the Board will take into consideration the following factors that may have caused an organization to not meet the minimum rate of profitability:

1. the purchase of capital assets necessary to conduct lawful gambling;
2. road or other construction causing impaired access to the lawful gambling premises;
3. flood, tornado, or other catastrophe that had a direct impact on the continuing lawful gambling operation; and
4. any other unique factors or circumstances that the organization presents to the Board for consideration.

## Lawful Purpose Rating (continued)

### Monitoring by Organization Encouraged

Organizations are encouraged to monitor their lawful purpose rating using the LG1012 Worksheet—Lawful Purpose Rating.

For a copy of the most recent version of the LG1012 go to [www.mn.gov/gcb](http://www.mn.gov/gcb), or contact your Compliance Specialist at the Gambling Control Board.

## LPE Codes

Contribution to another licensed organization .....see code 20  
 State-level parent organization .....see code 21  
 Electronic transactions are allowed for all lawful purpose expenditures.

Keep documentation, such as receipts and invoices, to support each expenditure.

Code	Expenditures by	Expenditures To (examples)
<b>1</b>	Licensed 501(c)(3) organization or licensed 501(c)(4) festival organization, for its primary purpose.  <div style="border: 1px dashed black; padding: 5px;"> <p><b>Repair or maintenance</b> of capital assets and real property used exclusively for code 1 does not require Gambling Control Board approval.</p> <p><b>Capital assets</b>—For the acquisition or improvement of capital assets with a cost greater than \$2,000 per item or project, refer to code 23.</p> <p><b>Real property</b>—For real property, refer to code 24.</p> </div>	<ul style="list-style-type: none"> <li>• 501(c)(3) or 501(c)(4) festival organization general fund or transfer to separate account within the general fund, for its primary purpose.   <b>Each year</b>, the organization must meet 70/30 standards for general fund expenditures.                       Note that the “49% membership in common” restriction (see below) does not apply to the transfer of funds by a 501(c)(3) or 501(c)(4) festival organization to its own general fund.</li> <li>• Vendor, for goods and services for lawful purpose (primary purpose).</li> </ul>
<b>1</b>	All licensed gambling organizations.  <b>Contributions may not be made if the recipient organization:</b> <ol style="list-style-type: none"> <li>1. exists primarily for the purpose of receiving and distributing gambling profits;</li> <li>2. has more than 49% of its membership in common with the contributing organization; or</li> <li>3. has an officer, director, or other person in a managerial position who is also an officer, director, or management person in the contributing organization.</li> </ol>	<ul style="list-style-type: none"> <li>• Non-licensed 501(c)(3) organization.</li> <li>• Non-licensed 501(c)(4) festival organization.                             <ul style="list-style-type: none"> <li>– The contributing organization must have an IRS determination letter for the recipient organization to support a donation made to that organization.</li> <li>– If payment is by check, make the check payable to the organization as named on the IRS determination letter.</li> </ul> </li> <li>• Licensed 501(c)(3) organization. Refer to code 20.</li> <li>• Licensed 501(c)(4) festival organization. Refer to code 20.</li> </ul>

<b>A Codes</b> (continued)		
<b>Code</b>	<b>Expenditures By</b>	<b>Expenditures To (examples)</b>
<b>2</b>	<p>All licensed gambling organizations, to relieve the effects of poverty, homelessness, or disability, provided the entire amount of the contribution is used to relieve one or more of these effects.</p> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><b>Repair or maintenance</b> of capital assets and real property used exclusively for code 2 does not require Gambling Control Board approval.</p> <p><b>Capital assets</b>—For the acquisition or improvement of capital assets with a cost greater than \$2,000 per item or project, refer to code 23.</p> <p><b>Real property</b>—For real property, refer to code 24.</p> </div>	<ul style="list-style-type: none"> <li>• Individual or family.</li> <li>• Nonprofit corporation that exists exclusively for these relief purposes.</li> <li>• Vendor, for goods or services for the family or individual for these purposes.</li> <li>• Unit of government. Refer to code 10.</li> </ul> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;"><b>Relieving the effects of a disaster</b></p> <p>An organization may spend net profits to relieve the effects of a disaster as defined in Minnesota Statutes, Section 12.03, subdivision 2, without prior membership approval if the contribution is:</p> <ul style="list-style-type: none"> <li>• a lawful purpose as defined under Minnesota Statutes, Section 349.12, subdivision 25 (example: code 2, a contribution to an individual to relieve the effects of homelessness or poverty caused by a disaster);</li> <li>• authorized by the organization’s chief executive officer and gambling manager; and</li> <li>• approved by the membership at the next monthly meeting. If the contribution is not approved by the membership at its next monthly meeting, the organization must reimburse its gambling account in the amount of the contribution.</li> </ul> <p>“Disaster” means a situation that creates an actual or imminent serious threat to health and safety of persons, or a situation that has resulted or is likely to result in catastrophic loss to property or the environment; and for which traditional sources of relief and assistance within the affected area are unable to repair or prevent the injury or loss. See Minnesota Statutes, Section 12.03, subdivision 2.</p> </div>
<b>3</b>	<p>All licensed gambling organizations, for education, prevention, or treatment of problem gambling.</p>	<ul style="list-style-type: none"> <li>• Problem gambling program recognized by the Minnesota Department of Human Services.</li> <li>• Unit of government. Refer to code 10.</li> </ul>
<b>4</b>	<p>All licensed gambling organizations, for funding a public or private nonprofit educational institution registered with or accredited by the state of Minnesota or any other state.</p>	<ul style="list-style-type: none"> <li>• Private, accredited, nonprofit educational institution.</li> <li>• Public school. An LG555 must be completed and kept in the organization records.</li> <li>• Vendor, for goods or services benefiting a private nonprofit or public educational institution.</li> <li>• Licensed gambling organization that is a nonprofit educational institution. Refer to code 20.</li> </ul>

