



Michigan Gaming Control Board

Indian Gaming Section Annual Report to the Executive Director



Calendar Year 2011

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Michigan Gaming Control Board
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Submitted April 15, 2012

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This document is also available online at
www.michigan.gov/mgcb

April 15, 2012

Mr. Rick Kalm
Executive Director

On behalf of the Michigan Gaming Control Board, Indian Gaming Section, I am pleased to submit to you the Indian Gaming Section Annual Report in accordance with the Indian Gaming Section's policies and procedures and reporting requirements for the period of January 1, 2011 through December 31, 2011 which includes a summary of significant activities and operations.

2011 proved to be a solid year for Indian Gaming in Michigan with net win computed based on the two percent payment total reaching a historical record. This increase in net win has in turn increased the responsibilities of our section.

During the period from January 1, 2011 through December 31, 2011, the Indian Gaming Section continued its oversight efforts of the Tribal-State Class III Gaming Compacts through the conduct of inspections, audits, and observations. In fulfilling our duties and responsibilities, we have continued to receive invaluable assistance from the Michigan Attorney General's office and the Office of the Governor's Legal Counsel for Native American Affairs.

As always, we strive to increase positive communications with each of the tribes and encourage tribal voluntary compliance with the compacts on a government to government basis.

Sincerely,



David Hicks
Section Manager

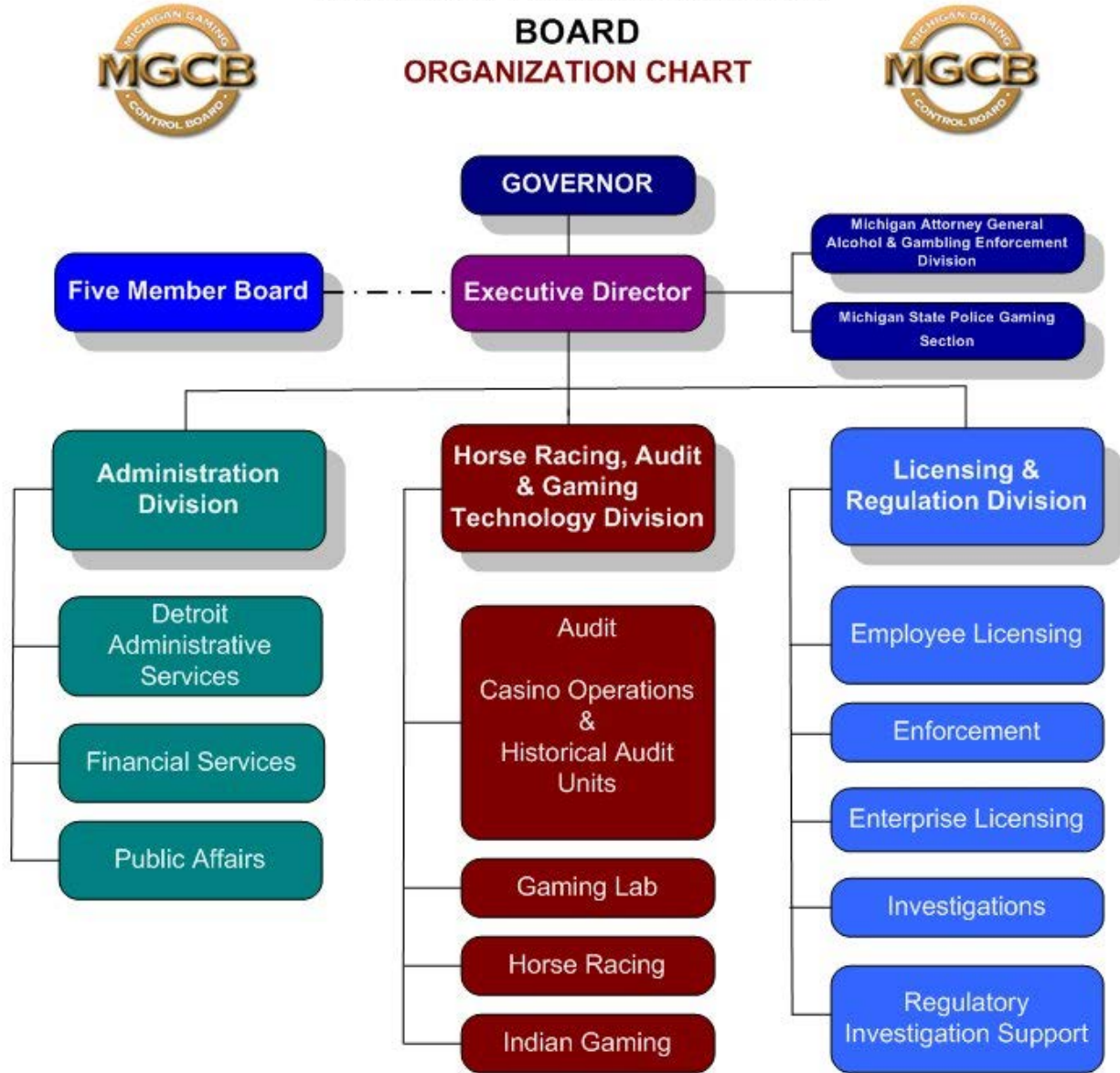


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MICHIGAN GAMING CONTROL BOARD ORGANIZATION CHART





Michigan Indian Gaming Overview

Based on analysis of 2011 two percent payments to local units of state governments, Indian gaming in Michigan recorded net win of at least \$1.4 billion surpassing historical totals. This increase can be attributed largely to the opening of the Gun Lake Casino in Wayland and a second Pokagon Band of Potawatomi Indians facility in Hartford. Further historical data will be required to determine if this increased competition will lead to further expansion of the Indian Gaming net win totals in the future or whether we may see a cannibalization type effect from the existing facilities as the new facilities increase gamblers' options and affect the spending of their discretionary dollars.

Except for the possibility that the Pokagon Band of Potawatomi Indians may be positioned to open their third facility and all tribes may expand their gaming offerings to include online gaming, we do not foresee any additional expansion of Indian gaming in the coming year. We continue to closely monitor the events surrounding several proposed developments located throughout the state that have been widely publicized in various media forums.



Michigan Indian Gaming Regulatory Framework

