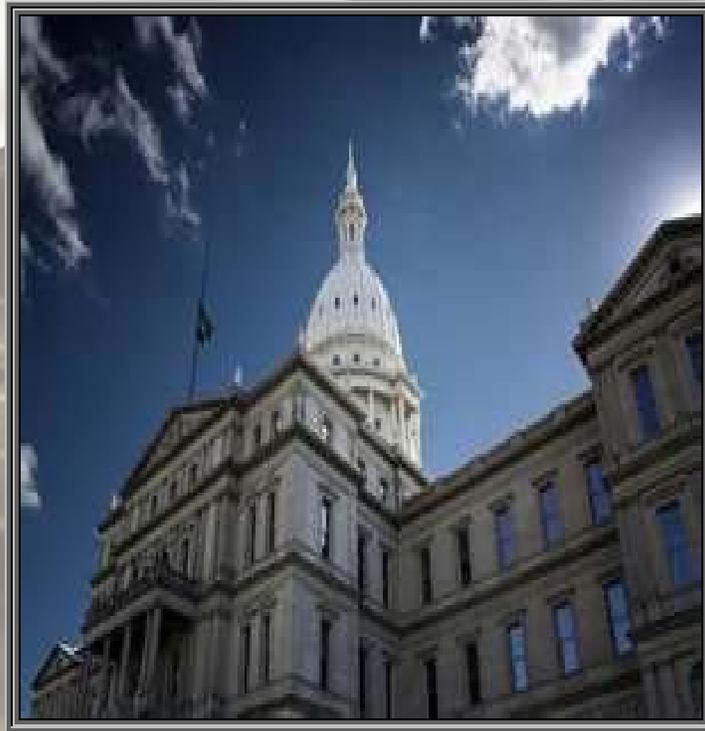




Michigan Gaming Control Board

Annual Report to the Governor



Calendar Year 2011

Annual Report to the Governor

Calendar Year 2011

Michigan Gaming Control Board
3062 West Grand Boulevard
Detroit, MI 48202



Submitted April 15, 2012
Pursuant to the
Michigan Gaming Control & Revenue Act, as amended
(Public Act 69 of 1997)

Please direct inquiries to
Robert Simon, Deputy Director of Administration (517) 241-0451

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



STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD
LANSING

RICK SNYDER
GOVERNOR

RICHARD S. KALM
EXECUTIVE DIRECTOR

February 1, 2012

Honorable Rick Snyder
Governor of Michigan

**AN OPEN LETTER TO GOVERNOR RICK SNYDER AND THE MICHIGAN
LEGISLATURE:**



On behalf of the Michigan Gaming Control Board ("Board"), I am pleased to present the Annual Report to the Governor for calendar year 2011, pursuant to Section 15(1) of the *Michigan Gaming Control and Revenue Act*, as amended, Public Act 69 of 1997, MCL 432.201 ("the Act"). This Annual Report is submitted not only to comply with the statutory reporting requirements under the Act, but to provide you with a summary of the Board's significant activities and operations. The Annual Report includes an updated progress report on the implementation, licensure, and regulation of authorized commercial casino gaming in the City of Detroit.

At the close of 2011, my term with the Board expired. In 2012, Mr. Robert Anthony, who was appointed by Governor Snyder in February 2011, assumed the role as chairperson. After serving on the Board with Mr. Anthony, I am confident that he will lead the Board in its commitment to ensuring the integrity of gaming in Michigan in order to protect the interests of the citizens of Michigan.

Sincerely,

/s/

Barbara Rom
2011 Chairperson

FROM THE EXECUTIVE DIRECTOR

The Michigan Gaming Control Board (MGCB) had several notable events occur in 2011. We are committed to focusing on the important responsibilities of regulating commercial casino gaming and horse racing to ensure proper compliance with the gaming laws of the State while protecting the interests of the people of the State of Michigan. It is the duty of the five member Board and MGCB employees to maintain and ensure the integrity of casino gaming. My staff and I embrace these duties with our oversight of Indian Gaming and Horse Racing. I, along with our employees, continually strive to balance regulation while maintaining a cooperative approach to vendors, suppliers, tracks and casinos. MGCB's success is attributed to dedicated personnel, which is shaping the agency's future in an ever-changing gaming environment.

In 2011, the three Detroit commercial casinos recorded revenue of \$1.4 billion. This represents an increase of 3.4% over the previous year and a new record in total revenue exceeding all previous years.

MGCB has continued to re-affirm our working relationships with our partner agencies: Michigan State Police, Attorney General's Office, and Detroit Police Department, as well as the commercial casinos. Bi-monthly meetings are conducted in order to keep communication between all agencies open and to allow for the sharing of information and resources in the interest of maintaining a safe gaming environment.

In 2011, there were several changes in Board members. The Chairperson, Barbara Rom, left the Board in December after seven years of dedicated service having been with the Board since 2004. Ms. Rom served the Board as a member for five years and chairperson for the last two years.

Addressing the needs and regulation requirements of casino gaming and horse racing is an ongoing process at MGCB. We reinvent ourselves as we see breakthroughs in gaming technology which impact gaming throughout Michigan. I re-affirm this agency's commitment to ensure the highest standards of the gaming industry.

2012 brings with it new challenges. The expected opening of Casinos in Ohio will have an impact on Detroit's gaming market. The full extent of the impact is yet to be determined. The horse racing industry is trying to survive and compete in an environment with many other gaming opportunities available to the public.

I would like to express my appreciation to the Governor, the Legislature, our partner agencies; the Michigan Attorney General, Alcohol & Gambling Enforcement and Criminal Divisions, and the Michigan State Police, Gaming Section; and other public officials for their cooperation and support.

My sincere appreciation goes to the Board and MGCB employees who execute our mission of ensuring fair and honest gaming to protect the interests of the citizens of Michigan. MGCB will continue to fairly and competently regulate casino gaming and horse racing to meet the challenges of the gaming and horse racing industry in Michigan.

If you should need additional information or assistance, please contact us.

Sincerely,

/s/

Richard S. Kalm
Executive Director



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Mission Statement

"The Michigan Gaming Control Board shall ensure the conduct of fair and honest gaming to protect the interests of the citizens of the State of Michigan."

Introduction

In November 1996, Michigan voters approved Proposal E, authorizing the development of up to three licensed commercial casinos in Detroit. Proposal E subsequently took effect as law on December 5, 1996, as the *Michigan Gaming Control & Revenue Act* (Act). The voter-initiated Act established the Michigan Gaming Control Board (as a Type I agency within the Michigan Department of Treasury, exclusively responsible for licensing and regulating the three authorized Detroit casinos. In July 1997, the voter-initiated Act was substantially amended by the Michigan Legislature's enactment of Public Act 69 of 1997. The amended Act provided for more stringent licensing criteria, substantially strengthened the licensing and regulatory authority of MGCB, and provided for a system for collection of wagering taxes and fees for the City of Detroit and the State of Michigan.

The Board is comprised of five Michigan residents appointed by the Governor with the advice and consent of the Senate. One member is designated by the Governor as the chairperson. Under the Act no more than three members may belong to the same political party. The Michigan Legislature vested the Board and MGCB employees with certain powers and duties specified in the Act, and such other powers necessary and proper to fully and effectively implement, administer, and enforce the provisions of the Act relating to the licensing and regulation of authorized private commercial casino gaming in the City of Detroit.



Summary of the Michigan Gaming Control & Revenue Act

Michigan Gaming Control & Revenue Act, as amended (Public Act 69 of 1997):

- Authorizes up to three licensed casinos in the City of Detroit (MGM Casino was licensed in July 1999; MotorCity Casino was licensed in December 1999; Greektown Casino was licensed in November 2000).
- Creates the Michigan Gaming Control Board (a Type I agency within the Michigan Department of Treasury) and vests the Board with exclusive authority to license, regulate, and control casino gaming in the three authorized Detroit casinos.
- Authorizes the Board to promulgate necessary administrative rules to properly implement, administer, and enforce the amended Act.
- Provides for the licensing, regulation, and control of casino gaming operations, manufacturers and distributors of gaming equipment and other casino suppliers, and casino and supplier employees.
- Establishes standards and procedures for the issuance of casino licenses, casino supplier licenses, and occupational licenses, and the approval of gambling games and gaming equipment and devices.
- Authorizes civil and criminal penalties for violation of the Act.
- Authorizes and imposes certain state and city wagering taxes on casinos and various fees on casino, supplier, and occupational licensees.
- Requires the deposit of state casino wagering tax revenues in the state school aid fund for K-12 public education in Michigan.
- Authorizes the City of Detroit to levy and collect wagering taxes and municipal services fees to defray the cost of hosting casinos and provide funding for police training and public safety programs, local economic development programs, youth development programs, capital improvements, local tax relief, and other programs to improve the quality of life in the City of Detroit.
- Creates the state services fee fund to provide funding for the operations of the Board to license, regulate, and control casino gaming, and for the state's compulsive gambling prevention program and other casino-related programs.

- Requires annual Board registration of local labor organizations that represent casino gaming employees.
- Requires certain safeguards by casino licensees to prevent compulsive and underage gambling.
- Prohibits political contributions by certain persons with interests in casino and supplier license applicants and licensees to state and local political candidates and certain committees.
- Establishes certain requirements and safeguards for members, employees, agents of the Board, license applicants, licensees, and others involved in gaming to prevent conflicts of interest.



Michigan Gaming Control Board Board Members

Ms. Barbara Rom, Chair



MS. BARBARA ROM

Ms. Rom of Bloomfield Hills, partner of Pepper Hamilton, LLP law firm in Detroit. Ms. Rom was reappointed for a term expiring December 31, 2011. She succeeds Ritchie T. Davis whose term has expired.

Honorable Benjamin Friedman



HON. BENJAMIN FRIEDMAN

Honorable Benjamin Friedman of Huntington Woods, partner of Friedman & Lichterman, P.C. law firm and previous 45B District Court judge was reappointed for a term expiring December 31, 2011. He succeeds the Honorable Roman S. Gribbs whose term has expired.

Mr. Michael Watza



MR. MICHAEL WATZA

Mr. Watza of Northville, partner of Kitch, Drutchas, Wagner, Valitutti and Sherbrook, is appointed for a term expiring December 31, 2012. He succeeds the Honorable Michael Stacy whose term has expired.

Mr. Jim Plakas



MR. JIM PLAKAS

Mr. Plakas, of Garden City, has been appointed by Governor Jennifer Granholm to the Michigan Gaming Control Board. He succeeds Mr. Damian Kassab, who resigned in December of 2009. Mr. Plakas' term will expire on December 31, 2012.