**A Codes** (continued)

<b>Code</b>	<b>Expenditures By</b>	<b>Expenditures To (examples)</b>
<b>5</b>	All licensed gambling organizations, for scholarships to defray the cost of education to individuals.	<ul style="list-style-type: none"> <li>• Nonprofit organization whose mission is to award scholarships.</li> <li>• Organization’s own scholarships where the scholarship process must:                             <ul style="list-style-type: none"> <li>– be awarded through an open and fair selection process that does not discriminate based on race, gender, religion, national origin, marital status, disability, or age;</li> <li>– not be limited to organization members or their immediate families;</li> <li>– have criteria for selection that is communicated to all participants and organization members; and</li> <li>– ensure that scholarship winners are made public and communicated to organization members.</li> </ul> </li> <li>• Individual scholarship award.</li> <li>• Student and school.</li> <li>• Public school for general scholarships. Refer to code 4.</li> </ul>
<b>6</b>	All licensed gambling organizations, for recognition of military service.	<ul style="list-style-type: none"> <li>• Individual. A member of the contributing organization is limited to \$10, with a total limit of \$100 in a 12-month period, except for color guard or honor guards.</li> <li>• Individual, for participating in color guard, honor guard, or marching unit events in Minnesota or states bordering Minnesota.                             <ul style="list-style-type: none"> <li>– \$50 per day limit, with no limit in a 12-month period.</li> </ul> </li> <li>• Individual, for mileage reimbursement for providing color guard, honor guard or marching unit transportation in Minnesota or states bordering Minnesota.</li> <li>• Vendor, for purchase of goods used in activities recognizing military service, such as flags, color guard uniforms, parade rifles, bugles, etc.</li> <li>• Active military personnel and their immediate family members in need of support services (immediate family member means persons living in the same residence as the active military personnel).</li> <li>• Vendor, for purchase of goods, services, or for activities open to the public in recognition of military service, such as Memorial Day or Veterans Day services, provided that the expenditure does not result in any organization member receiving any money, or goods or services with a market value greater than \$10, with a total limit of \$100 in a 12-month period. This limit does not apply to active military personnel and their immediate family members in need of support services.</li> <li>• Unit of government. Refer to code 10.</li> </ul>

<b>A Codes</b> (continued)		
<b>Code</b>	<b>Expenditures By</b>	<b>Expenditures To (examples)</b>
<b>7</b>	<p>All licensed gambling organizations, for activities benefiting youth under age 21.</p> <p><b>Gender equity</b>—A licensed gambling organization that makes a greater percentage of its lawful purpose expenditures on facilities or activities for one gender may not deny a reasonable request for funding for the underrepresented gender if the request meets lawful purpose.</p>	<ul style="list-style-type: none"> <li>• Youth participating in community, recreational, or athletic activities.</li> <li>• Vendor, for purchase of goods or services benefiting youth (for example, equipment purchases, bats, balls, gloves, hockey sticks, skates, uniforms, equipment repairs, etc.).</li> <li>• Vendor, for fees and other costs of youth activities (for example, tournament fees, umpire fees, coach wages, ice time, field rental, etc.).</li> <li>• Community activities for youth, youth recreation, or youth athletic organization.</li> <li>• Unit of government. Refer to code 10.</li> <li>• Minnesota state-level parent organization for programs approved by the Gambling Control Board. Refer to code 21.</li> <li>• Licensed lawful gambling organization. Refer to code 20.</li> </ul> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><b>Repair or maintenance</b> of capital assets and real property used exclusively for code 7 does not require Gambling Control Board approval.</p> <p><b>Capital assets</b>—For the acquisition or improvement of capital assets with a cost greater than \$2,000 per item or project, refer to code 23.</p> <p><b>Real property</b>—For real property, refer to code 24.</p> </div>
<b>8</b>	<p>All licensed gambling organizations, for payment of local, state, and federal taxes on receipts from lawful gambling; gambling tax refund, if any.</p>	<ul style="list-style-type: none"> <li>• Combined net receipts tax.</li> <li>• 8.5% tax on non-linked bingo and raffle net receipts.</li> <li>• The 0.125% monthly regulatory fee.</li> <li>• Department of Revenue (M-4NP).</li> <li>• IRS, for 990T, 730 if applicable, and 11-C for the organization only. 11-C taxes for individuals are an allowable expense.</li> <li>• Local unit of government, for local gambling tax up to 3%.</li> <li>• Refunds of any of the above items are entered on LG100C as a negative amount.</li> </ul> <p>The LG555 is not required for these expenditures.</p>

## A Codes (continued)

Code	Expenditures By	Expenditures To (examples)
<b>9</b>	<p>All licensed gambling organizations for payment of real estate taxes and assessments on a permitted gambling premises owned by the organization.</p> <p>All licensed veterans organizations, recognized as 501(c)(19) of the Internal Revenue Code, for payment of real estate taxes and assessments on a permitted gambling premises owned or wholly leased by the organization.</p>	<ul style="list-style-type: none"> <li>• County.</li> <li>• City.</li> </ul> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><b>Restrictions</b>                      Property taxes may be paid only on the building that is the permitted premises and the parcel of land on which the building stands.</p> <p>Taxes <u>may not</u> be paid for separate parcels of land or buildings for which the organization has no premises permit.</p> </div> <p><b>NOTE:</b> Your organization may qualify for a property tax special classification of 4c(3)(ii) if your organization meets certain requirements. Contact your county assessor for information.</p>
<b>10</b>	<p>All licensed gambling organizations, for contributions to the United States, the state of Minnesota or any of its subdivisions or agencies or instrumentalities.</p> <div style="border: 1px dashed black; padding: 5px; margin-top: 20px; width: fit-content;"> <p>A direct contribution to a law enforcement or prosecutorial agency is not allowed.</p> </div>	<p>All of these expenditures must be supported by a completed LG555. Keep the LG555 in the organization records.</p> <ul style="list-style-type: none"> <li>• Minnesota city or city unit.</li> <li>• Minnesota county or county unit.</li> <li>• Minnesota township or township unit.</li> <li>• State of Minnesota or governmental unit.</li> <li>• United States government or governmental unit.</li> <li>• School district. Refer to code 4.</li> </ul>
<b>10</b>	<p>All licensed gambling organizations, for a contribution to a 10% (maximum) fund administered and regulated by a city or a county.</p>	<p>Fund administered by:</p> <ul style="list-style-type: none"> <li>• A city or city unit.</li> <li>• A county or county unit.</li> <li>• An entity designated by city or county for receipt of the funds.</li> </ul> <p>Cities or counties (not townships) are authorized to establish this fund by local ordinance under Minnesota Statutes, Section 349.213. The city or county must disburse the fund receipts for lawful purposes and report annually to the Gambling Control Board on the collection and disbursements of the fund.</p> <p>The LG555 is not required for these expenditures.</p> <p>Refer to the <i>Directory and General Information</i> chapter, <i>Local Unit of Government</i> section, for additional information.</p>

