

2018 Michigan Gaming Control Board Annual Report



Annual Report to the Governor

Calendar Year 2018



Michigan Gaming Control Board
3062 West Grand Boulevard, Suite L-700
Detroit, MI 48202

Submitted pursuant to the
Michigan Gaming Control & Revenue Act, as amended
(Public Act 69 of 1997)

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



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD
DETROIT

RICHARD S. KALM
EXECUTIVE DIRECTOR

March 1, 2019
The Honorable Gretchen Whitmer
Governor of Michigan

AN OPEN LETTER TO GOVERNOR GRETCHEN WHITMER AND THE MICHIGAN LEGISLATURE:

On behalf of the Michigan Gaming Control Board, I am pleased to present the Annual Report to the Governor for calendar year 2018, pursuant to Section 15(1) of the *Michigan Gaming Control & Revenue Act*, as amended, Public Act 69 of 1997, MCL 432.201 (Act). This Annual Report is submitted not only to comply with the statutory reporting requirements under the Act, but to provide a summary of significant activities and operations of the Board and the Board's staff. The Annual Report includes a report on the licensure, regulation and operations of authorized commercial casino gaming in the City of Detroit for 2018.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert L. Anthony', with a long horizontal flourish extending to the right.

Robert L. Anthony
Chairperson



Michigan Gaming Control Board

FROM THE EXECUTIVE DIRECTOR

The three Detroit commercial casinos combined to create revenue history in 2018. Together the casinos reported a record \$1.44 billion in annual revenue, which was \$20 million higher than the previous annual record of \$1.42 billion set in 2011. Both MGM Grand Detroit and MotorCity Casino collected record annual revenue during the year while Greektown Casino fell \$17.6 million short of its all-time revenue record set in 2011.

The historic year also brought news of a potential ownership change in Michigan's commercial casino industry. Greektown's owners in November announced plans to sell the casino to Penn National Gaming, which would operate the gaming business, and Vici Properties, which would own the building and property, for a reported \$1 billion. Representatives of Penn National Gaming and Vici Properties attended the December 2018 board public meeting to share information about their companies and pledge to work with the MGCB throughout the acquisition and regulatory review process. The transfer of the casino license currently is under regulatory review by the agency.

The agency also faced changes in pari-mutuel horse racing as Hazel Park Raceway abruptly closed in April after nearly 70 years. Agency staff worked with Hazel Park to ensure bettors could claim outstanding winning 2018 tickets for 60 days after the track closed as required by the Horse Racing Act. A new operator purchased the shuttered Sports Creek track near Flint in December but recently surrendered its conditional license for a 2019 race dates, which the agency awarded in October.

During 2018, agency staff worked with the Attorney General's office and local authorities to investigate alleged illegal gambling operations around the state. Two illegal gambling cases went before the courts in 2018 and resulted in guilty pleas by a Lansing operator and her staff and the conviction of a Muskegon County operator. Agency staff and the Attorney General's office also worked to bring two cases involving charitable poker violations to their conclusions, resulting in judges ordering \$82,600 in restitution to be paid to charities.

The MGCB continues to work on improving our licensing and regulatory processes by developing a new information technology management system in conjunction with the Department of Technology, Management and Budget.

In 2018, our agency also supported the community through staff volunteer efforts to support veterans, food banks and families in need.

The MGCB works closely with our partner agencies: the Michigan State Police, the Michigan Attorney General's office, the Detroit Police Department and the commercial casinos' security directors. We appreciate the tremendous support they provide to help us fulfill our mission.

I would like to thank the Governor, the Legislature, our partner agencies and other public officials for their cooperation and service. My sincere appreciation goes to the Board and to MGCB employees for their dedicated service. Our professional, dedicated and committed staff believe strongly in our agency and its work, and I am proud of the job they do.