The federal government passed the Indian Gaming Regulatory Act of 1988 (IGRA), which authorizes Indian tribes to operate casino gaming on Indian tribal lands. The justification for the passage of IGRA was that it would create economic development and self-sufficiency on Indian tribal lands, meet tribal requests for authorized casino gaming, and ensure that state governments would be involved in oversight of Class III gaming operations. Before a Tribal-State Gaming Compact becomes effective, IGRA requires the Office of the Secretary, United States Department of the Interior, to approve the compact and publish its approval in the Federal Register.

The State of Michigan has entered into Tribal-State Gaming Compacts (written agreements between tribal governments and the state) with twelve Native American tribes. These twelve compacts have produced 22 tribal casinos located throughout the state. *Please see the map of Tribal Casinos in Michigan in 2011 and listing of Michigan Tribes with Compacts and Number of Slot Machines located at the end of this report.* The Compacts provide that the regulation of Indian casino gaming is the responsibility of the tribes. Michigan recognized the tribes as individual sovereign nations and, therefore, has no regulatory authority. Although the State of Michigan does not regulate Indian casino gaming, the state does have an oversight authority over compliance with the Tribal-State Gaming Compacts' provisions.

The Indian Gaming Oversight program was originally established within the Office of Racing Commissioner, Department of Agriculture. On November 21, 2002, the governor of Michigan officially designated and authorized the executive director of the Michigan Gaming Control Board, and his designees, agents, and employees, as the State of Michigan's representative to conduct the state's authorized inspections of Class III gaming facilities and records, pursuant to and in accordance with provisions of the various Tribal-State Compacts for the conduct of Class III gaming on Indian lands in Michigan. This oversight authority includes conducting financial and compliance audits and inspections of the tribal casinos' operations to determine the extent of compliance with the Tribal-State Gaming Compacts and related Consent Judgments.

Board members of the MGCB have no oversight role or authority over the Tribal-State Gaming Compacts.

Cooperation between the state and the tribes is imperative in protecting both the state and tribal interests and ensuring public confidence in the integrity of tribal gaming within the state.



Mission, Personnel, Source of Funding, Total Expenditures

The Indian Gaming Section was created within the Michigan Gaming Control Board to provide oversight of Class III gaming operations as required in the Tribal-State Compacts. The Indian Gaming Section has six budgeted full time equivalents consisting of five staff auditors and an Audit Manager. The Indian Gaming Section reports to the Deputy Director of Horse Racing, Audit, and Gaming Technology. *Please see Michigan Gaming Control Board Organization Chart – 2011 on page 1.*

The Tribal-State Compacts outline that the tribes shall make annual payments to the State to be applied towards the costs incurred for carrying out functions authorized by the terms of the compacts.