<b>A Codes</b> (continued)		
<b>Code</b>	<b>Expenditures By</b>	<b>Expenditures To (examples)</b>
<b>11</b>	All licensed gambling organizations, for contributions to or expenditures by a nonprofit organization that is a church or a body of communicants.	<ul style="list-style-type: none"> <li>• Church.</li> <li>• Body of communicants.</li> <li>• Church, licensed to conduct gambling, to its own general fund.</li> <li>• Church licensed to conduct lawful gambling. Refer to code 20.</li> </ul>
<b>12</b>	All licensed gambling organizations, for expenditures for citizen monitoring of surface water quality testing for public waters by individuals or nongovernmental organizations, with Minnesota Pollution Control Agency (MPCA) guidance on monitoring procedures, quality assurance protocols, and data management, providing that data is submitted to the MPCA.	<p>All of these expenditures must be supported by a completed LG555. Keep the LG555 in the organization records.</p> <ul style="list-style-type: none"> <li>• Individual.</li> <li>• Vendor, for goods or services.</li> <li>• Unlicensed nongovernmental organization.</li> </ul> <p>For capital assets that will be owned by the organization, refer to code 23.</p>
<b>13</b>	<p>All licensed gambling organizations, for a project or an activity approved by the DNR for:</p> <ul style="list-style-type: none"> <li>• wildlife management projects that benefit public at large,</li> <li>• grant-in-aid trail maintenance and grooming for snowmobile and all-terrain vehicle trails established under Minnesota Statutes, Sections 84.83 and 84.927, including purchase or lease of equipment,</li> <li>• supplies and materials for safety training and education programs coordinated by the DNR, including the Enforcement Division.</li> </ul>	<p>All of these expenditures must be supported by a completed form LG555. Keep the LG555 in the organization records.</p> <ul style="list-style-type: none"> <li>• Individual.</li> <li>• Organization.</li> <li>• Unit of government. Refer to code 10.</li> <li>• Vendor, for goods or services.</li> <li>• Licensed gambling organizations. Refer to code 20.</li> </ul> <div style="border: 1px dashed black; padding: 5px;"> <p><b>Repair or maintenance</b> of capital assets and real property used exclusively for code 13 does not require Gambling Control Board approval.</p> <p><b>Capital assets</b>—For the acquisition or improvement of capital assets with a cost greater than \$2,000 per item or project, refer to code 23.</p> <p><b>Real property</b>—Refer to code 24.</p> </div>
<b>14</b>	All licensed gambling organizations, for contributions to nutrition programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled.	<ul style="list-style-type: none"> <li>• Non-licensed organization.</li> <li>• Unit of government. Refer to code 10.</li> <li>• Vendor, for goods or services.</li> </ul> <p>Congregate dining is a qualified nutritional meal that meets the guidelines from the Health Department.</p> <p>NOTE: Paying for meals for senior citizens is not a lawful purpose expenditure unless the meals are part of a congregate dining program or the senior citizens qualify under code 2.</p>
<b>15</b>	All licensed gambling organizations, for contributions to community arts organizations, or expenditures to fund arts programs in the community.	<ul style="list-style-type: none"> <li>• Individual or group.</li> <li>• Unit of government. Refer to code 10.</li> <li>• Public school. Refer to code 4.</li> <li>• Private educational institution. Refer to code 4.</li> <li>• Vendor, for goods or services.</li> <li>• Licensed gambling organizations. Refer to code 20.</li> </ul>

<b>A Codes</b> (continued)		
<b>Code</b>	<b>Expenditures By</b>	<b>Expenditures To (examples)</b>
<b>16</b>	All licensed veterans and fraternal organizations for a building wholly owned or wholly leased and used as its primary headquarters—for payment of fuel for heating, sewer costs, water, and electricity.	<ul style="list-style-type: none"> <li>• Vendor, for services.</li> </ul> <p><b>NOTE:</b></p> <ul style="list-style-type: none"> <li>• If you own your building but sublease out a portion of it, apply to the director of the Gambling Control Board to pay utilities for portion used as headquarters.</li> <li>• Use of building for temporary functions such as weddings, parties, meetings, etc. is not considered sublease.</li> <li>• If subleased to the auxiliary for \$0, not considered a sublease.</li> <li>• May pay percentage of garbage and other utility costs directly related to the conduct of gambling as an allowable expense.</li> </ul>
<b>17</b>	All licensed veterans organizations for meals and other membership events, limited to members and spouses only, held in recognition of military service.	<ul style="list-style-type: none"> <li>• Vendor, for goods or services.               <ul style="list-style-type: none"> <li>- Limit \$5,000 per calendar year in total for all licensed veterans organizations sharing the same veterans post home.</li> </ul> </li> </ul> <p>For events open to the public, refer to code 6.</p>
<b>18</b>	All licensed gambling organizations, for its annual state organization license, premises permit, and gambling manager license fees.	<ul style="list-style-type: none"> <li>• State of Minnesota (Gambling Control Board).</li> </ul>
<b>19</b>	All licensed gambling organizations for contributions or expenditures to honor an individual's humanitarian service demonstrated through philanthropy or volunteerism to the United States, the state of Minnesota, or the local community.  <b>NOTE:</b> This category includes expenditures made for transportation, food, and beverages given to persons donating blood.	<ul style="list-style-type: none"> <li>• Individual.</li> <li>• Vendor, for goods or services used in activities recognizing humanitarian service, provided that the expenditure is limited to the person(s) being honored.  Example: Dinner honoring volunteers who worked filling sandbags during a potential flood.</li> <li>• Vendor, for purchase of goods given to person(s) being honored.</li> </ul>
<b>20</b>	All licensed gambling organizations, for contributions to another licensed organization, with prior Gambling Control Board approval.	<ul style="list-style-type: none"> <li>• Licensed organization. Use the LG270 request form.  The contribution must be used by the recipient organization for one or more of the following lawful purposes: Codes 1 to 7, 11 to 15, 19, or 25 (fire or other catastrophe).</li> </ul>
<b>21</b>	All licensed gambling organizations with a parent organization, for a contribution to their parent organization.  Example: <ul style="list-style-type: none"> <li>• VFW Posts may contribute to VFW state-level programs approved by the Gambling Control Board.</li> <li>• However, the VFW Auxiliary, American Legion, or other licensed organizations may not contribute to the state-level VFW and its approved programs.</li> </ul>	<ul style="list-style-type: none"> <li>• Parent organization, state-level. The contribution is allowed if:           <ol style="list-style-type: none"> <li>1. the parent organization has not provided to the contributing organization, within one year of the contribution, any money, grants, property, or other thing of value, and</li> <li>2. the parent organization has received prior Gambling Control Board approval for the contribution that will be used for a program that meets one or more of the following lawful purposes: 1 to 7, 11 to 15, 19, or 25.</li> </ol> </li> </ul>