Sincerely,

/s/

Richard Kalm



Michigan Gaming Control Board

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Michigan Gaming Control Board

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*. The voter-initiated Act established the MGCB as an autonomous agency within the Michigan Department of Treasury (Treasury) exclusively responsible for licensing and regulating the three commercial Detroit casinos. In July 1997, the voter-initiated Act was amended substantially 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 the MGCB and provided for a system to collect 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 commercial casino gaming in the City of Detroit.



Michigan Gaming Control Board

Michigan Gaming Control Board 2018 Board Members

Mr. Robert L. Anthony, Chair



Mr. Anthony was reappointed by former Governor Rick Snyder to serve as Board Chair for a term at the pleasure of the governor. Mr. Anthony has served on the Gaming Control Board since January 2011 and has been reappointed by Governor Rick Snyder to serve as a board

member for a four-year term expiring on December 31, 2022.

Mr. Anthony retired as a senior risk and quality partner of PricewaterhouseCoopers, LLP. Mr. Anthony served global clients over his career working closely with client audit committees and senior management on matters that included entity-wide risk analysis and risk management. He also served as a member of the PricewaterhouseCoopers Global Audit Policy Board.

Mr. Anthony graduated from the University of Michigan where he was awarded a B.A. and an M.B.A. He currently resides in Northville with his wife Catherine.

Ms. Carla Walker-Miller



Ms. Walker-Miller of Detroit, president of Walker-Miller Energy Services, L.L.C., has been appointed by former Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2020.

Mr. Patrick M. McQueen



Mr. McQueen, Managing Director of McQueen Financial Advisors, was reappointed by former Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2019.

Mr. Andrew T. Palms



Mr. Palms, Executive Director of Communications Systems at the University of Michigan, was reappointed by former Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2019.