Subject to certain exclusivity provisions, the Tribal-State Compacts and related Consent Judgments stipulate that a percentage of annual net win, derived from all Class III electronic games of chance, is to be paid to the Michigan Strategic Fund (MSF) or Michigan Economic Development Corporation (MEDC). The MEDC provides funding to the Indian Gaming Section for oversight related to these payments.

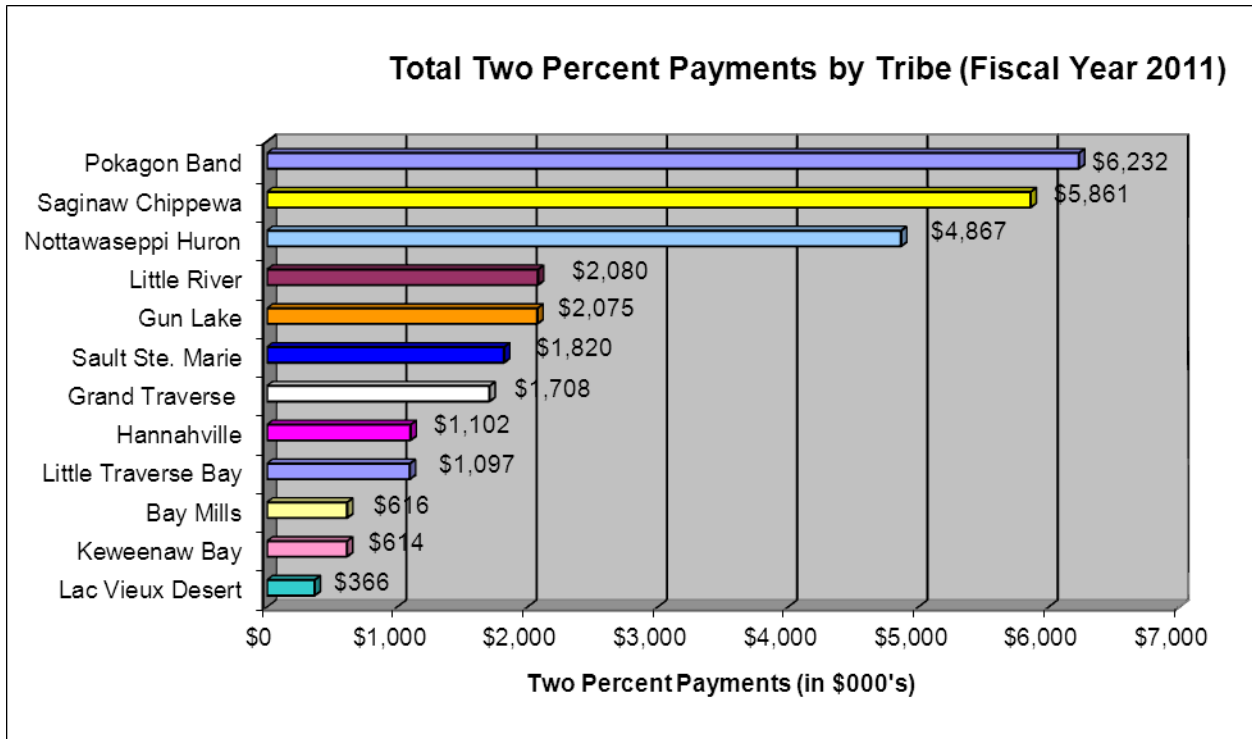
These funds are placed into the Native American Casino Fund which recorded expenditures of \$478.2 thousand during calendar year 2011.