Mr. Robert L. Anthony



MR. ROBERT L. ANTHONY

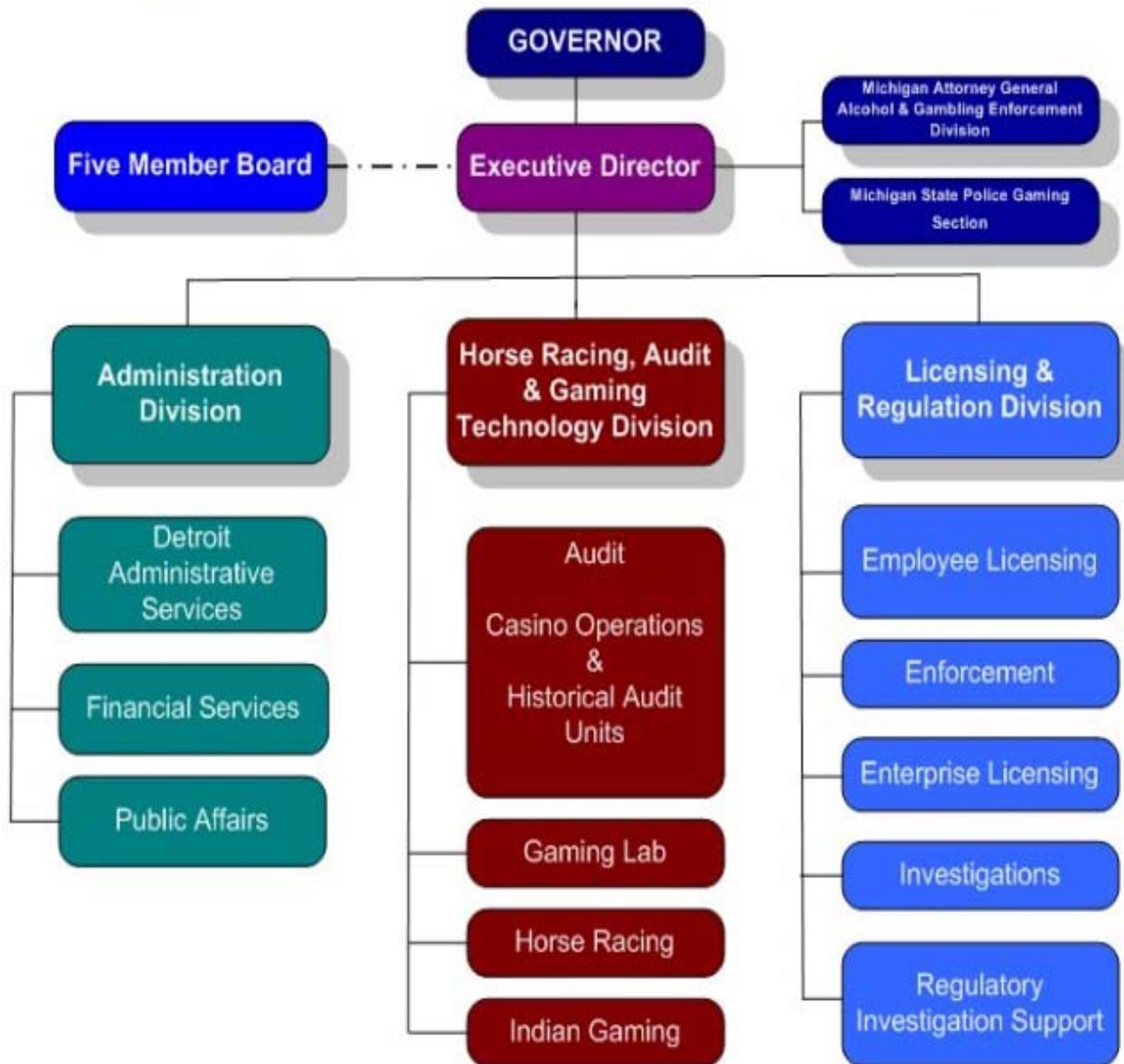
Mr. Anthony, of Northville, has been appointed by Governor Rick Snyder to the Michigan Gaming Control Board. He succeeds Judge Kenneth Sanborn, whose term expired December 31, 2010. Mr. Anthony's term will expire on December 31, 2014.





Michigan Gaming Control Board

MICHIGAN GAMING CONTROL BOARD ORGANIZATION CHART





Michigan Gaming Control Board Staff

Executive Director	1
Executive Assistant	1
 <u>Division of Administration</u>	
Deputy Director	1
Departmental Analyst	1
Accountant (Treasury)	1
Detroit Administrative Services Section Manager	1
Detroit Office Secretaries	1 (+1 Vacant)
Departmental Manager	1 (+1 Vacant)
Disassociated Persons Analyst.....	1
Document & Records Analyst.....	1
Document & Records Supervisor	Vacant
Document & Records Technicians.....	3 (+1 Vacant)
Financial Manager	1
Financial Analyst	1
Human Resource Liaison.....	1
Procurement Analyst.....	1
Database Administrator (DTMB)	1
Information Systems Specialists (DTMB).....	2
Information Systems Analysts (DTMB).....	2 (+1 vacant)
Information Systems Program Manager (DTMB).....	1
Network Administrator (DTMB).....	1
 <u>Division of Horse Racing, Audit and Gaming Technology</u>	
Deputy Director	1
Executive Assistant	1
Casino Historical Audit Unit Manager.....	1
Casino Daily Operations Manager	1
 Casino Auditors	10 (+2 Vacant)
Departmental Analysts	1
Departmental Technician.....	Vacant
Equipment Technician	1
Gaming Laboratory Auditor	Vacant
Gaming Laboratory Engineers.....	2 (+1 Vacant)
Gaming Lab Manager.....	1
Gaming Laboratory Secretary	1
Horse Racing Section Manager	1
Indian Gaming Section Audit Manager.....	1
Indian Gaming Auditors.....	4 (+2 Vacant)
Indian Gaming Secretary	Vacant
Information Systems Auditor	1
Pari-Mutuel Coordinator	1

<u>Division of Licensing and Regulation</u>	
Deputy Director	1
Executive Assistant.....	1
Casino Secretaries	2 (+1 Vacant)
Departmental Analyst.....	1
Departmental Supervisor.....	1
Departmental Technicians	7 (+1 Vacant)
Enforcement Section Managers	3
Enterprise Licensing Section Manager.....	1
Employee Licensing Section Manager	1
Financial Analysts.....	4 (+1 Vacant)
Investigations Section Manager.....	1
Regulatory Investigations Support Section Manager	1
Regulation Officers	38 (+1 Vacant)

Michigan Attorney General, Alcohol & Gambling Enforcement Division

Alcohol & Gambling Enforcement *

Division Chief	1
Division Head Secretary.....	1
First Assistant Attorney General.....	1
Section Head	2
Assistant Attorneys General.....	7
Legal Secretaries	4

*Funded by the MGCB, Bureau of State Lottery and Liquor Control Commission.

Treasury & Gaming Section (Criminal Prosecutions) **

Section Head	1
Assistant Attorneys General.....	4
Legal Secretaries	2

**Funded by the MGCB and Treasury.

Michigan State Police, Gaming Section

Inspector.....	1
Secretary	2
Detective First Lieutenant.....	1

Casino Operation Unit

Detective Lieutenant.....	2
Detective Sergeants.....	3 (+2 Vacant)
Detective Specialists	16 (+5 Vacant)



Activities of the Board

In calendar year 2011, the five-member Board was comprised of the following gubernatorial appointees:

- **Ms. Barbara Rom, Chairperson**, term began in May 2004, and was reappointed by Governor Granholm for a term expiring December 31, 2011.
- **Hon. Benjamin Friedman** term began in February 2004, and was reappointed by Governor Granholm for a term expiring December 31, 2011.
- **Mr. Michael Watza** was appointed by Governor Granholm in January 2008, for a term expiring December 31, 2012.
- **Mr. Jim Plakas** was appointed by Governor Granholm in February 2010, for a term expiring December 31, 2012.
- **Mr. Robert L. Anthony** was appointed by Governor Snyder in February 2011, for a term expiring December 31, 2014.

BOARD MEETINGS

From inception, the Board has encouraged public input regarding policies, procedures, and activities related to licensing and regulating the three authorized Detroit casinos. To conduct Board business, inform, and receive input from the public, the Board held ten public meetings in 2011. At these meetings, the Board not only conducted its official business, it also provided the public and news media with opportunities to ask questions and offer comment regarding casino gaming issues and the Board’s relevant policies, procedures, and activities. The Board met at the Detroit office located at Cadillac Place, 3062 West Grand Boulevard, Suite L-700, on the following dates:

January 2011*	August 15, 2011**
February 23, 2011**	September 12, 2011**
March 29, 2011**	October 11, 2011**
April 2011*	October 20, 2011**
May 10, 2011**	November 9, 2011**
June 14, 2011**	December 13, 2011**
July 2011*	

* No Meeting

**After public meeting, Board adjourned to Closed Session

The Board adjourned to Closed Session after the public meetings to review confidential materials that were part of casino license applications and applications for placement on the Board's Disassociated Persons List and thus protected from public review and disclosure under Sections 4c and 25 of the *Michigan Gaming Control & Revenue Act*, as amended, Public Act 69 of 1997, MCL 432.204c and MCL 432.225(4)(c). Closed Sessions are not open to the public, nor are minutes of such sessions available to the public, under Michigan's Open Meetings Act, as amended, Public Act 267 of 1976. All Board meetings, whether open or closed, are held in accordance with Michigan's Open Meetings Act.

BOARD RESOLUTIONS

The Board adopted one resolution in calendar year 2011:

Resolution No. 2011-1 (Adopted 12/13/2011)- A Board Resolution Acknowledging The Contributions and Accomplishments of Board Member Barbara Rom and Commending her for Distinguished and Honorable Service to the Michigan Gaming Control Board.





Notable Board Accomplishments

INTRODUCTION

The Board consists of five members. All five Board members and the Executive Director are appointed by the Governor. They are assisted in their mission of regulating the three commercial casinos in Detroit by other state agencies. The mission of the Board is to ensure the conduct of fair and honest gaming to protect the interests of the citizens of the State of Michigan. There is 121 budgeted staff positions assigned to MGCB performing this mission. The headquarters for the Board is located at the State offices at Cadillac Place in Detroit. The following is a summary of yearly activity for 2011.

These activities are funded by an assessment on each of the three Detroit casinos.

ADMINISTRATION DIVISION

Administration

In 2011, the Administration Division replaced MGCB's security system with AMAG security. This new security system included a new server, new card readers, additional cameras, and enhanced security features. The new system was purchased since the old security software was no longer supported nor maintained by the security vendor.