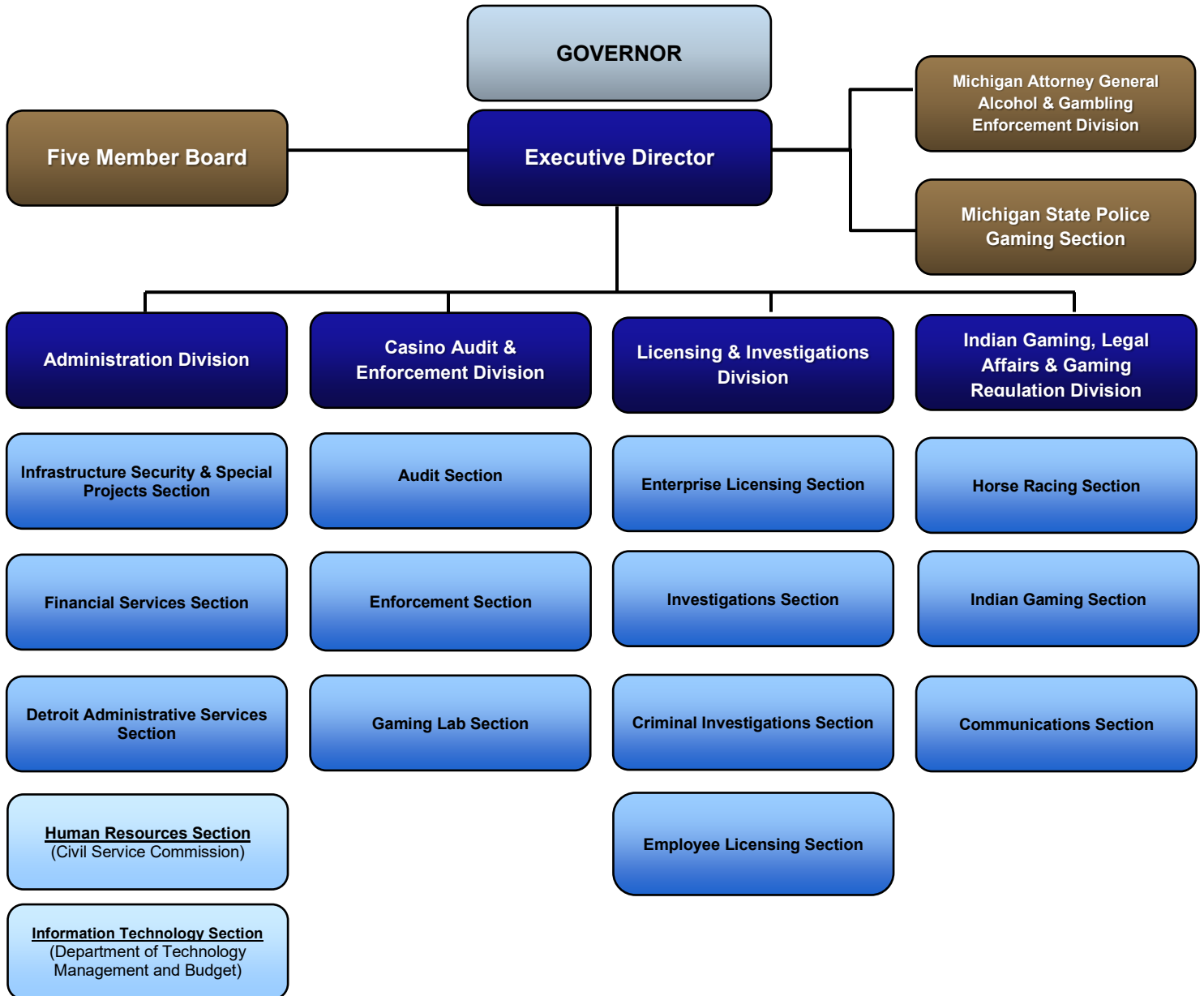
Ms. Barbara Smith



Ms. Smith, owner of the Law Offices of Barbara B. Smith, PLLC, and of Smith Mediation Center, has been appointed by former Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2020.



Organizational Chart





Michigan Gaming Control Board

Activities of the Board

Board Meetings

From inception, the Board has encouraged public input regarding policies, procedures and activities related to licensing and regulating the three Detroit commercial casinos. To conduct Board business, inform and receive input from the public, the Board held six public meetings in 2018. 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:

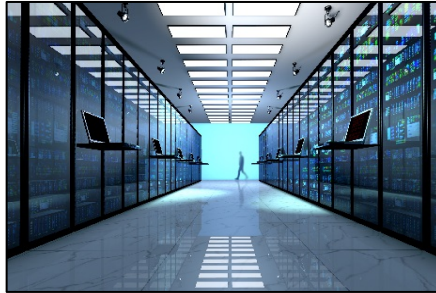
January 9, 2018	July 11, 2018
March 13, 2018	September 11, 2018
May 7, 2018	December 18, 2018

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, were held in accordance with Michigan's Open Meetings Act.



Michigan Gaming Control Board

MGCB Notable Activities



Administration Division

The Administration Division interacts with agency staff to ensure operational needs are met and provides administrative support services to all six MGCB locations.

Financial Services Section

The Financial Services Section assists MGCB staff to ensure commodities and services are delivered to the agency in the most efficient and effective manner. Financial Services assists management in determining annual budget needs, monitors spending and ensures accounting transactions are completed and properly executed. The section facilitates the procurement of commodities and services required for operations. The section also assists two dedicated Michigan Civil Service Commission (MCSC) employees in facilitating the personnel needs of the agency.

Infrastructure, Security & Special Projects Section

The Infrastructure Security and Special Projects Section provides the agency building and data security and business continuity. In addition, the section serves as agency liaison to the Department of Technology, Management and Budget (DTMB) for the completion of IT-related projects and assists all sections of the MGCB with various projects as needed.