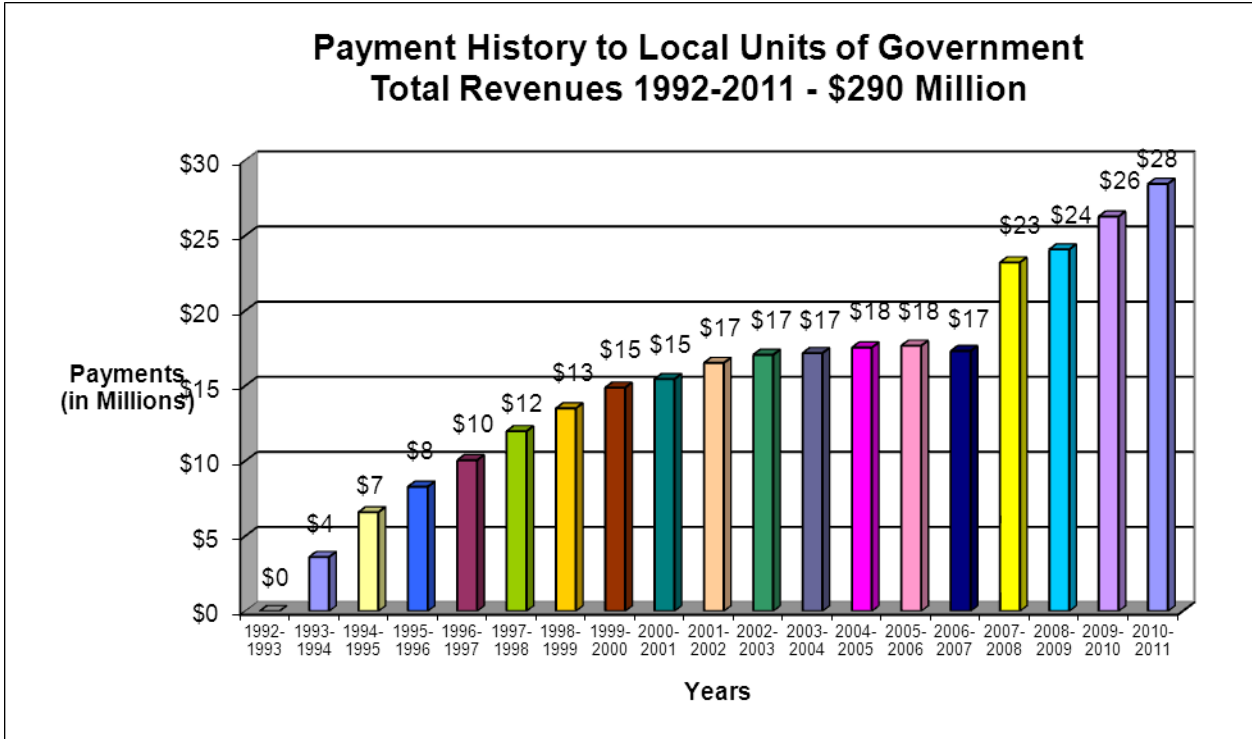


Indian Gaming Section Oversight Accomplishments

Financial Audits

Under provisions of the Tribal-State Class III Gaming Compacts and related Consent Judgments, all Tribes are required to remit two percent of their respective net win to local units of state government or local revenue sharing boards. For reporting period 2011, Tribes collectively remitted \$28.4 million to local units of state government/local revenue sharing boards in two percent payments. *Please see the following charts for 2011 payments by Tribe and yearly totals.*