<b>A Codes</b> (continued)		
<b>Code</b>	<b>Expenditures By</b>	<b>Expenditures To (examples)</b>
<b>22</b>	<p>All licensed gambling organizations, for the repair, maintenance, or improvement of real property and capital assets owned by an organization, or for the replacement of capital assets, owned by the organization, that can no longer be repaired.</p> <p>The real property or capital assets must be made available to other nonprofits free of charge and the location must be used for the organization's primary headquarters or primary mission.</p> <p><b>NOT ALLOWED:</b></p> <ul style="list-style-type: none"> <li>- building expansions;</li> <li>- commercial portion of building, gambling-related, such as gambling manager's office, booths, storage;</li> <li>- organization office equipment; or</li> <li>- bar-related expenditures, such as remodeling, equipment, smoking room, patio/deck for bar/restaurant.</li> </ul>	<p>Vendor, for goods or services.</p> <p><b>Annual limit</b> There is a fiscal year limit of 5% of gross profits from the previous fiscal year (July through June). Use the (optional) LG267 Worksheet to track expenditures.</p> <p>Prior Gambling Control Board approval is required for expenditures that exceed the limit due to extenuating circumstances. (Use the LG269 request form.)</p> <p><b>Replacement building</b> Prior Gambling Control Board approval is required to apply amounts within the annual limit towards the construction or acquisition of a replacement building that is in compliance with the Americans with Disabilities Act (ADA). (Use LG268 request form.)</p>
<b>23</b>	<p>All licensed gambling organizations, for the acquisition or improvement of <b>capital assets</b> (excluding real property) used exclusively for lawful purpose.</p>	<ul style="list-style-type: none"> <li>• Vendor, for goods or services, with a cost over \$2,000. <ul style="list-style-type: none"> <li>- Prior Gambling Control Board approval required.</li> <li>- Use LG266 request form.</li> </ul> </li> </ul>
<b>24</b>	<p>All licensed gambling organizations, for the acquisition, erection, improvement, or expansion of <b>real property</b> used exclusively for lawful purpose, with Board approval.</p>	<ul style="list-style-type: none"> <li>• Vendor, for goods or services. <ul style="list-style-type: none"> <li>- Prior Gambling Control Board approval required.</li> <li>- Use the LG266 request form.</li> </ul> </li> </ul>
<b>25</b>	<p>All licensed gambling organizations, for the erection or acquisition of comparable building to replace a building destroyed or made uninhabitable due to <b>fire or other catastrophe</b>, or taken or sold under an <b>eminent domain</b> proceeding.</p>	<ul style="list-style-type: none"> <li>• Vendor, for goods or services. <ul style="list-style-type: none"> <li>- Prior Gambling Control Board approval required.</li> <li>- For fire/catastrophe, use LG262 request form.</li> <li>- For eminent domain, use LG263 request form.</li> </ul> </li> </ul>
<b>26</b>	<p>All licensed gambling organizations, for a contribution to a non-licensed 501(c)(19) organization.</p> <p><b>NOTE:</b> Contribution must be used for lawful purpose or for primary mission. May not be used for building expansion or bar-related expenditures.</p>	<ul style="list-style-type: none"> <li>• Non-licensed 501(c)(19) organization. <ul style="list-style-type: none"> <li>- Restrictions on recipient organization: <ul style="list-style-type: none"> <li>- does not have organization license issued by the Board,</li> <li>- is not affiliated with the contributing organization, and</li> <li>- recipient organization's owned or leased property is not a permitted premises.</li> </ul> </li> </ul> </li> </ul>

## Guidelines at a Glance

### Real Property and Capital Assets Used Exclusively for Lawful Purpose

NOTE: These expenditures are not included on the LG267 Worksheet for code 22.  <b>EXAMPLES</b>	Capital Assets		Real Property	The repair or maintenance of capital assets and real property <u>used exclusively for lawful purpose</u> does not require Gambling Control Board approval.
	Acquire or Improve			
	Less than \$2,000 per item or project	More than \$2,000 per item or project	Acquire, erect, expand, improve	
<b>Disability</b> —Wheelchairs, medical equipment.	Code 2	Use LG266 Code 23		Code 2
<b>Disability</b> —Storage shed for wheelchairs, medical equipment.			Use LG266 Code 24	Code 2
<b>Military</b> —Flag poles, memorials.	Code 6	Use LG266 Code 23	Use LG266 Code 24	Code 6
<b>Military</b> —Honor guard equipment, rifles, gun safe.	Code 6	Use LG266 Code 23		Code 6
<b>501(c)(3)</b> —If paid to vendor directly from gambling account.	Code 1	Use LG266 Code 23	Use LG266 Code 24	Code 1
<b>Trails</b> —Building and land for storage.			Use LG266 Code 24	Code 13
<b>Trails</b> —Groomers, truck, trailer, tools, plows, other equipment.	Code 13	Use LG266 Code 23		Code 13
<b>Youth</b> —Playing fields, arenas, related building—dugouts, fencing, lights.			Use LG266 Code 24	Code 7
<b>Youth</b> —Sports equipment, lawn mower, ice surface, etc.	Code 7	Use LG266 Code 23		Code 7