The primary project in 2018 was the continuing management of and support to the ongoing MGCB IT modernization project, Case Handling and Information Processing System (CHIPS). The CHIPS project encompasses the replacement of more than 20 MGCB legacy systems with a more efficient and customer friendly IT application. The project was brought in-house by MGCB and DTMB after the contract with the original vendor was terminated. It was replaced with a staff augmentation approach and the section coordinated with DTMB project staff to more effectively manage and control the project. These efforts are likely to be required throughout the full implementation of the project by 2020.

Detroit Administrative Services Section

The Detroit Administrative Services Section provides records management oversight for the agency's paper records and ensures electronic images of records are available to staff in the MGCB's online record repository. The section processes all Freedom of Information Act (FOIA) requests in accordance with the *Michigan Freedom of Information Act*, PA 442 of 1976. The section also ensures the MGCB complies with the State of Michigan and MGCB retention schedules established for all documents.



Michigan Gaming Control Board



Licensing & Investigations Division

The Licensing & Investigations Division is responsible for licensing the commercial casinos and their employees and suppliers, administering licensing exemptions, reviewing casino debt transactions, reviewing transfers of ownership in casino and supplier licensees, providing millionaire party program licensing and conducting regulatory and criminal investigations in conjunction with the Michigan Attorney General's office.

Enterprise Licensing Section

In addition to the responsibilities outlined above, the Enterprise Licensing Section assists the Investigations Section with analytical review of financial documentation related to ongoing investigations and with income tax recovery from licensed applicants.

Suppliers providing gaming-related goods or services to a commercial casino must be licensed by the MGCB. Suppliers providing nongaming-related goods or services to a commercial casino also must obtain a license from the MGCB unless qualified for an exemption from licensing requirements.

Vendor exemptions, supplier license exemptions and subcontractor exemptions are conditional waivers of the supplier licensing requirements of the Act and Administrative Rules. These exemptions must be approved by the Executive Director and must meet specific eligibility requirements established by the MGCB.

The following chart depicts the number of entities holding a supplier license or exemption from licensing requirements as of December 31, 2018.

Entities Licensed or Exempt Through MGCB (As of December 31, 2018)	
Commercial Casinos	3
Licensed Suppliers	107
Supplier License Exemptions	297
Vendor Exemptions	579
Subcontractor Exemptions	11
Total	997



Michigan Gaming Control Board

Employee Licensing Section

The Detroit casinos and related suppliers employ approximately 7,000 personnel in positions requiring an occupational license. These individuals are licensed for a two-year period. In 2018, the section received 4,257 new and renewal occupational applications for investigation.

Occupational and Renewal Applications Received in 2018	
Supplier/Vendor	884
MGM Grand Casino	1,226
MotorCity Casino	1,153
Greektown Casino	994
Total	4,257

In addition, licensing actions were taken against occupational licensees due to various violations of the Michigan Gaming Control & Revenue Act and Administrative Rules as depicted below:

Licensing Actions Against Occupational Licensees in 2018	
Voluntary Surrenders	5
Voluntary Withdrawals	15
Warning Letters	0
Summary Suspensions	13
Notice of Opportunity to Show Compliance	6
Notice of Intent Not to Renew	5

Millionaire Party

The Executive Director enforces the oversight of millionaire party events through the *Traxler-McCauley-Law-Bowman Bingo Act*, Public Act 382 of 1972 (Bingo Act).

A millionaire party is an event where imitation money or chips are used to place wagers on games of chance customarily associated with casino gaming. The most common millionaire party poker game conducted throughout the state is Texas Hold'em, either tournament style or player on player. Other preferred games include Omaha, which is played player against player, and blackjack, which is player against the house. Millionaire parties are held by non-profit organizations to generate funds for charitable purposes.

Qualified Organizations

Qualified organizations (commonly referred to as "charities") are defined in the Bingo Act as bona fide religious, educational, service, senior citizens, fraternal or veterans' organizations that operate without profit to their members and either have been in existence continuously as an organization for a period of five years or are exempt from taxation as 501(c).



Michigan Gaming Control Board

Locations

Locations may be at church venues, K of C halls, VFW halls, etc. As of December 31, 2018, 42 locations were approved to host millionaire parties on a recurring basis.