The Administration Division instituted Governor Snyder's statewide dashboard initiative by implementing a Balanced Scorecard. The Balanced Scorecard uses performance metrics to measure and monitor the performance of MGCB's vital set of activities that support the achievement of the Board's vision & mission statements, values, and goals. The Administration Division also developed a budget presentation for MGCB's fiscal year 2013 budget request which aligns MGCB's performance metrics with spending priorities.

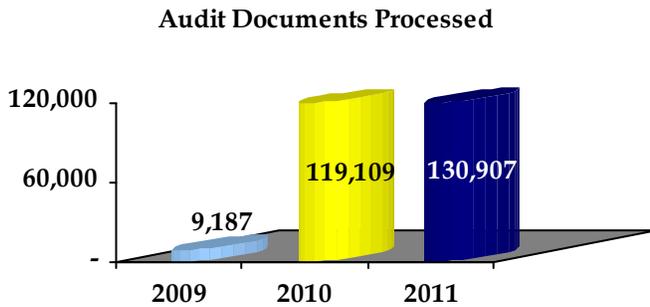
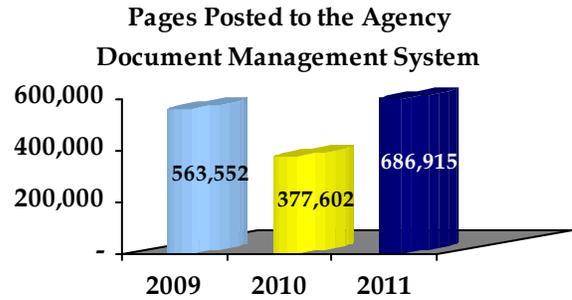
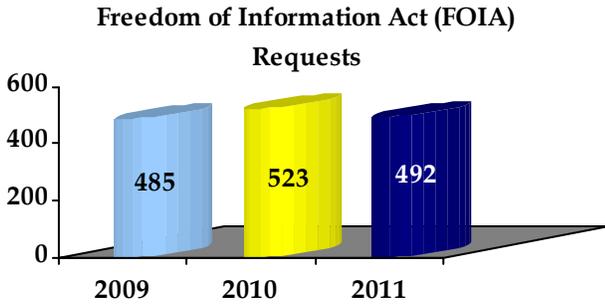
The Administration Division developed a Group Executive Report (GER). The GER provides current status of major MGCB projects and other related issues and statistical data. The GER is submitted monthly by MGCB's Executive Director to the State Treasurer, for reporting purposes to the Governor's cabinet.

Detroit Administrative Services Section

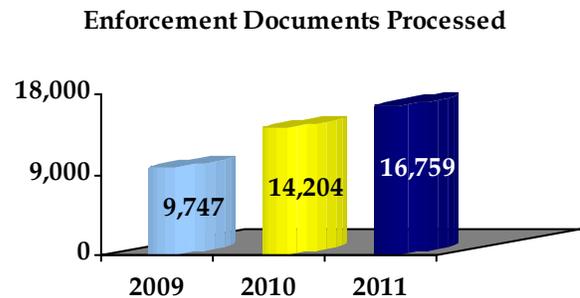
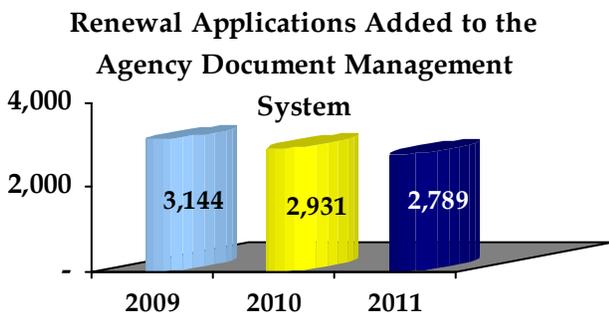
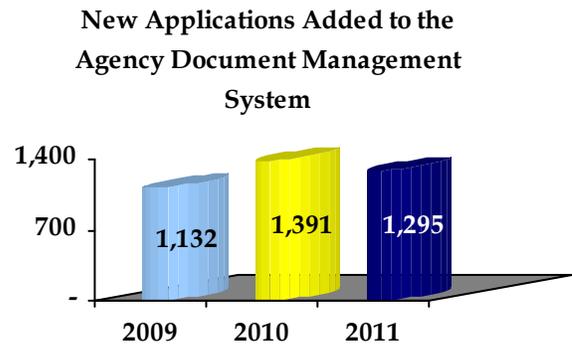
The Detroit Administrative Services Section completed the relocation and renovation of MGCB's Greektown Casino satellite office.

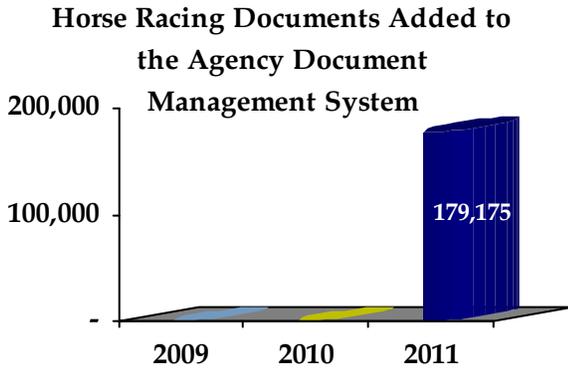
The Detroit Administrative Services Section facilitated the build-out of two additional cubicles, due to the creation of the new Regulatory Investigation Services Section.

The Detroit Administrative Services Section processed the following in 2009, 2010, and 2011:



* Procedures implemented in 2009 to add audit documents to the scanning process





* Procedures implemented in 2011 to add Horse Racing documents to the scanning process

In 2010 the regulation of live horse racing was transferred from the Department of Agriculture to MGCB. As a result, the MGCB's Detroit Administrative Services Section inherited thousands of pages of hard copy documents related to the horse racing industry. On February 10, 2011, the section began working with Information Technology (IT) staff to create a new online document repository for horse racing's hard copy records by creating a document folder structure and using MGCB's online LiveLink document repository system. The system allows for the classification, storage and archival of hard copy records into a predefined folder structure which reduces the storage cost of hard copy documents.

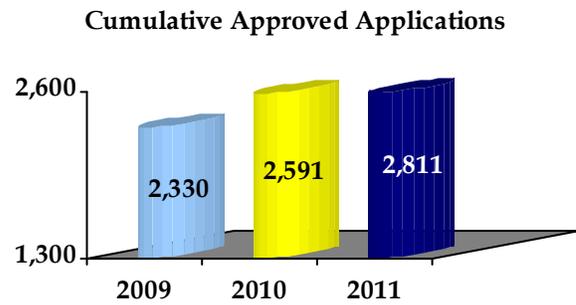
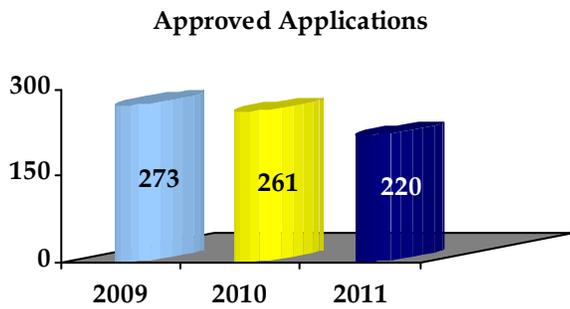
In addition to adding the horse racing documents to the LiveLink system, the section staff worked with IT staff to add an upload feature to the horse racing licensing program (LISA). The upload feature allows the section staff to index documents electronically and save the documents directly into LiveLink. This feature reduced costs by using less paper and staff time. It is no longer required to print out documents that were sent in electronic form and then manually scan them into LiveLink.

As of December 31, 2011, the Detroit Administrative Services Section processed the following horse racing document pages:

Occupational Licensees	139,573
Registrations	9,273
Stable Roster	453
Tracks	<u>29,876</u>
Total	179,175

In 2011, the Board approved 220 applications from individuals requesting inclusion on the Disassociated Persons List (DPL). Since its inception in 2000, MGCB has placed a total of 2,811 people on this self-exclusion list as of December 31, 2011.

The Detroit Administration Section processed the following DPLs in 2009, 2010, and 2011:



The DPL program implemented the Pilot Problem Gambling Diversion Program (Diversion Program) on January 31, 2011. MGCB staff, with assistance of staff from the Attorney General’s (AG) office, the Michigan Department of Community Health (MDCH), the Michigan Department of State Police Gaming Section (Gaming Section) formed a committee to identify alternatives to prosecuting individuals that violate the DPL. Under Michigan Compiled Law (MCL) 432.225(25) (13), an individual who has placed his or her name on the list of disassociated persons who enters a casino in this state is guilty of criminal trespassing punishable by imprisonment for not more than 1 year, a fine of not more than \$1,000.00, or both.

The Diversion Program was designed to offer counseling, education and treatment to disassociated persons who are first time offenders of the DPL. These individuals are provided the opportunity to enroll in the Diversion Program with a MDCH certified therapist. Successful completion of the Diversion Program will result in the AG’s office dismissing criminal trespass charges against the disassociated person.

As of December 31, 2011, the statistics for the Diversion Program are as follows:

Number of persons offered Diversion	76
Number of persons accepting Diversion	64
Number of persons rejecting Diversion	1
Number of non-responders to Diversion offer	11
Number of persons enrolled in Diversion	62
Number of persons completing Diversion	39

Financial Services Section

Financial Services staff was instrumental in the completion of MGCB’s first Internal Control Evaluation (ICE) process. The objective of ICE was to assess MGCB’s processes and to prepare a biennial report on internal controls. The report is to confirm the evaluation process and identify weaknesses in MGCB’s control system. The staff performed an evaluation of MGCB’s internal control system as of October 1, 2010. Financial Services staff also worked with the Office of Internal Audit Services (OIAS) as

they conducted a review of MGCB's ICE and biennial reporting processes. OIAS concluded MGCB is substantially in compliance with the General Framework and the Board's Executive Director presented a certification letter to the Governor in November 2011.

In 2011, as a result of completing the ICE process MGCB became aware they did not have a Business Continuity Plan, which is required by the Administrative Guide to State Government, Policy 1390.00. In response, Financial Services staff completed a work project request in the amount of \$910,000 to develop a Business Continuity Plan and purchase the necessary equipment. The work project was approved and the planning stage will begin in 2012.