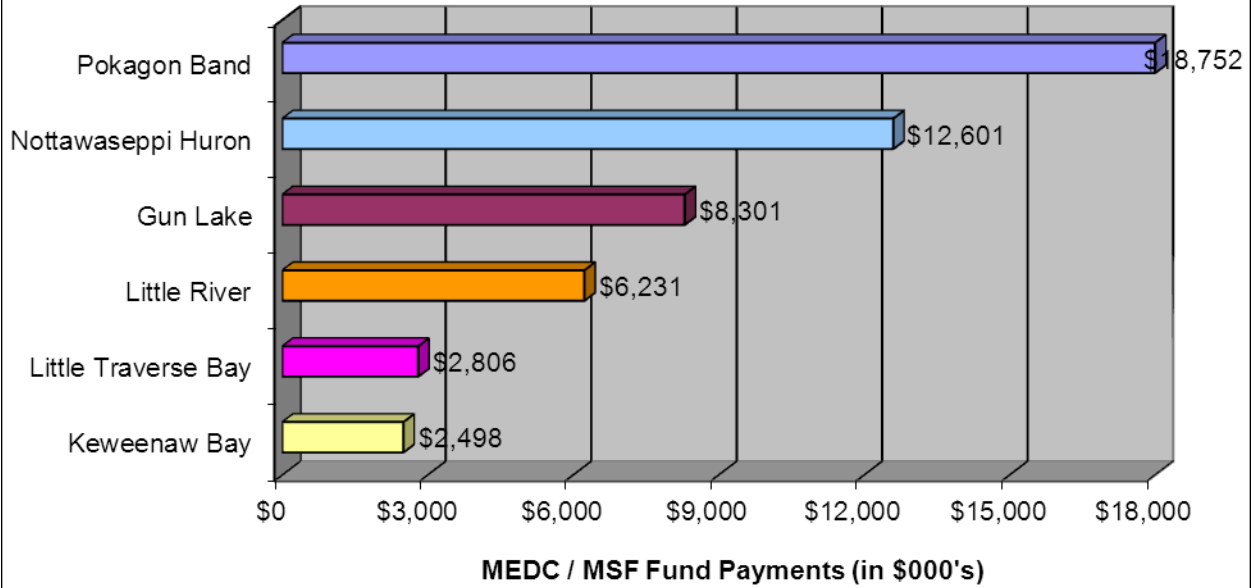


In addition, the Tribal-State Compacts and Consent Judgments require some Tribes, based on exclusivity provisions, to remit payments to the Michigan Economic Development Corporation (MEDC) or the Michigan Strategic Fund (MSF). For reporting period 2011, Tribes remitted \$51.2 million in payments to the Michigan Economic Development Corporation or Michigan Strategic Fund. Please see the following charts for 2011 payments by Tribe and yearly totals.

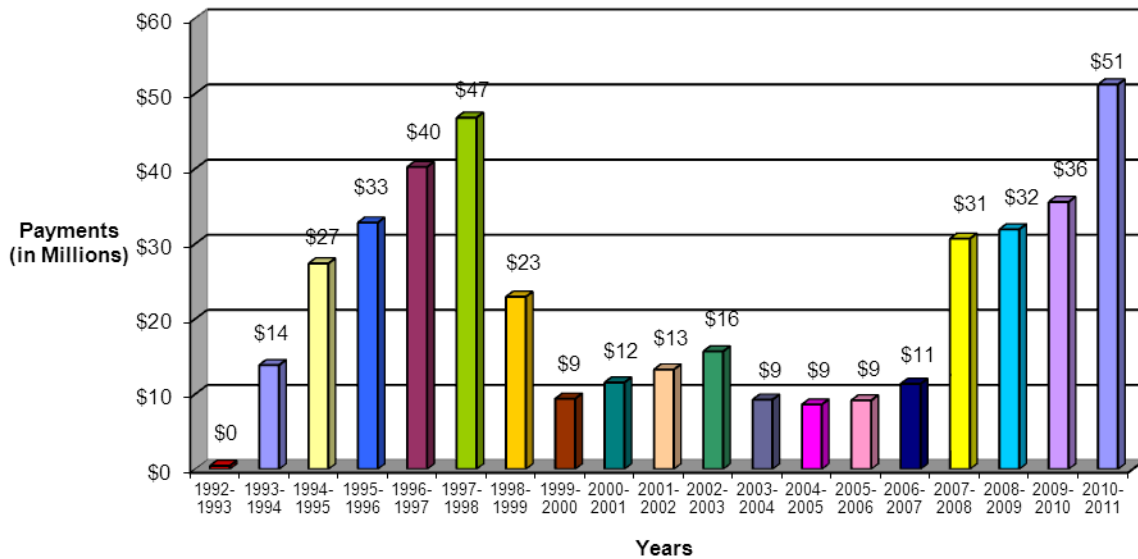


Michigan Gaming Control Board

Total MEDC / MSF Fund Payments by Tribe (Fiscal Year 2011)



**Payment History to the MEDC / MSF Fund
Total Revenues 1992-2011 - \$422 Million**





Net Win Audits/Inspections

The Indian Gaming Section performs financial audits to ensure that the net win totals are fairly stated, in all material respects, and related payments to local units of state government/local revenue sharing boards and Michigan Economic Development Corporation/Michigan Strategic Fund are properly remitted in accordance with the relevant Tribal-State Gaming Compact and related Consent Judgment.

In calendar year 2011, the Indian Gaming Section presented final audit reports to five (5) Tribes covering nine (9) fiscal years listed as follows:

Tribe	Fiscal Year
Grand Traverse Band	2006
Grand Traverse Band	2007
Grand Traverse Band	2008
Little Traverse Bay Band	2009
Nottawaseppi Huron Band	2010
Pokagon Band	2008
Pokagon Band	2009
Saginaw Chippewa Indian Tribe	2007
Saginaw Chippewa Indian Tribe	2008

In addition to the these issued final reports, fieldwork and write-up was performed on an additional five (5) tribes covering seven (7) fiscal years with final reports anticipated in calendar year 2012.