Suppliers

Millionaire party suppliers are licensed by the Executive Director to provide goods and services to a qualified organization. As of December 31, 2018, there were 26 active millionaire party suppliers licensed by the Executive Director.

On-Site and Post Inspections*

In 2018, the MGCB conducted 1,566 on-site and post-event inspections. Each inspection is an opportunity for Board staff to interact with and counsel charitable organizations on how to manage their events while complying with the Act and Administrative Rules.

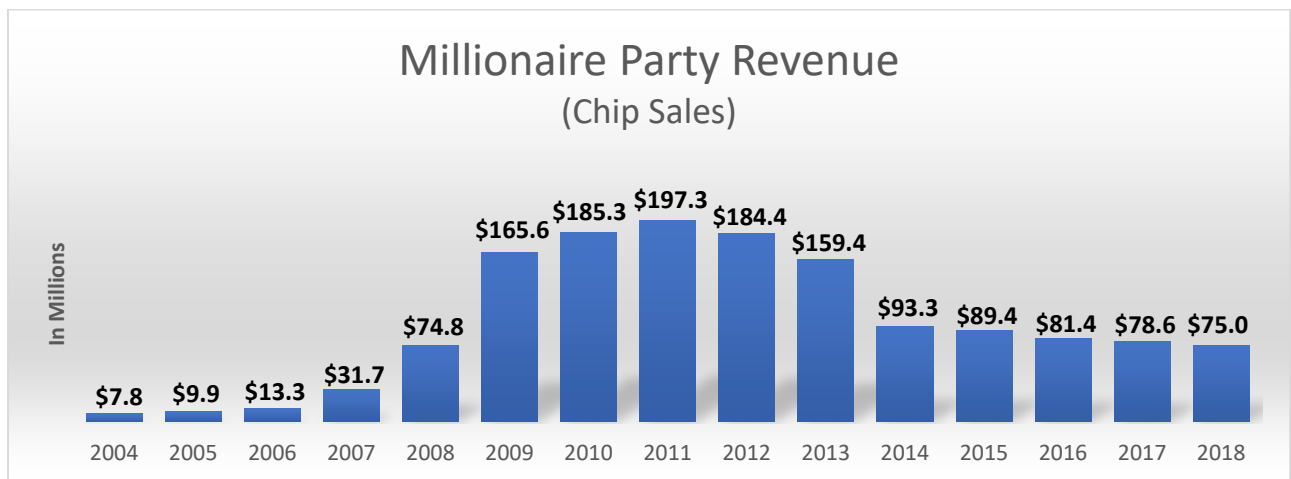
**On-Site Inspections: Regulation officers conduct inspections during ongoing millionaire party events to ensure compliance with the Act and Rules.*

Post Inspections: Regulation officers conduct inspections of qualified organizations after a millionaire party event has taken place. All game documents and financial records are reviewed, and the principal officer is interviewed.

Licensing Activity

For calendar year 2018, a total of 2,228 millionaire party licenses were issued authorizing 8,129 separate millionaire party days. This resulted in the sale of approximately \$75.0 million in chips at millionaire parties with net profits to charities of approximately \$6.5 million. Licensing volumes in 2018 remained relatively consistent throughout the year.

The charitable organizations self-report financial data for their millionaire party events to the MGCB.



**2016 revenue differs from that reported in the 2016 Annual Report due to a calculation error identified and corrected.*



Michigan Gaming Control Board

Licensing and Event Days

The chart below represents licensing and event days trends since 2009.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Licenses Issued	8,140	8,217	7,894	7,218	5,339	3,022	2,820	2,619	2,387	2,228
Party Event Days	32,005	29,964	29,212	27,119	18,997	10,508	10,146	9,608	8,714	8,129

Investigations Section

The Act requires each supplier to renew its license annually. In 2011, the annual review of supplier policy was updated to require an onsite investigation only every five years for the applicants. The investigation occurs remotely for the four interim years. This policy update has reduced costs associated with the renewal for the suppliers and has provided a more efficient method for the MGCB to perform annual renewal of supplier licenses.