**Other**—Concession stands and other general fundraising items are general fund expenses. They are not lawful purpose.

<b>Expenditures Not Allowed</b>	
Lawful purpose expenditures that are not allowed include the following.	
<b>Benefit to organization making expenditure prohibited</b>	<ul style="list-style-type: none"> <li>• An organization may not retain any control over any expenditure, contribution, or other disposition of gambling gross profits. <b>EXCEPTION:</b> The only exception is for expenditures made by a licensed 501(c)(3) or 501(c)(4) festival organization to its own general fund. (<i>See Minnesota Rules, Part 7861.0320, Subpart 4; and Minnesota Statutes, Section 349.154, subdivision 1</i>)</li> <li>• Any contribution or expenditure that results in any monetary, economic, financial, or material benefit to the organization making the contribution or expenditure.</li> </ul>
<b>Circumventing lawful purpose</b>	Any contribution to a 501(c)(3) organization or other entity with the intent or effect of not complying with lawful purpose restrictions or requirements.
<b>Conflict of interest</b>	Any contribution or expenditure that is not allowed under the conflict of interest provisions of the Minnesota Nonprofit Corporation Act, Minnesota Statutes, Section 317A.255.
<b>Fundraising exception</b>	A contribution or expenditure may not be made for the purposes of fundraising, except for an expenditure by a 501(c)(3) organization or a 501(c)(4) festival organization from its general fund.
<b>Direct law enforcement contribution</b>	A contribution may not be made directly to a law enforcement agency, such as police or sheriff, or to a prosecutorial agency.
<b>Liquor</b>	The purchase of any intoxicating liquor, wine, or malt beverages is not allowed.
<b>Pension or retirement fund (government)</b>	A contribution may not be made to a city, county, or town with the knowledge that the governmental unit intends to use the contribution for a pension or retirement fund.
<b>Political purposes</b>	<ul style="list-style-type: none"> <li>• An expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office.</li> <li>• A contribution for promoting or defeating a ballot question.</li> <li>• A contribution for any activity intended to influence an election or a governmental decision-making process.</li> </ul>
<b>Tax interest, penalties</b>	Interest on taxes, tax penalties, or interest on tax penalties are allowable expenses, not lawful purpose expenditures.

## Advertising

### Youth Activity—Graduation Night Party

- Q. **Parents of our high school seniors have formed a committee to put on a graduation night party for the students.**
- May gambling funds be used to fund and advertise this party?**
- A. Yes. Under lawful purpose code 7, an expenditure may be made for activities intended primarily for persons under age 21. The portion of the advertisement related to the lawful purpose activities must be:
- paid directly to the vendor with gambling funds; and
  - reported as a lawful purpose expenditure on the LG100C, coded as 7.

### Youth Activity—Advertising

- Q. **May our organization advertise lawful purpose activities such as "kids Easter egg hunt"?**
- A. Yes. An organization may advertise activities for promoting youth activities such as:
- Easter egg hunts
  - youth holiday parties
  - gun safety classes
  - recreational activities
  - other youth activities
- These would be coded as 7 on the LG100C.

### Honoring Military Service—Advertising

- Q. **May our organization advertise lawful purpose activities that are open to the public to honor military service?**
- A. Yes. An organization may advertise activities honoring military service by placing an ad in a newspaper or a radio or TV spot. These would be coded as 6 on the LG100C.

### Advertising for Lawful Purpose; Documentation Required

The portion of the advertisement that is related to the lawful purpose activities must be:

- paid directly to the vendor with gambling funds; and
- reported as a lawful purpose expenditure on the LG100C.

The organization is responsible for documenting the portion of the advertisement that is related to the lawful purpose activity.

Copies of all ads (in any medium) must be kept to support the advertising expenditure.

## Required Forms to Use

### Board Request Forms

The following forms are used to request prior approval of the Gambling Control Board for expenditures as required by statute or rule. Consideration of the requests is given by the Gambling Control Board at its monthly board meeting.

**LG262**—Request to Replace Building Destroyed or Made Uninhabitable by Fire or Other Catastrophic Event

**LG263**—Request to Replace Building Taken or Sold Under Eminent Domain Proceeding

- For erection or acquisition of a comparable building to replace an organization-owned building that was taken or sold under an eminent domain proceeding, provided that the expenditure may be only for that part of the replacement cost not compensated to the organization under the eminent domain proceeding.

**LG266**—Request to Replace Real Property or Capital Assets Used Exclusively for Lawful Purpose

- Refer to the guidelines chart for Real Property and Capital Assets Used Exclusively for Lawful Purpose on page 254 of this chapter.
- The repair or maintenance of capital assets and real property used exclusively for lawful purpose does not require Gambling Control Board approval if the project or item is less than \$2,000.
- Use LG267 Worksheet for code 22 Real Property or Capital Assets to track expenditures.

**LG268**—Request for Replacement Building Meeting American with Disabilities Act (ADA) Requirements

**LG269**—Request to Exceed Annual Limit for code 22

- For each current fiscal year (July to June) an organization may expend up to 5% of gross profits for the previous fiscal year's activity (July to June) for certain real property and building-related capital assets.

**LG270**—Request to Contribute Gambling Funds to Another Licensed Gambling Organization

### Government Approval or Acknowledgement

Use the **LG555 Government Approval or Acknowledgement for Use of Gambling Funds** form to support contributions that meet the following lawful purpose codes:

- 4 made to a public school
- 10 made to Unites States, State of Minnesota or any of its subdivisions or agencies (not to include law enforcement or prosecutorial agency)
- 12 water quality testing approved projects by Minnesota Pollution Control Agency (MPCA)
- 13 DNR-approved projects

Keep the completed LG555 form attached to the LG100C in your organization's records. You do not need to submit this form to the Gambling Control Board or Department of Revenue.

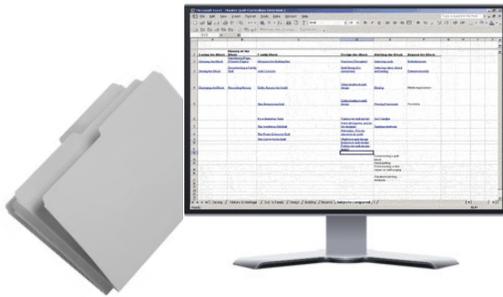
Forms are available at [www.mn.gov/gcb](http://www.mn.gov/gcb) or from the Gambling Control Board. For additional information or questions contact your Compliance Specialist.

# Monthly Reports

This chapter summarizes the monthly reporting requirements for filing forms LG100A, LG100C, and LG100F with the Gambling Control Board.