During 2011, Financial Services staff worked with Department of Technology, Management, and Budget (DTMB) to develop a Vacancy Tracking System. The system was designed to allow managers to enter their vacancies into the system and allow them to track the status of the positions throughout the hiring process. Requirements were established, the program was created, the system was tested, and training was provided to MGCB staff in 2011. The system is scheduled to go live in 2012.

In 2011, MGCB added vendor license renewals to the Michigan Business One Stop website. Vendors can now pay for the renewal of their license online. Financial Services staff established the account coding in MAIN and tested the refund system. Financial Services also reconcile the daily One Stop activity report to a report from the State's accounting system (DAFR8200). The monthly total is also reconciled to the Board's Information Repository.

Financial Service staff assisted the DTMB in adding the MGCB Map Viewer to the Board website. This interactive map system allows users to find Michigan casinos and to retrieve driving directions on the MGCB internet website. Financial Services staff also assisted the Department of Transportation in creating posters of maps which show the commercial casinos, the Indian casinos and the live horse racing tracks.

Department of Technology, Management, and Budget (DTMB)

In June 2011 IT staff and MGCB's Licensing Section staff, in conjunction with the Michigan One Stop team, launched the Vendor Exemption Online system, MGCB's first on-line licensing system. Vendors can now renew their "exemption" and pay their processing fee online. The system was used by over 368 vendors in 2011, and reduced vendor and Enterprise Licensing Section staff time in processing the renewals.

IT staff installed Oracle's Advanced Security Module which encrypts all communications between Oracle and MGCB staff computers.

IT staff working with several DTMB groups, Enterprise Architecture; Virtual Center of Excellence; Office Automation; and Messaging successfully migrated MGCB's staff from Groupwise to an Outlook email system. This was a complicated process with unique

requirements. New processes had to be worked out with DTMB to enable MGCB to stand up its own mail server and administer it. Along with standing up the email server, approximately 50 user accounts were converted to the standard naming convention.

IT staff replaced three V860 Sun servers with M3000 models. These servers host the Oracle database MGCB uses along with the document repository (LiveLink) and front-end user portal (Information Repository). The production update took one day and no post upgrade issues were encountered.

IT staff completed the PC Replacement project. 94 Dell 620 PCs off warranty were replaced with new HP 6500 PCs.

HORSE RACING, AUDIT & GAMING TECHNOLOGY DIVISION

Audit Section

To be more efficient and focused during audits, the Audit Section is divided into two sections: Historical Audit and Casino Operations.

The Historical Audit Section completed the audit fieldwork for all nine Compliance Audits scheduled for the Calendar Year 2011 Audit Plan. The Historical Audit Section staff conducted audits on each of the three Detroit casinos' gambling operations; internal controls for Electronic Game Devices, Table Games and Card Rooms, and Accounting Department procedures. For each operation audited, review included:

- Physical observation of the various processes and procedures to verify operational activities were in accordance to the Board approved licensee internal control standards;
- Examination, on a test basis, of gaming source documents to ensure completion with proper signatory authority, and to ensure gaming transactions were properly recorded;
- Comparison of physical inventory to recorded inventory of casino assets and gaming equipment; and
- Provide reasonable assurance the control activities performed in the analysis and reporting of adjusted gross receipts were adequate.

The audits resulted in improvements to each licensee's internal controls. Audit exceptions also included modifications to procedures and a modification to reported taxable adjusted gross receipts.

The Casino Operations Audit Section completed the review of 1,095 daily tax returns and 36 monthly tax returns to provide reasonable assurance the reporting of \$1.42 billion in gaming revenue to the State of Michigan was free of material misstatement. Furthermore, it was assured the proper payments of \$115 million in state wagering taxes were paid and received. The section also completed the review of monthly credit reports and quarterly reports for 2011. (Note: December credit reports and fourth quarter reports are still in the process of being submitted by the licensee, which will be reviewed by staff). Monthly

and quarterly financial information, as required for submission by the licensees, are being reviewed and analyzed accordingly.

During 2011, an Internal Control Review Team (ICRT) was created and facilitated by the Casino Operations Audit Manager. This team has representatives from the Audit, Gaming Lab, and Enforcement sections. The team as a group, reviewed and approved or denied 89 internal control standard (ICS) revision submissions during May 1, 2011 through December 31, 2011.

Gaming Lab Section

The Gaming Lab continues to play a critical role in the mission of the MGCB by testing and analyzing all gaming devices and equipment, recommending minimum internal controls for gaming technology, reviewing casino requested internal control changes, and assisting in investigations to help ensure the integrity of casino games and accurate reporting of gaming revenue in Michigan.

During 2011, the Section:

- Resolved 2,160 gaming device submissions, modifications, and tests to determine if products submitted conform to the technical specifications set forth in the rules;
- Processed 238 assignments, reports, and casino internal control change requests, some of which are denoted below;
- Revised 3 submission forms, reducing unnecessary paperwork;
- Continued to develop procedures and training tools on new methods of performing field verification designed to save MGCB and the casino licensees' time and resolved anomalies found in field by Enforcement Section;
- Worked with AG and issued Technical Advisory Notification to industry related to award triggers permitted for use in approved gaming and associated equipment by MGCB Rule.
- Assisted Attorney General, Gaming Audit, Enforcement and Investigative Support Sections with technical aspects of their investigations including apparent non-compliant progressive transfers, administrative fees collected on table games, and unauthorized modifications to approved associated equipment.
- Concluded successful field trial for downloadable games technology at 2 casino licensees approving several remote game content and game configuration products for unconditional use in jurisdiction.
- Responsibility transferred to Lab to approve or audit progressive liability transfers requested or performed by casino licensees, tying the information provided by the casino to the source documentation provided by the manufacturer via laboratory submission or other means. 26 reviews completed between October 1 and December 31, 2011.

Indian Gaming Section

Based on analysis of the 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. Revenue is presently generated from 12 tribal governments, operating 22 tribal casinos, with approximately 23,467 slot machines. These casinos foster economic development and employment for the tribes and their surrounding communities while promoting tribal economic self-sufficiency on Indian Tribal lands.

The Indian Gaming Section was created within MGCB to provide oversight of the Tribal-State Class III Gaming Compacts as outlined in the Compacts between the State of Michigan and the 12 federally recognized tribes in the State of Michigan. The Compacts provide the regulation of Indian casino gaming is the responsibility of the tribe. 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.

This oversight authority includes performing financial audits to ensure the net win totals are fairly stated, in all material respects, and the related payments to local units of state government, local revenue sharing boards. The Michigan Economic Development Corporation, and Michigan Strategic Fund are properly remitted in accordance with the relevant Tribal-State Class III Gaming Compact and related Consent Judgments.

In calendar year 2011, The Indian Gaming Section presented final net win audit reports to five (5) tribes covering nine (9) fiscal years. 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.

In calendar year 2011, The Indian Gaming Section presented final compliance audit reports on the extent of compliance with various sections of the Tribal-State Class III Gaming Compacts to five (5) tribes. Fieldwork and write-up was performed on an additional six (6) tribes with final reports anticipated in calendar year 2012.

During calendar year 2011, The Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians (Gun Lake Tribe) opened their long awaited Gun Lake Casino. The casino, features approximately 1,400 slot machines, 28 table games, a 300-seat restaurant, a food court, a casino bar, and an entertainment lounge. Gun Lake Casino is located on tribal reservation land in Wayland, Michigan.

The Pokagon Band of Potawatomi Indians, owner of the Four Winds Casino Resort in New Buffalo, Michigan also opened a satellite casino in Hartford Township, Michigan. The casino has approximately 500 slot machines, 9 table games, a bar, and a restaurant.

Horse Racing Section

The Horse Racing staff was successfully integrated from the Department of Agriculture into MGCB with secured fixed funding for oversight of horse racing for 2010.

Horse Racing staff continues to review and rewrite the section's policies and procedures to ensure they are within horse racing standards.

Summary of Horse Racing Revenue:

<u>January 1, 2011 through December 31, 2011</u>	
Pari-Mutuel Simulcast Wagering Taxes	\$4,794,880
Occupational License Fees	68,570
Outs	316,795
Racing Fines	27,975
Track Licenses	2,600
Other Revenue	5,785
Revenue Transfers	(26,314)
Total Horse Racing Revenue	\$5,190,290
<u>State Tax Summary</u>	
Mixed Breed	
Mount Pleasant Meadows	\$55,223
Harness	
Hazel Park Harness Raceway	\$2,246,232
Northville Downs	1,872,085
Sports Creek Raceway	621,340
Harness Totals	\$4,739,657
TOTAL STATE TAX	\$4,794,880

Licensees and Licenses

During 2011, there were 2,426 individuals licensed who held a total of 3,274 licenses. Some licensees hold more than one license.

LICENSING & REGULATION DIVISION

Enterprise Licensing Section

The Enterprise Licensing Section of the Licensing & Regulation Division continues to work closely with the Investigations Section of the Licensing & Regulation Division to

review the eligibility, suitability, and qualification of commercial casinos and their suppliers in the State of Michigan. As of December 31, 2011, there were three commercial casinos and 129 suppliers licensed by the Board.

The Enterprise Licensing Section also administers Vendor Exemptions and Supplier License Exemptions. Vendor Exemptions and Supplier License Exemptions are conditional waivers of the supplier licensing requirements of the Act and Rules. Vendor Exemptions must be approved by the Executive Director of the Board and are only eligible for non-gaming entities providing less than \$300,000 of goods or services to a single casino or less than \$600,000 of goods or services to multiple casinos. As of December 31, 2011, there were 1,011 entities holding a Vendor Exemption through the Board. Supplier License Exemptions are approved by the Executive Director for those entities which are not deemed necessary to protect the public interest or accomplish the policies and purposes of the Act, including entities providing greater than \$300,000 of goods or services to the casinos. As of December 31, 2011, there were 366 entities holding a Supplier License Exemption. These exempt entities include law firms, Certified Public Accountants, publicly traded companies, entities regulated by another State agency, media outlets, medical service companies, insurance providers, and chartered depository financial institutions.

Entities Licensed or Exempt Through the Board (As of December 31, 2011)	
Commercial Casinos	3
Non-Gaming Suppliers	86
Gaming Suppliers	43
Supplier License Exemptions	366
Vendor Exemptions	1,011
Total	1,509

In June 2011, the Vendor Exemption annual renewal process was placed online via the Michigan Business One Stop website. This online renewal process allows the 1,011 vendor exempt entities administered by MGCB to efficiently renew their vendor exemption without going through an arduous manual process. The implementation of this tool has been a success with a usage rate greater than 95%.