The Act requires the Board to investigate and determine the eligibility of all applicants. These applicants are referred to as “qualifiers.” Qualifiers—persons referred to in the definition of applicant—are affiliates, affiliated companies, officers, directors or managerial employees of the company making application and persons who hold a greater than 1 percent direct or indirect interest in the company making application for a license.

In 2018, MGCB staff conducted supplier investigations throughout the United States and Canada.

The Investigations Section also conducted entity and individual license renewal investigations of the three casinos. The Board approved the renewals on September 11, 2018.

Criminal Investigations Section

The Criminal Investigations Section (CIS) functions as a professional resource providing gaming investigative expertise to Board staff as well as federal, state, county and local agencies. The main purpose of the CIS is the administration of criminal justice. This includes conducting investigations, in conjunction with AG investigators and state and local police departments, into allegations of illegal gambling which could constitute a violation of the Michigan Penal Code. In addition, and to a lesser degree, the CIS conducts regulatory and administrative investigations into matters falling under the jurisdiction of the Board and/or its Executive Director.

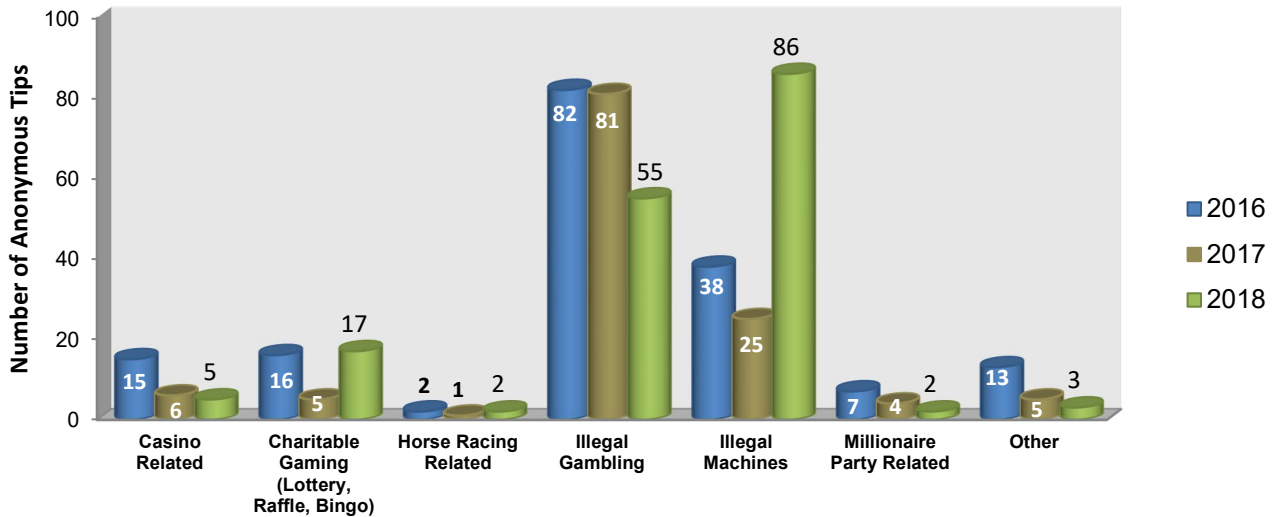
In 2011, the MGCB established an anonymous tip line and email address for the public to report illegal or suspected illegal gambling activity. All information received is reviewed for credibility and appropriately assigned to gather additional information. As a result, the CIS forwarded nine anonymous tips to other agencies for follow-up while initiating 13 CIS investigations.