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## Monthly Reports

Organizations are required to file monthly their lawful gambling receipts and expenses, lawful purpose expenditures (contributions), and lawful gambling fund reconciliation. This is done electronically through GCBReports, which contains:

**LG100A, Lawful Gambling Receipts and Expenses by Site**

(The gross receipts and prizes paid for each form of lawful gambling conducted at a site, and the allowable expenses, cash banks, and ending inventory for that particular site.)

**LG100C, Lawful Purpose Expenditures**

(All lawful purpose expenditures (charitable contributions) for the organization as a whole.)

**LG100F, Lawful Gambling Fund Reconciliation**

(Determines if your bank balance reconciled with your profit carryover at month end.)

These forms are required to be emailed ([gcbreports@state.mn.us](mailto:gcbreports@state.mn.us)) to the Board by the 20th of the following month.

**An LG100, Lawful Gambling Monthly Activity Summary**, is automatically generated based on the data entered on forms LG100A, LG100C, and LG100F. The LG100 is a recommended informational form intended for your organization's internal use. It may also be used by your organization to obtain totals needed to complete the Department of Revenue's gambling tax forms.

Step-by-step instructions for completing and submitting the LG100A, LG100C, and LG100F are contained in the **GCBReports Instruction Booklet**. The Instruction Booklet is provided at the Gambling Manager's Seminar, or can be obtained by calling a Compliance Specialist, or may be downloaded from the Board's website, [www.mn.gov/gcb](http://www.mn.gov/gcb).

<b>Fees and Taxes: Where are They Reported?</b>		
<b>License, Permit, and Regulatory Fees</b>		
<b>Type of Fee</b>	<b>Paid To</b>	<b>Where Reported</b>
Organization license, premises permit, and gambling manager license applications.	State of Minnesota—Gambling Control Board.	LG100C, code 18.
Monthly regulatory fee (0.125% of gross receipts) Gambling Control Board.	Department of Revenue.	LG100C, code 8.
Local government investigation fee (may not impose local gambling tax if investigation fee imposed).	City or county.	LG100A, Line 17.
Charitable organization registration (annual fee).	Minnesota Office of Attorney General.	LG100A, Line 21.
<b>Taxes on Lawful Gambling</b>		
<b>Type of tax</b>	<b>Paid to</b>	<b>Where reported</b>
Gambling tax on paper and hard card bingo, paddlewheel, and raffles, imposed by state of Minnesota (monthly).	Department of Revenue.	LG100C, code 8.
Combined net receipts tax on gambling income not listed above, imposed by state of Minnesota.	Department of Revenue.	LG100C, code 8.
Local gambling tax, up to 3%, if applicable (may not impose investigation fee if local gambling tax imposed).	City or county.	LG100C, code 8.
11-C Occupational Tax and Registration Return for Wagering (annual fee).	IRS.	<ul style="list-style-type: none"> <li>• 11-C tax on individuals who accept wagers is reported as an allowable expense on LG100A, Line 21.</li> <li>• 11-C tax on the organization is reported as lawful purpose on LG100C, code 8.</li> </ul>

## Fees and Taxes: Where are They Reported? (continued)

### Taxes on Lawful Gambling (continued)

Type of Tax	Paid To	Where Reported
Taxes related to lawful gambling as an unrelated business expense: <ul style="list-style-type: none"> <li>• 990-T Exempt Organization Business Income Tax Return</li>   <li>• 730 Monthly Tax Return for Wagers (excise tax)</li>   <li>• M-4NP State Franchise Tax for Nonprofit Organizations</li> </ul>	IRS.  IRS.  Minnesota Department of Revenue.	LG100C, code 8, for the portion of tax related to lawful gambling.  LG100C, code 8, for the portion of tax related to lawful gambling.  LG100C, code 8, for the portion of tax related to lawful gambling.
Interest on taxes, tax penalties, and interest on tax penalties.	Department of Revenue or IRS.	LG100A, Line 14.
Payroll taxes (various state and federal forms for income taxes, federal unemployment tax, state unemployment compensation tax, worker's compensation insurance, FICA, etc.).	Various state and federal agencies.	LG100A, Line 13.
Taxes withheld on prizes: Contact the IRS at 1-800-829-1040 for information.	Contact the IRS at 1-800-829-1040 for information.	Amounts withheld included in prizes paid on LG100A, Lines 1-9, Column B.

**NOTE:** This may not be a complete list. Additional taxes may be required or an organization may be required to make estimated tax payments throughout the year.

# DIRECTORY and GENERAL INFORMATION

This chapter lists state and federal agencies that can assist an organization with questions on lawful gambling and provides information about the Gambling Control Board.

Also included are helpful hints on locating lawful gambling statutes and rules.



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<b>Minnesota Gambling Control Board</b> <a href="http://www.mn.gov/gcb">www.mn.gov/gcb</a>		
<b>Mailing address, phone numbers, and hours</b>	Gambling Control Board Suite 300 South 1711 West County Road B Roseville, MN 55113 <b>651-539-1900</b>	Gambling Control Board West Park Office Building 1415 College Way Fergus Falls, MN 56537 <b>218-332-3024</b> <b>218-332-3028</b>
	Gambling Control Board Suite 208 522 East Howard Street Hibbing, MN 55746 <b>218-231-0532</b> <b>218-231-0534</b>	Gambling Control Board Suite 110 430 South Broad Street Mankato, MN 56001 <b>507-344-7033</b> <b>507-344-7036</b>
Roseville office hours: 8:00 a.m. - 4:30 p.m., Monday through Friday. Regional office hours may vary. Please call to schedule an appointment.		
<b>Gambling Control Board meetings and committees</b>	<p>The Minnesota Gambling Control Board conducts monthly meetings. Meetings begin at 10:00 a.m., and are free and open to the public. A portion of each meeting is devoted to public comment. No registration is required to attend. Meeting dates and the location are published at <a href="http://www.mn.gov/gcb">www.mn.gov/gcb</a> and in the <i>Gaming News</i>.</p> <p>The Gambling Control Board has the following committees:</p> <ul style="list-style-type: none"> <li>• The Compliance Review Group (CRG) meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules.</li> <li>• The Rules Committee works with Board staff and Public Advisory Committees (PACs) to develop rules that make the lawful gambling laws more specific.</li> <li>• The Legislative Committee considers legislative proposals regarding lawful gambling.</li> <li>• The Executive Committee hears appeals of denied license or permit applications.</li> </ul>	
<b>Licensing and permits</b> (Roseville office only)	<ul style="list-style-type: none"> <li>• Organizations, gambling managers, premises permits.</li> <li>• Linked bingo game providers.</li> <li>• Distributors and distributor salespersons.</li> <li>• Manufacturers.</li> </ul>	
<b>Education and outreach</b>	<ul style="list-style-type: none"> <li>• Compliance Specialist and Licensing Specialist assigned to each organization.</li> <li>• Compliance review of organization records and operations.</li> <li>• Gambling manager seminars.</li> <li>• Continuing education classes.</li> <li>• Speaking engagements.</li> <li>• Technical assistance provided regarding gambling statutes and rules.</li> <li>• Mentoring (one-on-one assistance for licensed organizations).</li> <li>• Lawful Gambling Manual.</li> <li>• <i>Gaming News</i> newsletter.</li> </ul>	