During 2011 the Enterprise Licensing Section identified approximately \$1.5 million of unpaid tax liabilities to the State of Michigan and \$1.8 million of unpaid tax liabilities to the Internal Revenue Service for entities and qualifying individuals applying for a Vendor Exemption with the Board. As a condition of the Vendor Exemption approval process, MGCB was responsible for approximately \$447 thousand in tax payments being made to the State of Michigan and approximately \$1.1 million in expected recoveries from established payment plans with the State of Michigan. In addition, as a condition of the Vendor Exemption approval process, MGCB was responsible for approximately \$274 thousand in tax payments being made to the Internal Revenue Service and approximately

\$1.5 million in expected recoveries from established payment plans with the Internal Revenue Service.

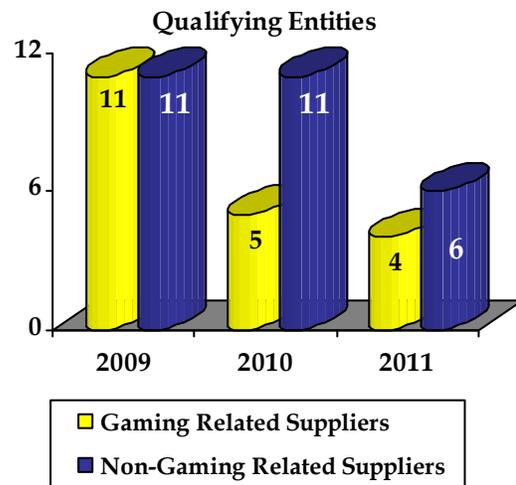
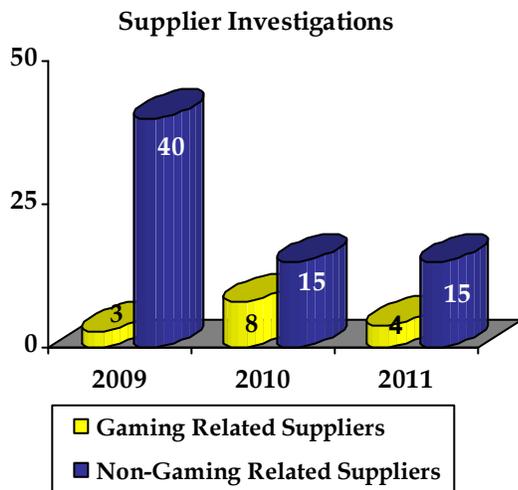
Agency	Recoveries	Expected Recoveries From Payment Plans Initiated In 2011	Total
State of Michigan	\$447,050	\$1,065,256	\$1,512,306
Internal Revenue Service	\$274,145	\$1,494,342	\$1,768,487
Total	\$721,195	\$2,559,598	\$3,280,793

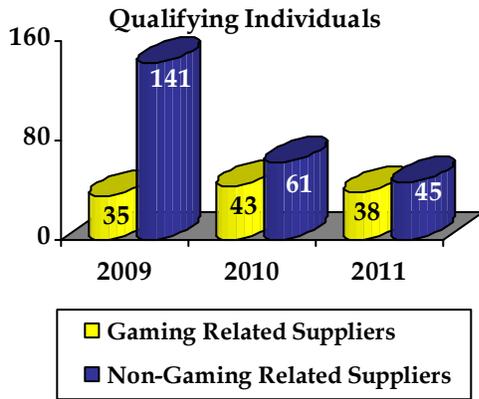
The Act requires each supplier to renew its license on an annual basis. 2011 was the first full year in which the Licensing & Regulation Division operated under a newly adopted supplier license renewal process. In 2010, the policy for conducting the annual review of suppliers was updated to only require an onsite investigation every four years for the applicants, while the investigation occurs remotely for the three interim years. This policy update has reduced costs associated with the renewal for the suppliers and has proved to be a more efficient and cost saving method for MGCB to perform its annual renewal of supplier licenses.

Investigations Section

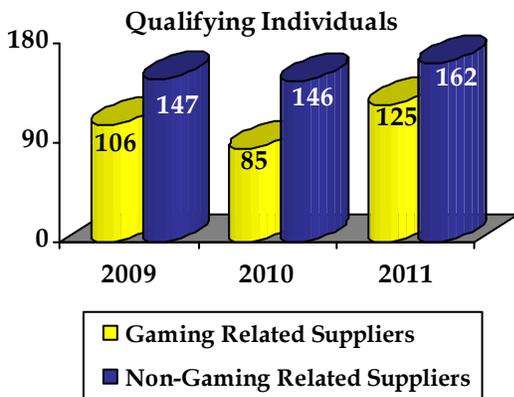
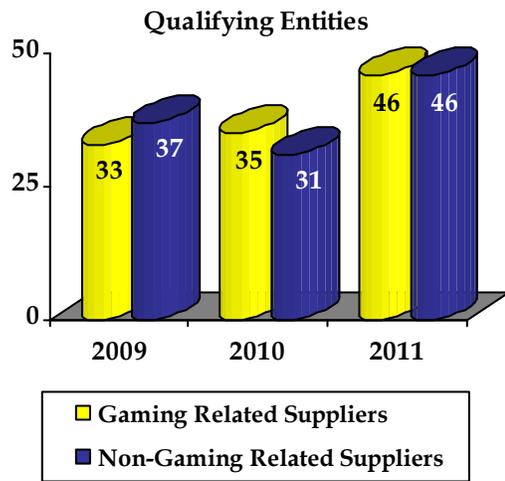
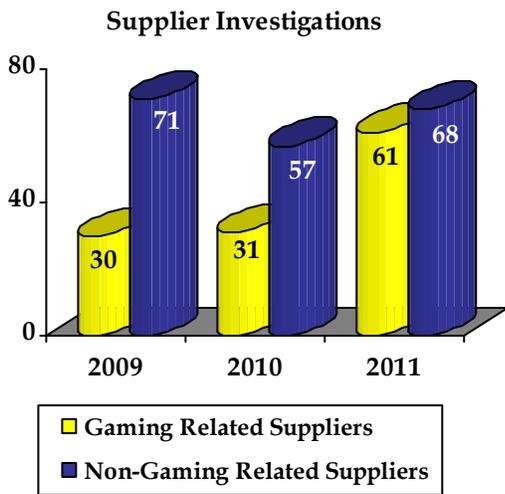
MGCB staff conducted supplier investigations within the State of Michigan, the United States, and overseas. Due to several overseas investigations posing a written and spoken language barrier, MGCB used an independent accounting firm, Grant Thornton, LLP located in Southfield, Michigan, and its international associates to complete the review of documents and interviews of key persons. Overseas investigations were conducted in the following countries: England, France, Italy, Australia, Slovenia, and Japan (2).

The following initial investigations were received and investigated in 2009, 2010, and 2011:



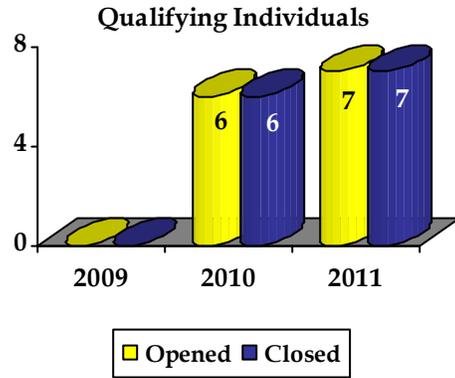
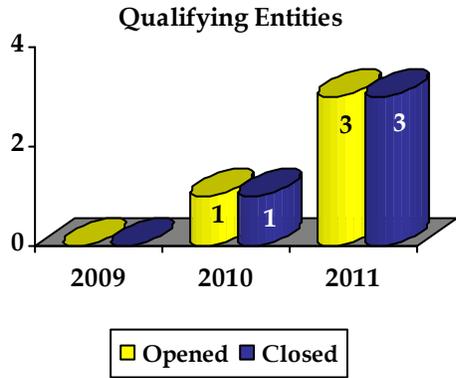


The following renewal and supplemental investigations were received and investigated in 2009, 2010, and 2011:

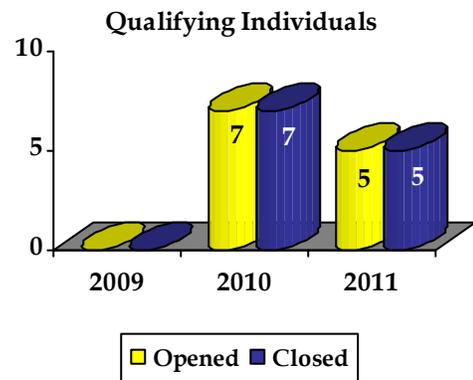
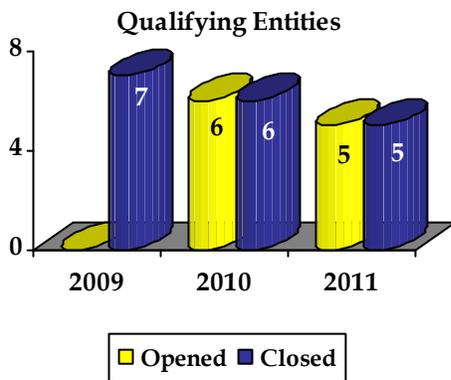


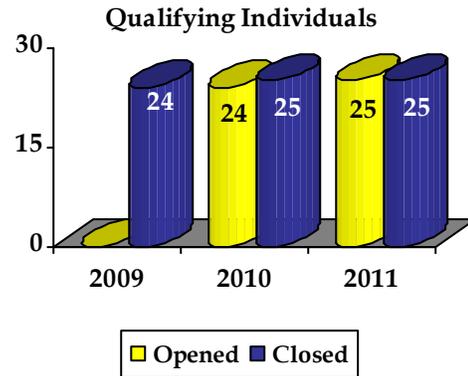
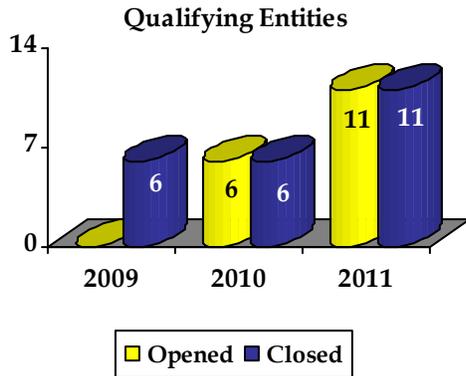
Three casinos renewals were received and completed in 2009, 2010, and 2011. Investigations opened and closed for casino and related entities in 2009, 2010, and 2011:

Greektown Casino, LLC (GTC)



Detroit Entertainment, LLC d/b/a MotorCity Casino (MCC)





Enforcement Section

This section continues to carry out 7 days a week/24 hours a day monitoring of the casinos' responsibilities to ensure gaming integrity. Regulation officers are located in the three Detroit casinos and are authorized by the Act to investigate alleged violations of the Act, Rules, and Systems of Internal Controls to ensure all casino facilities, activities, and games are in compliance.