Michigan Gaming Control Board

The following table illustrates the types of activity reported to the MGCB through the tip line over the last three years:

**Anonymous Tips Received
by Type of Activity**



Investigations Involving Occupational Licensee

During 2018, the CIS conducted 67 investigations into alleged violations by holders of an MGCB-issued Occupational License. These investigations focused on licensee suitability.

As a result of these investigations, 11 individuals voluntarily surrendered their Occupational Licenses.

Exclusion List

The MGCB is committed to ensuring a safe environment for patrons of the three licensed casinos in Detroit. One method for accomplishing this goal is to exclude from the casinos individuals who may adversely affect the public’s confidence and trust in the integrity of casino gaming in the three state licensed casinos as outlined in MCL 432.204a(1)(l). The Exclusion List, which is posted on the MGCB website, contains the names of individuals who meet the criteria for exclusion and are not allowed into any of the three licensed casinos. Violating this exclusion is a misdemeanor criminal offense.

During 2018, 20 individuals were investigated to determine whether they met the criteria for exclusion from the three licensed casinos in Detroit. Eleven individuals were added to the Exclusion List in 2018, bringing the total of persons excluded to 81.



Michigan Gaming Control Board



Indian Gaming, Legal Affairs & Gaming Regulation Division

Indian Gaming Section

Notable accomplishments and further details of actions completed by the Indian Gaming Section can be found in the separate Indian Gaming Annual Report.

Horse Racing Section

Michigan's pari-mutuel horse racing industry operated at a single track in 2018 as Hazel Park Raceway abruptly closed April 5 after nearly 70 years of racing. The decision left Michigan Horsemen's Benevolent and Protective Association members without an in-state pari-mutuel racing location in 2018.

Agency staff worked with representatives of the Hazel Park property's new owners to ensure bettors could claim outstanding winning 2018 tickets for 60 days after the track closed. A ticket redemption period is required by the *Horse Racing Law of 1995, PA 279 of 1995*. The track property was slated for commercial redevelopment.

Northville Downs conducted 60 live Standardbred race dates in 2018, which equaled its 2016 racing calendar. The track offered live races Fridays and Saturdays from early March through September. Race dates were moved from fall to summer after Hazel Park relinquished its licenses and the 40 dates granted in the 2018 race meeting order.

In mid-April 2018, a Farmington Hills-based firm, Hunter Pasteur Homes, announced an agreement to purchase and redevelop the Northville Downs property. Northville Downs' management released a statement noting its intention to continue racing at the current location through 2020 and to explore other possible locations to develop a new facility.

During the fall, AmRace and Sports, a Delaware firm, applied for licensure to offer Thoroughbred racing in 2019 at Sports Creek track near Flint. Closed since January 2015, the track previously hosted Standardbred pari-mutuel horse racing. The firm purchased the track in mid-December, but in early February 2019 the new owners surrendered the conditional 2019 race meeting license awarded in October. The firm's owners said they plan to seek licenses to offer pari-mutuel racing and simulcasting in 2020.



Michigan Gaming Control Board

Summary of Horse Racing Revenue	
January 1, 2018, through December 31, 2018	
Simulcast Wagering Taxes*	\$2,357,557
Occupational License Fees	24,442
Outs**	269,417
Racing Fines	8,325
Track Licenses	2,000
Other Revenue	610
Revenue Transfers	(8,126)
Total Horse Racing Revenue	\$2,684,225
State Tax Summary	
Hazel Park Raceway	\$419,352
Northville Downs	1,938,205
Total State Tax	\$2,357,557

* The simulcast wagering tax is 3.5% of all wagers on simulcast races at each licensed track. Live wagering is not taxed in Michigan. The simulcast wagering tax total was calculated based on date earned and verified by independent auditors. Timing differences exist when reconciling to the State accounting system due to the actual depositing of revenue occurring in the subsequent calendar year.

** "Outs" are uncashed winning tickets. Governed by Public Act 505, 1998, the race meeting licensee (the track) keeps 50% of the winning payout on the tickets and the other 50% is deposited into the Agriculture Equine Fund.