**Minnesota Department of Revenue**  
[www.revenue.state.mn.us/gambling-taxes](http://www.revenue.state.mn.us/gambling-taxes)

State taxes are imposed on the receipts from lawful gambling in Minnesota.  
 For more detailed information, contact the Department of Revenue.

**Mailing address, phone number, and hours** Minnesota Department of Revenue  
 Lawful Gambling Tax Unit  
 Mail Station 3350  
 St. Paul, MN 55146-3350  
**651-297-1772**

Office hours: 8:00 a.m. - 4:30 p.m., Monday through Friday

**Location** 600 North Robert Street  
 St. Paul, MN

**Email** Email questions to [lawfulgambling.taxes@state.mn.us](mailto:lawfulgambling.taxes@state.mn.us)

- Services provided**
- Lawful gambling tax forms and instructions.
  - Auditing of tax returns.
  - Annual audit information.
  - Annual certified inventory and cash count.
  - UBIT (M4NP).

**Minnesota Department of Public Safety**  
[www.dps.mn.gov](http://www.dps.mn.gov)

**Mailing address, phone number, and hours** Department of Public Safety  
 Alcohol and Gambling Enforcement Division  
 445 Minnesota Street (Skyway level)  
 St. Paul, MN 55101  
**651-201-7500, ext. 3**

Office hours: 8:00 a.m. - 4:30 p.m., Monday through Friday

- Services provided**
- Investigate illegal gambling activities.
  - Answer questions on possible illegal gambling.
  - Conduct criminal investigations.
  - Provide background investigations for individuals involved in lawful gambling.

## Internal Revenue Service

[www.irs.gov/forms-instructions](http://www.irs.gov/forms-instructions)

Certain federal forms are required, and taxes are imposed on the net receipts of lawful gambling in Minnesota. For more detailed information, contact the Internal Revenue Service.

**Information and phone numbers**

For general information regarding forms 940, 941, W-2, 1099 W2-G, and I-9, call 1-800-829-1040.

For information regarding forms 11-C, 730, 990, and 990-T, call 1-877-829-5500.

## Minnesota's Bookstore

[www.mnbookstore.com](http://www.mnbookstore.com)

**Address and phone numbers**

Minnesota's Bookstore  
660 Olive Street  
St. Paul, MN 55155

Toll-free: 1-800-657-3757  
Metro: 651-297-3000  
Fax: 651-215-5733

**Publications available**

- Lawful Gambling Manual
- Statutes
- Rules
- Lists of licensed organizations with addresses

## Other Important Telephone Numbers & Websites

**Problem Gambling Helpline**

1-800-333-HOPE    Minnesota Department of Human Services  
[www.getgamblinghelp.com](http://www.getgamblinghelp.com)

**Department of Employment and Economic Development**

**Unemployment insurance**—An organization may be liable for the payment of unemployment taxes for its employees. Contact the local office of the Minnesota Department of Employment and Economic Development for more information.  
[www.mn.gov/deed](http://www.mn.gov/deed)

**Department of Labor and Industry**

**Workers compensation**—For information regarding workers compensation requirements, visit their website or call 651-284-5005 or 1-800-342-5354.  
[www.dli.mn.gov](http://www.dli.mn.gov)

**Secretary of State**

651-296-2803 or 1-877-551-6767  
[www.sos.state.mn.us](http://www.sos.state.mn.us) (for nonprofit status)

## Local Unit of Government

### Authority of City or County

Minnesota Statutes, Section 349.213, addresses the extent that a city or county has authority over lawful gambling in its jurisdiction.

A city or county has the authority to adopt more stringent regulations pertaining to lawful gambling within its jurisdiction. However, there are limitations on that authority.

- A city or county may require an investigation fee, or a tax (up to 3%) for costs incurred in regulating lawful gambling in its jurisdiction, and/or contribution to a 10% lawful gambling contribution fund.
- The city or county may not require an organization to make a contribution to the city or county as a condition to operate within that city or county.
- The city or county may not require a gambling license or permit or impose a license or permit fee for licensed organizations to conduct gambling, or sales by a distributor or linked bingo game provider licensed by the Gambling Control Board.

The Gambling Control Board may not issue a premises permit unless the city council or county board has signed the premises permit application acknowledging approval by resolution of the premises permit within 90 days of the date of application for the new premises permit.

### Local Investigation Fee or Local Gambling Tax (Up To 3%)

**Investigation fee**

A city or county may charge an annual local investigation fee on organizations applying for an initial premises permit or conducting lawful gambling at a site within their jurisdiction (Minn. Stat. § 349.16, subd. 8). The local investigation fee may not exceed these limits, based on the class of city that is determined by population (Minnesota Statutes, Section 410.01):

- \$500 for cities of the first class
- \$250 for cities of the second class
- \$100 for all other cities
- \$375 for counties

The local investigation fee must be used for regulation of lawful gambling in that jurisdiction.

**Report**

The city or county is not required to report to the Gambling Control Board the amounts collected for a local investigation fee. The local investigation fee is an allowable expense reported by the organization on the LG100A, line 13.

**Local gambling tax, up to 3%**

A city or county may impose a local gambling tax, only if they do not charge an investigation fee or other local taxes on lawful gambling. The tax, up to 3% of gross profit, may be imposed only if the amount is necessary to cover costs incurred regulating gambling in their jurisdiction. If a city does not use the tax collected each year, it means that it did not incur costs to regulate lawful gambling, and the tax should be returned to your organization.