Compliance Audits/Inspections

In addition, the Tribal-State Gaming Compacts contain several provisions that require compliance oversight. These sections include authorized class III games, regulation of class III gaming, employee benefits, Bank Secrecy Act, providers of class III gaming equipment and supplies, notice to patrons, and regulation of the sale of alcoholic beverages.

The Indian Gaming Section presented final compliance audit reports on the extent of compliance with various sections of the Tribal-State Gaming Compacts to five (5) Tribes in calendar year 2011 which included the Bay Mills Indian Community, Hannahville Indian Community, Little Traverse Bay Band, Nottawaseppi Huron Band, and Pokagon Band. In addition to these final reports, fieldwork and write-up was performed on an additional six (6) tribes with final reports anticipated in calendar year 2012.



Additional Accomplishments

In addition to the audit and inspections conducted, we note the following additional accomplishments for calendar year 2011:

- Monitored litigation of the Bay Mills Vanderbilt Parcel and coordinated efforts with the Attorney General's office.
- Obtained payments to local units of state government/local revenue sharing boards and payments to Michigan Economic Development Corporation/Michigan Strategic Funds and updated the MGCB website.
- Upgraded audit management software to Teammate 9.1.3.
- Prepared and submitted a Tribal-State Compact Interpretation Differences and Issues Report for executive staff.
- Prepared and submitted a Michigan Indian Gaming Industry Report providing an overview of Michigan, comparative analysis of other states, challenges, and outlook.
- Performed an assessment of future information technology requirements.
- Perform an analysis of Michigan Indian gaming promotional wagering.
- Hired additional audit staff and attended several Indian Gaming related training conferences.
- Researched the revised Generally Accepted Government Auditing Standards and began implementation of key revisions.
- Prepared and submitted an annual report to the Michigan Economic Development Corporation.

Map of Tribal Casinos in Michigan



Michigan Tribes with Compacts, Casinos, and Number of Slot

MICHIGAN CASINO INFORMATION			
LOCATIONS	TRIBAL CASINOS	Compact Year	Approximate No. of Slot Machines
2	Bay Mills Indian Community	1993	
	Kings Club Casino - Brimley, MI		300
	Bay Mills Resort & Casino - Brimley, MI		695
1	Hannahville Tribe	1993	
	Chip-In's Island Resort & Casino - Harris, MI		1400
5	Sault Ste. Marie Tribe of Chippewa Indians	1993	
	Kewadin Casino - Christmas, MI		245
	Kewadin Casino - Hessel, MI		50
	Kewadin Casino - Manistique, MI		275
	Kewadin Casino - Sault Ste. Marie, MI		700
	Kewadin Casino - St. Ignace, MI		820
1	Lac Vieux Desert Band	1993	
	Lac Vieux Desert Resort Casino - Lac Vieux Desert Band		749
2	Grand Traverse Band of Ottawa & Chippewa Indians	1993	
	Leelanau Sands Casino - Suttons Bay, MI		482
	Turtle Creek Casino - Williamsburg, MI		1331
2	Keweenaw Bay Indian Community	1993	
	Ojibwa Casino - Baraga, MI		331
	Ojibwa Casino - Marquette, MI		309
3	Saginaw Chippewa Indian Community	1993	
	Soaring Eagle Casino & Resort - Mt. Pleasant, MI		
	Soaring Eagle Casino Slot Palace - Mt. Pleasant, MI		4400
	Saganing Casino Slot Palace - Standish, MI		800
1	Little River Band - Manistee, MI	1998	
	Little River Casino		1500
1	Little Traverse Bay Band of Odawa Indians	1998	
	Odawa Casino & Hotel - Petoskey, MI		1500
2	Pokagon Band of Potawatomi	1998	
	Four Winds Casino, New Buffalo, MI		3000
	Four Winds Hartford Casino, Hartford, MI		500
1	Nottawaseppi Huron Potawatomi	1998	
	FireKeepers Casino, Battle Creek, MI		2680
1	Gun Lake Tribe	2007	
	Gun Lake Tribe Casino, Wayland, MI		1400
	TOTAL SLOT MACHINES IN TRIBAL CASINOS		23,467
22	TOTAL TRIBAL CASINOS IN MICHIGAN		