The MRT (Monitoring Inspection Review Team) was established in 2010 to review all existing Monitoring Inspections (MI). In 2011, two additional MI were created and implemented and one redundant MI was eliminated creating opportunities for better prioritization of time for the casino licensees and MGCB.

Monthly compliance meetings are held with the three Detroit casinos, Detroit Police Department (DPD), and Michigan State Police (MSP) to discuss any compliance issues.

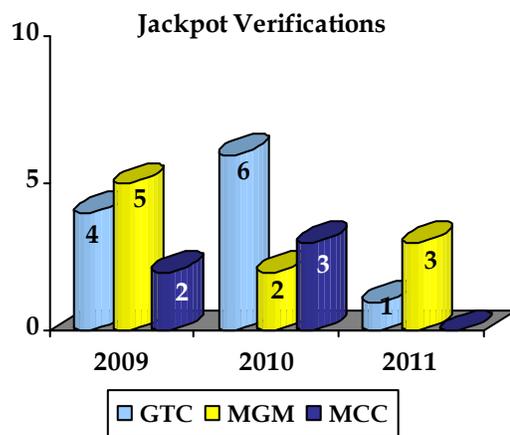
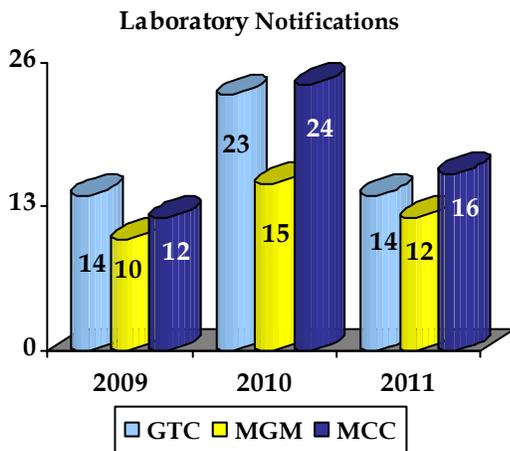
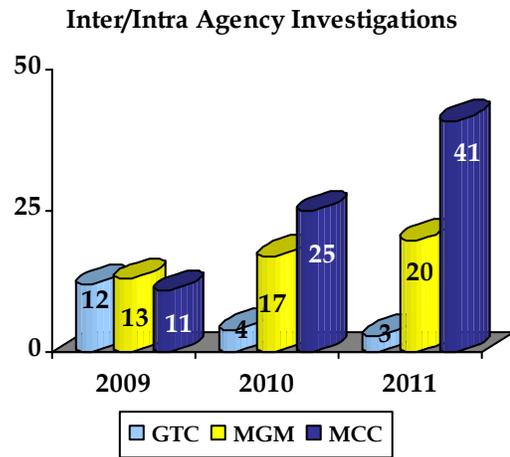
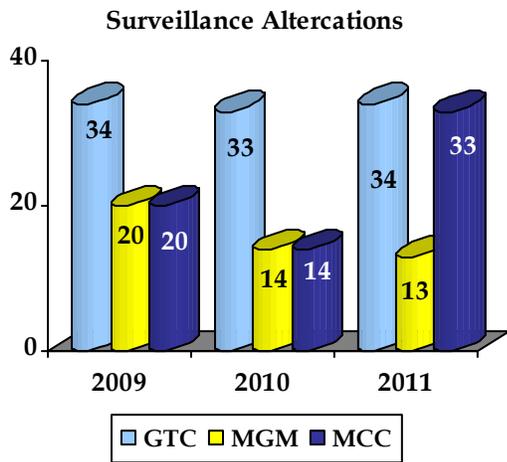
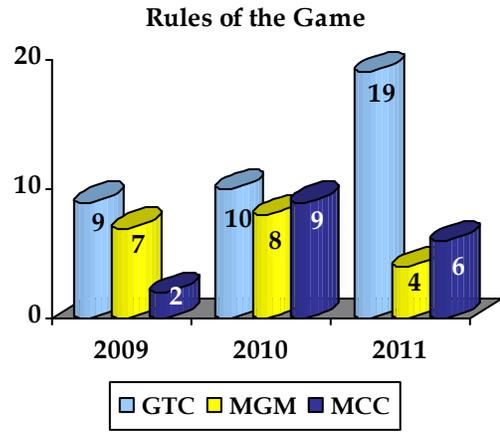
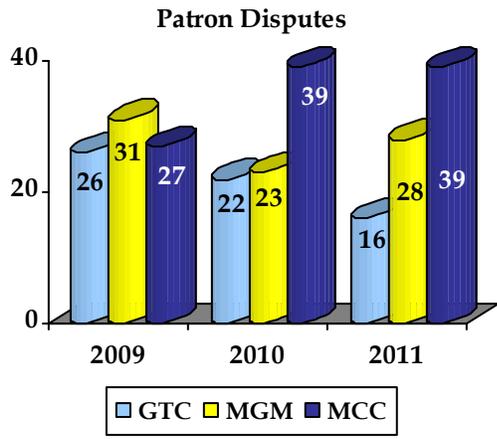
A 12-hour shift was implemented in 2011, allowing minimum staffing to be met with fewer regulation officers.

The field verification process was changed to produce the desired result of testing 25% of the slot machine software located in the three Detroit casinos, utilizing fewer employees, and less time for the casinos and MGCB.

Incident Management Training was conducted at all three Detroit casinos with DPD-Homeland Security, Detroit Fire Department, and MSP as mandated by R 432.11015.

To increase the quality and consistency of the reports within MGCB, effective business writing training was provided to all staff.

The Enforcement Section performed the following investigations in 2009, 2010, and 2011:



Violations Issued / Fines Imposed

During 2011, the Enforcement Section issued violations and imposed fines as follows:

Greektown Casino, LLC (GTC)

On 01/12/11, MGCB issued GTC a warning letter for failure to comply with R 432.1907(1) and ICS § III (C); not requiring the drop team members to wear one-piece pocketless jump suits.

On 01/14/11, MGCB issued GTC a warning letter for failure to comply with R 432.11008(3)(a) and ICS § III (C); failure to notify surveillance to record and follow an emergency drop (collection of money from games on the floor).

On 04/14/11, MGCB issued GTC a warning letter for failure to maintain accurate data in the casino marketplace system in conjunction with an open investigation relative to allowing a minor in the casino per MCL 432.209(9).

On 05/04/11, MGCB issued GTC a warning letter for failure to comply with MCL 432.225(10); keep a computer record of each individual whose name is on the list of disassociated persons.

On 06/02/11, MGCB issued GTC a warning letter for failure to comply with ICS § IV (E)(1); drawing and giveaway plans will be submitted to the MGCB at least 14 days in advance.

On 06/10/11, MGCB issued GTC a warning letter for failure to comply with MCL 432.208(10) and R 432.1809; continuing duty to provide information requested by the board, and provide, in written form, the rules for each live game played in the casino, respectively.

On 11/28/11, MGCB issued GTC a warning letter for failure to comply with R 432.1224(k) and R 432.11011(1)(e)(x); failure to provide immediate oral report, followed by a written report, of suspected criminal activity and maintain a daily surveillance log of observed criminal activity.

On 12/13/11, the MGCB GTC Enforcement Section staff conducted an un-announced financial count of all cage and cage departments to verify the reporting and accountability of cash and cash equivalents at GTC. No material violations were noted.

Detroit Entertainment, LLC d/b/a MotorCity Casino (MCC)

On 9/15/11, the MGCB MCC Enforcement Section staff conducted an unannounced financial count of all cage and cage departments to verify the reporting and accountability of cash and cash equivalents at MCC. No material violations were noted.

MGM Grand Detroit, LLC (MGM)

On 12/13/11, the Board approved an Acknowledgement of Violation (AOV) of MGM, Board File No. CDA-2011-02, for a violation of MCL 432.225(9). The casino was fined \$50,000 for sending promotional mailings to persons on the list of disassociated persons, in violation of MCL 432.225(9).

On 04/25/11 MGCB issued MGM a warning letter for failure to comply with ICS § III(b)(7); a Monetary Transaction Log is required to contain the signature of the person recording each transaction.

On 08/09/11 MGCB issued MGM a warning letter for failure to comply with MCL 432.209c(2); a casino licensee shall include a toll-free compulsive gaming helpline number on all its printed advertisement (billboards).

On 08/11/11 MGCB issued MGM a warning letter for failure to comply with R 432.1907(1) & (2), ICS § VII(III); initial test of Electronic Gaming Devices (EGD) shall be tested for at least 4 drops and shall meet a 99% accuracy requirement for coin in, coin out, coin to drop, jackpot and bill validator readings.

On 9/30/11 MGCB MGM Enforcement Section staff conducted an unannounced financial count of all cage and cage departments to verify the reporting and accountability of cash and cash equivalents at MGM. No material violations were noted.

Supplier Fines

On 10/11/11 the Board approved an AOV of supplier licensee, Aristocrat Technologies, Inc., for using software on the MGM floor which was not approved and was in violation of R 432.1942(1). This supplier was fined \$30,000 for violating R 432.1942(1).

On 10/11/11 the Board approved an AOV of supplier licensee Shuffle Master Inc., Board File No. SDA-2011-01, for a violation of R 432.1331(1). The supplier was fined \$25,000 for allowing unlicensed personnel to work in table games pit located on the casino gaming floor.