Cities or counties that impose a local gambling tax on licensed organizations within its jurisdiction must share with the Minnesota Gambling Control Board all documents pertaining to site inspections, fines, penalties, or other corrective action involving local lawful gambling regulation. The documents must be provided to the Board within 30 days of filing at the city or county of jurisdiction.

**Tax report by city or county**

The city or county is required to report by March 15 each year to the Gambling Control Board the amount collected, amount spent, and how the tax was spent. Reporting form LG500 is available at [www.mn.gov/gcb](http://www.mn.gov/gcb).

## Local Unit of Government

### 10% Lawful Gambling Contribution Fund

As established by ordinance, a city or county (not a township) may require an organization to contribute up to 10% per year of net profits less taxes on lawful gambling receipts to a fund that the city or county administers.

- The 10% requirement may only be applied to net profits derived from lawful gambling conducted at premises within the city’s or county’s jurisdiction.
- The 10% fund is considered lawful purpose and is reported by the organization on the LG100C as code 10.
- A licensed organization that contributes to the 10% fund may not be a beneficiary of that fund.
- An organization that contributes to a 10% fund must write the check only to the city, and not to any other payee.
- The funds may only be spent by the city or county for lawful purposes, including police, fire, and other emergency or public safety-related services, equipment, and training. However, the fund may not be used for its government functions or services, or for the payment of pension obligations. Once spent, a city may not retain control of the funds.

Any city or county requiring a 10% fund contribution is required to report by March 15 each year to the Minnesota Gambling Control Board how much money was collected, the amount spent, and on what lawful purposes the money was spent. Reporting form LG510 is available at [www.mn.gov/gcb](http://www.mn.gov/gcb).

### Trade Area

By ordinance, a city or county may require that a licensed organization conducting lawful gambling within its jurisdiction spend all (up to 100%) or a portion of its lawful purpose donations on lawful purposes conducted or located within the city’s or county’s trade area.

The ordinance is limited to the following:

- Lawful purpose expenditures are limited to gross profits derived from lawful gambling conducted at premises within the city’s or county’s jurisdiction.
- The ordinance must define the city’s or county’s trade area. A trade area defined by a city must include each city and township contiguous to the defining city.
- The ordinance must specify the percentage of lawful purpose donations that must be expended within the trade area.

The city or county does not have authority to specify lawful purpose expenditures that must be made by the organization. That authority rests with the organization and its membership.

### Additional Information

For further information, review Minnesota Statutes, Section 349.213, Local Authority.

# Lawful Gambling Statutes and Rules

## Statutes

A statute is a law passed by the Minnesota State Legislature.

The law related to lawful gambling are located in Minnesota Statutes:

- Chapter 349
- Section 297E.02
- Section 297E.06

## Rules

A rule is a statement adopted by the Gambling Control Board to make the law more specific. All rules passed by the Gambling Control Board are based on statute. If there is a conflict between statute and rule language, statute language supersedes rule language.

**Organizations**—The rules on lawful gambling pertaining to organizations authorized to conduct lawful gambling are located in Minnesota Rules:

- Part 7861.0210 Definitions
- Part 7861.0220 Licensed Organizations
- Part 7861.0230 Gambling Manager
- Part 7861.0240 Premises Permits
- Part 7861.0260 Conduct of Lawful Gambling
- Part 7861.0270 Bingo
- Part 7861.0280 Paper Pull-Tabs
- Part 7861.0285 Electronic Pull-Tabs
- Part 7861.0290 Tipboards
- Part 7861.0295 Sports Tipboards
- Part 7861.0300 Paddlewheels
- Part 7861.0310 Raffles
- Part 7861.0320 Organization Operations, Accounts, & Reports
- Part 7861.0330 Excluded Bingo
- Part 7861.0340 Exempted Lawful Gambling

**Distributors**—Distributor rules are contained in Minnesota Rules, Parts 7863.0210 through 7863.0220.

**Linked Bingo Game Providers**—Linked bingo game provider rules are contained in Minnesota Rules, Parts 7863.0250 through 7863.0260.

**Electronic Linked Bingo Game System Standards and Requirements** are contained in Minnesota Rules, Parts 7863.0250 through 7863.0270.

**Manufacturers**—Manufacturer rules are contained in Minnesota Rules, Parts 7864.0210 through 7864.0240.

**Compliance**—Rules on sanctions imposed by the Gambling Control Board are contained in:

- Part 7865.0210 Compliance Review Group
- Part 7865.0220 Suspensions or revocations of licenses or permits
- Part 7865.0225 Reimbursements to gambling bank account
- Part 7865.0230 Fines and other sanctions
- Part 7865.0240 Stays of imposition for suspension, revocation, or civil fine
- Part 7865.0250 Variances to Board rules
- Part 7865.0260 Hearings and appeals of incomplete or denied license and permit applications

## Lawful Gambling Statutes and Rules (continued)

### Numbering system—statutes and rules

Statute numbering example:

- 349.168
- 349.169
- 349.17
- 349.171
- 349.1711
- 349.172
- 349.1721
- 349.173
- 349.174
- 349.18
- 349.181
- 349.19
- 349.191

Statutes and rules use a decimal numbering system.

Statutes or rules with lower numbers appear first, higher numbers appear later.

**Hint**—Because the decimal numbering system for statutes and rules can sometimes be confusing, it helps to add a zero to the end of a decimal number to make a four-decimal number.

**EXAMPLE:** The number 349.1711 has four digits after the decimal point, and 349.172 has only three. Add a zero to the end of 349.172 to make it 349.1720.

Now it is easier to see that 349.1711 is lower than 349.1720 and would therefore be located before 349.1720.

### Statutes and Rules on the Web

1. You can locate the statutes and rules by using the links provided on the Board’s website at [www.mn.gov/gcb](http://www.mn.gov/gcb).
2. Statutes and rules can also be found on the State Revisor’s website at [www.revisor.mn.gov](http://www.revisor.mn.gov).
  - To find a specific statute, enter 349 (which is the entire chapter) or the specific statute.
  - To find a specific rule, enter 7861, 7863, 7864, 7865, or the specific rule.

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