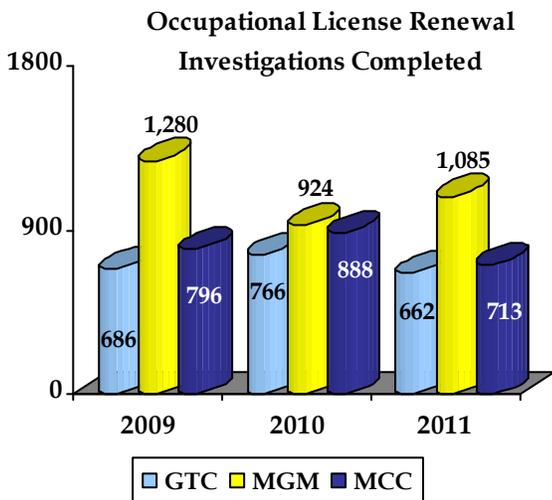
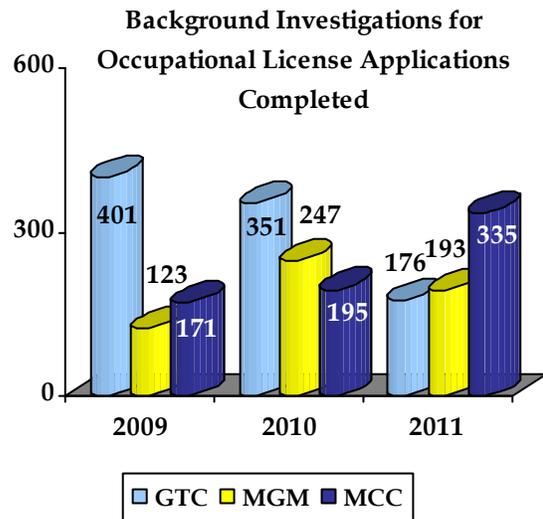
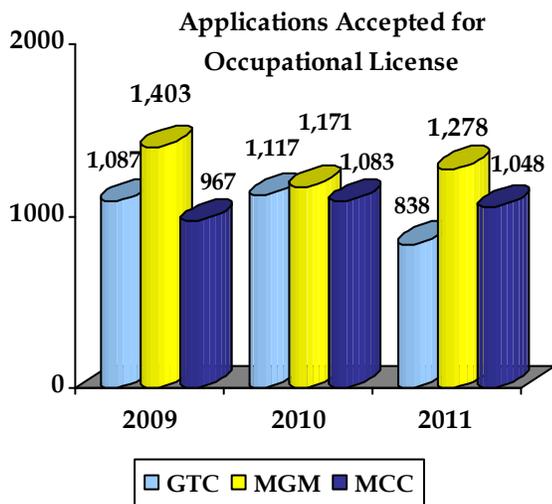
On 10/24/11 MGCB issued a reminder to International Gaming Technology of their continued duty to maintain compliance with notifying MGCB of a malfunction to an EGD program which intermittently downloaded point play while in attract mode in violation of R 432.1842(9)(a).

On 12/13/11 the Board approved an AOV of supplier licensee Cummins-Allison Corp., Board File No. SDA-2011-02, for a violation of R 432.1331(1). The supplier was fined \$5,000 for allowing unlicensed personnel to work in GTC's count room.

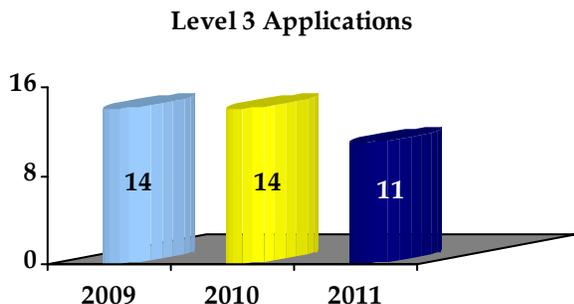
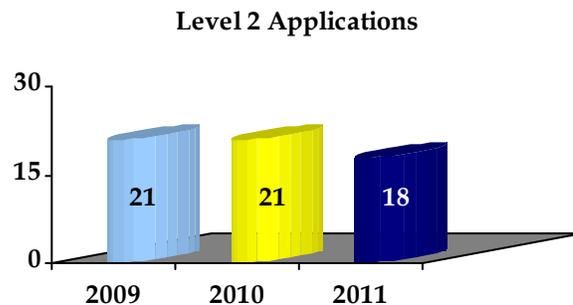
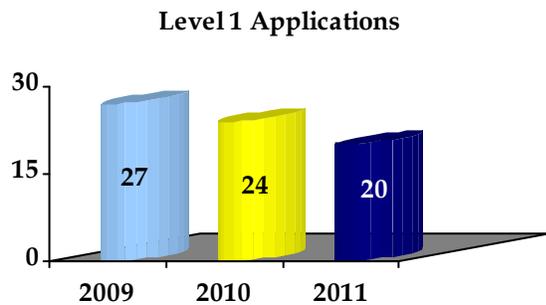
Employee Licensing Section

The Detroit casinos and related suppliers employ approximately 7,000 personnel in positions requiring an occupational license. The Employee Licensing Section has successfully investigated and licensed on average 99.4 percent of those employees. The remaining employees were issued temporary licenses pending completion of a background investigation. The section received 4,084 occupational and renewal applications for investigation.

In addition, the Employee Licensing Section with assistance from our IT staff, revised the occupational licensing recommendation report process. Overall, the new process has improved the efficiency of the section resulting in the completion of background investigations three days quicker than last year’s average.



The average number of days from receipt of an occupational license application to license grant recommendation to the Board or Executive Director during 2009, 2010 and 2011 were:



Regulatory Investigations Support Section

The essential role of the Regulatory Investigations Support Section is to provide MGCB with a resource responsible for, and capable of, completing the most sophisticated investigations needed to achieve MGCB's continually evolving mission. Many of the investigations conducted are the result of a cooperative effort between the MGCB, the MSP Gaming Section, and other state and federal law enforcement and regulatory agencies.

The below chart represents the number and type of investigations initiated by the Regulatory Investigations Support Section for 2011:

<i>Type of Activity</i>	<i>2011</i>
Background Investigation	5
Casino Related	48
Charitable Gaming Violation	2
Employee Misconduct	5
Exclusion List	11
Horse Racing	1
Illegal Gambling	2
Information Received by the Board	1
Internet Café	1
On-Line Gambling	1
Other	1
Pre-Employment background Check	9
Request for Assistance	14
Suspicious Activity	7
Total	108

MGCB Tip Line

The anonymous illegal gambling tip line and email continues to provide regulatory and law enforcement agencies information on unauthorized/illegal gaming in the State of Michigan. Monitored by the MGCB Regulation Investigations Support Section's Manager and Departmental Analyst, the initiative unites the efforts of MGCB, MSP, Michigan Liquor Control Commission, Michigan Department of Treasury, the Office of the Attorney General, and the Michigan Lottery.

The illegal gambling tip line and email address are currently published on the MGCB website, partner websites, in various areas at each of the three Detroit casinos, and four horse racing tracks within the state. MGCB has also increased awareness of the anonymous illegal gambling tip line and email address by placing the contact information on the back of employee business cards and select MGCB forms. In the first full year of implementation, the anonymous tip line received 128 illegal gaming related tips which were forwarded to partner agencies for investigation. In 2011, the number of tips received and forwarded increased by roughly 4.5% to 134.

The following chart represents tips received from September 1, 2009, to December 31, 2011:

	2009	2010	2011
50/50 Raffle		7	3
Bingo		4	3
Book Making		1	
Casino Related		10	15
Charitable Gaming		14	7
Horse Racing		13	5
Illegal Gambling	1	21	26
Illegal Machines	6	31	53
Internet Cafe			14
Lottery		2	
Poker		5	
Theft/Fraud	1	4	
Other	2	16	8
TOTAL	10	128	134

Exclusion List

The Act authorizes MGCB to exclude individuals meeting certain criteria from the three Detroit casinos licensed by MGCB, as well as maintain a list of excluded persons. In 2011, MGCB updated its policy for excluding individuals as part of its continued commitment to ensure a safe gaming environment. As a result, eleven individuals have been investigated and await placement on the Exclusion List.



Minors and Compulsive Gambling

ANNUAL UNDERAGE AND COMPULSIVE GAMING STUDIES

Section 15(2) of the Act, MCL 432.215(2) requires that each casino licensee conduct an annual study on minors and compulsive gaming. Section 15(1) of the Act further requires that MGCB include certain information regarding minors on casino premises, which each licensee must compile as part of their annual study. The following is a summary chart of the required information compiled and reported by each of the three Detroit casino licensees in their respective annual studies on minors and compulsive gaming for calendar year 2011:

Casino Licensees' Reported Contacts with Minors on Licensed Casino Premises During Calendar Year 2011

	MGM Grand	MotorCity	Greektown
1. The number of minors who were denied entry into the casino.	792	1,587	845
2. The number of minors who were physically escorted from the casino premises.	18	0	18
3. The number of minors who were detected participating in gambling games other than slot machines.	2	7	6
4. The number of minors who were detected using slot machines.	0	8	12
5. The number of minors who were taken into custody by a law enforcement agency on the casino premises.	18	22	18
6. The number of minors who were detected illegally consuming alcohol on the casino premises.	3	6	0



Board Revenues and Expenditures

STATE SERVICES FEE FUND

Section 432.212a of Public Act 69 of 1997 provides that all casino-related regulatory and enforcement costs, compulsive gambling programs, and other casino-related programs, activities, and services conducted by the Board, the Michigan Department of State Police, the Michigan Department of Attorney General, the Michigan Department of Community Health, and other state agencies shall be paid from annual fees assessed on the three Detroit casino licensees. Under the Act, each casino licensee is required to pay an annual assessment fee on or before the date on which the licensee first began operating its casino and each year thereafter on that date. The amount of each licensee's annual assessment is equal to 1/3 of \$25,000,000 adjusted annually by multiplying the previous year's assessment by the Detroit consumer price index, as defined and reported by the United States Department of Labor, Bureau of Labor Statistics. Based on this formula, each of the three Detroit casino licensees were assessed and paid a total of \$31,313,606 for calendar year 2011 and \$31,148,658 for fiscal year 2011.

From the annual assessment fees paid each year by the licensees, \$2,000,000 must be deposited in the State's Compulsive Gaming Prevention Fund. Up to \$1,040,000 may be distributed annually to the Domestic Violence and Treatment Board administered by the Department of Human Services. The remaining \$960,000 is to be used exclusively for the treatment, prevention, education, training, research, and evaluation of compulsive gamblers and their families, as determined by the director of the Michigan Department of Community Health.

APPLICATION AND LICENSE FEES, FINES AND COSTS

MGCB is authorized by the Act to collect various license application fees to fund the MGCB's cost of conducting required background investigations of applicants for casino, supplier, and occupational licenses. After an applicant is determined eligible and suitable for licensure, the Act authorizes MGCB to assess and collect license fees for both the initial issuance and subsequent renewals of casino, supplier, and occupational licenses. In addition to application and license fees, the Act authorizes MGCB to order reimbursement of investigative costs and to impose fines as disciplinary actions to penalize violators of the Act or Administrative Rules of the Board. MGCB collected application and license fees and other authorized fees, fines, and reimbursement of costs totaling \$2,924,847 for calendar year 2011, and \$2,626,569 for fiscal year 2011.

NATIVE AMERICAN CASINO FUND

The Governor of Michigan officially designated and authorized the Executive Director of MGCB and his designees, agents and employees as the State of Michigan's representative to conduct the State's authorized inspections of tribal Class III gaming facilities and records, pursuant to and in accordance with the provisions of the various Tribal-State Compacts for the conduct of tribal Class III gaming on Indian lands in Michigan. Oversight responsibilities include conducting financial and compliance audits of the tribal casino's operations to determine the extent of compliance with the Tribal-State Gaming Compacts and related Consent Judgments. Board members of MGCB have no oversight role or authority over the Tribal-State Gaming Compacts. Within each of these compacts, it is outlined that the tribe 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 agreements stipulate a percentage of annual net win, derived from all Class III electronic games of chance, are to be paid to the Michigan Strategic Fund (MSF) or Michigan Economic Development Corporation (MEDC). The MEDC provides funding to the Board for oversight related to these payments.

LAB FUND

Rule 432.1842 of Public Act of 69 of 1997 provides that all gaming devices and equipment distributed to a casino licensee must be approved by the Board prior to being placed on the gaming floor of the Detroit casinos. It further provides the manufacturer or distributor of the equipment is required to pay the cost of testing. The lab has an established fee schedule for payments of various testing which is designed to cover the costs associated with testing.

EQUINE DEVELOPMENT FUND (HORSE RACING)

Per Executive Order 2009-45 the Office of the Racing Commissioner and the position of Racing Commissioner were abolished and those functions were transferred to the Executive Director of MGCB effective January 17, 2010. Board members of MGCB have no authority or role in regulating live horse racing. Prior to Executive Order 2009-45, the Office of Racing Commissioner was a Type-I agency under the Michigan Department of Agriculture. Executive Order 2009-54 maintains the authority, powers, duties, and functions under Section 20 of the Horse Racing Law of 1995, PA 279, MCL 431.320 (Equine Development Fund) within the Michigan Department of Agriculture effective March 15, 2010. These Executive Orders gave regulatory authority of racing to the Executive Director, but the funding of this function is still retained by the Michigan Department of Agriculture through the Equine Development Fund under §20 of the Act.

BOARD STATEMENT OF REVENUES AND EXPENDITURES

Section 432.215(1) of Public Act 69 of 1997 requires MGCB's Annual Report include an account of financial position and the results of operations under the Act, for the period covered by the report. While MGCB, like other state agencies, operates on a fiscal year (October 1 - September 30) basis, the Act requires that MGCB's Annual Report be based on the calendar year. To give a more comprehensive account of financial position and the results of operations, the following financial statement reports MGCBs revenues and expenditures for both calendar year and fiscal year 2011.

Statement of Revenues and Expenditures (In Thousands)

REVENUES

	<u>Fiscal Year 2011</u>	<u>Calendar Year 2011</u>
State Casino Gaming Fund		
Casino and supplier fines	\$ 62.0	\$ 261.0
Other	1.1	1.2
State Services Fee Fund		
Annual assessments	31,148.7	31,313.6
Application fees:		
Casinos	104.6	105.3
Suppliers	519.4	548.8
Occupational	141.4	131.6
Vendors	34.2	33.3
License fees:		
Casinos	75.0	75.0
Suppliers	555.0	560.0
Occupational	362.1	374.4
Vendors	71.3	82.9
Other fees:		
Badge replacement fees	5.3	5.7
Other	0.1	0.1
Native American Casino Fund		
Oversight fees	539.6	623.8
Lab Fund		
Testing fees	695.1	745.5
Total Revenues:	\$ 34,314.9	\$ 34,862.2

EXPENDITURES		
	<u>Fiscal Year 2011</u>	<u>Calendar Year 2011</u>
State Services Fee Fund		
Board	\$ (16.7)	\$ (10.2)
Administration	(16,116.9)	(16,059.4)
Information technology	(1,486.0)	(1,551.2)
Native American Casino Fund	(472.2)	(470.9)
Lab Fund	(686.0)	(643.1)
Equine Development Fund	(1,263.5)	(1,188.9)
Total Expenditures:	\$ (20,041.3)	\$ (19,923.7)
OTHER FINANCING SOURCES (USES)		
Transfers from other funds:		
Department of Agriculture	\$ 1,282.9	\$ 1,282.9
Transfers to other funds:		
State Services Fee Fund		
Department of Community Health	(960.0)	(960.0)
Department of Human Services	(1,040.0)	(1,040.0)
Michigan Office of the Auditor General	(952.1)	(952.1)
Department of Treasury	(289.2)	(289.2)
Michigan State Police	(9,535.1)	(9,535.1)
Department of Agriculture	(46.3)	(46.3)
Department of Civil Service	(174.1)	(174.1)
General Fund	(0.0)	(0.0)
Total Other Financing Sources (Uses):	\$ (11,713.9)	\$ (11,713.9)
Excess of Revenues and Other Sources over		
(under) Expenditures and Other Uses:	\$ 2,559.7	\$ 3,224.6

Footnotes:

1. Approval for calendar year presentation was received from the Department of Management and Budget, Office of Financial Management.
2. Governmental fund types are accounted for using the modified accrual basis of accounting.
3. The Equine Development Fund presented in the expenditures above are Horse Racing expenditures which are funded by the Department of Agriculture's Equine Development Fund.



Casino Revenues and State Wagering Taxes

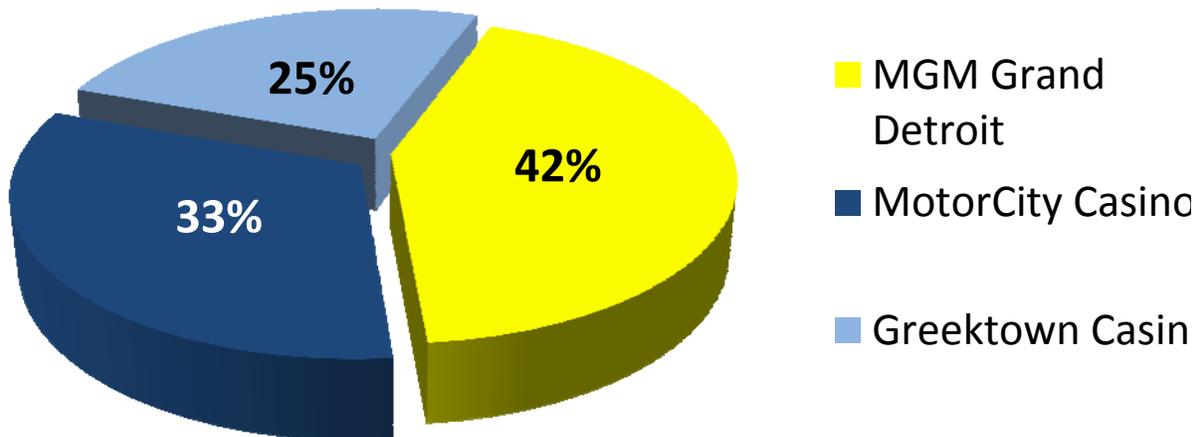
STATE CASINO WAGERING TAX

Section 432.212 of Public Act 69 of 1997 imposed an 8.1% State Wagering Tax on the adjusted gross receipts received by each Detroit casino licensee from casino gaming authorized by the Act. The Act defines “adjusted gross receipts” as being the licensee’s gross gaming receipts less winnings paid to wagerers. The 8.1% is deposited in the State’s School Aid Fund to provide additional funds for K-12 public classroom education. Public Act No. 306 of 2004 amended the original Act. Effective September 1, 2004, the State Wagering Tax was temporarily increased by 4% to 12.1%. Of the additional 4%, 3.5% is deposited in the State’s General Fund and .5% is deposited in the Michigan Agriculture Equine Industry Development Fund. MGM, MotorCity, and Greektown Casinos are no longer required to pay the additional 4% wagering tax due to the opening of their permanent casinos and hotels.

In calendar year 2011, the combined 8.1% State Wagering Taxes paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled \$115,380,083.

The following is a monthly and annual summary of the adjusted gross receipts and State Wagering Tax payments for the three Detroit casino licensees for calendar year 2011:

Detroit Casino Adjusted Gross Receipts \$1,424,445,461



CALENDAR YEAR ADJUSTED GROSS RECEIPTS AND STATE WAGERING TAXES DETAIL

Calendar Year 2011

Month	MGM GRAND		MOTORCITY CASINO		GREEKTOWN CASINO		DETROIT CASINOS	
	Total Adjusted Revenue	State Wagering Tax (8.10%)	Total Adjusted Revenue	State Wagering Tax (8.10%)	Total Adjusted Revenue	State Wagering Tax (8.10%)	Total Adjusted Gross Receipts	Total State Wagering Tax
January	\$48,709,927.15	\$3,945,504.10	\$38,680,985.61	\$3,133,159.83	\$27,673,308.06	\$2,241,537.95	\$115,064,220.82	\$9,320,201.88
February	46,916,833.57	3,800,263.52	38,591,311.83	3,125,896.26	28,992,514.21	2,348,393.65	114,500,659.61	9,274,553.43
March	54,466,307.80	4,411,770.93	45,244,701.71	3,664,820.84	33,101,456.98	2,681,218.02	132,812,466.49	10,757,809.79
April	52,162,289.78	4,225,145.47	41,512,570.85	3,362,518.24	31,657,354.70	2,564,245.73	125,332,215.33	10,151,909.44
May	51,196,720.20	4,146,934.34	38,800,817.32	3,142,866.20	30,042,825.97	2,433,468.90	120,040,363.49	9,723,269.44
June	47,531,731.66	3,850,070.26	36,826,112.83	2,982,915.14	28,949,876.41	2,344,939.99	113,307,720.90	9,177,925.39
July	50,966,222.78	4,128,264.05	40,090,240.13	3,247,309.45	29,050,954.03	2,353,127.28	120,107,416.94	9,728,700.78
August	49,579,309.45	4,015,924.07	38,037,787.80	3,081,060.81	27,470,288.34	2,225,093.36	115,087,385.59	9,322,078.24
September	48,562,691.89	3,933,578.04	38,406,374.92	3,110,916.37	26,863,130.17	2,175,913.54	113,832,196.98	9,220,407.95
October	48,333,490.57	3,915,012.74	37,656,236.01	3,050,155.12	29,539,400.92	2,392,691.47	115,529,127.50	9,357,859.33
November	49,018,163.26	3,970,471.22	37,691,579.66	3,053,017.95	28,400,063.81	2,300,405.17	115,109,806.73	9,323,894.34
December	52,265,945.70	4,233,541.60	40,439,462.16	3,275,596.43	31,016,472.83	2,512,334.30	123,721,880.69	10,021,472.33
Total	\$599,709,633.81	\$48,576,480.34	\$471,978,180.83	\$38,230,232.64	\$352,757,646.43	\$28,573,369.36	\$1,424,445,461.07	\$115,380,082.34



This Annual Report was not produced at taxpayer expense.
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