For additional information regarding horse racing, please refer to the MGCB 2018 Horse Racing Annual Report.



Michigan Gaming Control Board



Casino Audit & Enforcement Division

Audit Section

In 2018, the Audit section continued to perform historical and operational audits to ensure revenue was reported properly and the licensees complied with their Internal Control Standards (ICS) and the Administrative Rules.

Historical Audit

Historical auditors completed and issued final reports for 12 compliance audits in calendar year 2018. Auditors conducted the compliance audits as scheduled at each of the three Detroit commercial casinos for gaming operations in the following areas:

Compliance Audits Completed During Calendar Year 2018	
Description	Scope of Audit
Title 31 & Title 26	<ul style="list-style-type: none"> Examine the licensee’s risk-based Anti-Money Laundering (AML) program Examine documents to ensure casino employees received required Bank Secrecy Act/AML training Verify Currency Transaction Reporting, Suspicious Activity Reporting and non-gaming documentation is complete, accurate and properly filed Evaluate system access to ensure permissions are comparable to employee position descriptions. Review the adequacy of the licensee’s Internal controls and determine when improvements are necessary
Player Development	<ul style="list-style-type: none"> Evaluate procedures based upon licensee’s internal controls and standard operating procedures Review source documents to ensure disassociated persons were not solicited by the licensee Evaluate system access to ensure permissions are comparable to employee position descriptions Examine transactions for proper authorization, completion, accuracy and maintenance in accordance with the licensee’s internal control standards and standard operating procedures Review the adequacy of the licensee’s Internal controls and determine when improvements are necessary



Michigan Gaming Control Board

Compliance Audits Completed (Continued) During Calendar Year 2018	
Description	Scope of Audit
EGD and Table Games Drops and Counts	<ul style="list-style-type: none"> Evaluate procedures based on the licensee's internal controls and standard operating procedures Ensure the table games and electronic gaming devices were collected according to the approved drop schedules Examine count amounts were recorded properly for wagering tax purposes Review the adequacy of the licensee's internal controls and determine when improvements are necessary
Purchasing	<ul style="list-style-type: none"> Examine transactions for proper authorization, completion and accuracy Examine records to ensure adherence to the Michigan Gaming Control & Revenue Act and Administrative Rules and the licensee's internal controls Examine vendor payments were in accordance to the vendor exemption threshold (Michigan Gaming Control Board Resolution No. 2015-01 & No. 2017-02) Examine vendor files and support to ensure licensee meets applicable target vendor requirements Evaluate system access to ensure permissions are comparable to employee position descriptions Review the adequacy of the licensee's internal controls and determine when improvements are necessary

The overall audit objective is to provide reasonable assurance the operating activities for the three Detroit commercial casinos conform to specified conditions, rules and regulations, and control activities provide for integrity and reliability of reported gaming revenues and other financial information.

Auditors concluded, for the audits issued in 2018, the three Detroit casino gaming operations generally were complying. However, for all three casinos combined, the following audit findings were noted: Eighteen issues of noncompliance to internal controls, one administrative modification to internal control systems and 11 procedural improvements.

Operational Audit

Operational auditors completed the review of 1,095 daily tax returns and 36 monthly tax returns to provide reasonable assurance the reporting of \$1,444,099,784 in gaming revenue to the State of Michigan was free of material misstatement. Furthermore, auditors assured the proper payments of \$116,972,082 in state wagering taxes were paid and received. They also completed the review of monthly credit reports and quarterly reports for 2018 to ensure the licensees complied with the Administrative Rules and their ICS. Monthly and quarterly financial information that licensees are required to submit is reviewed and analyzed accordingly.

In 2018, the MGCB Audit Section confirmed \$182,937,021 in wagering taxes and development agreement payments with City of Detroit officials.



Michigan Gaming Control Board

Casino Revenues and Wagering Taxes

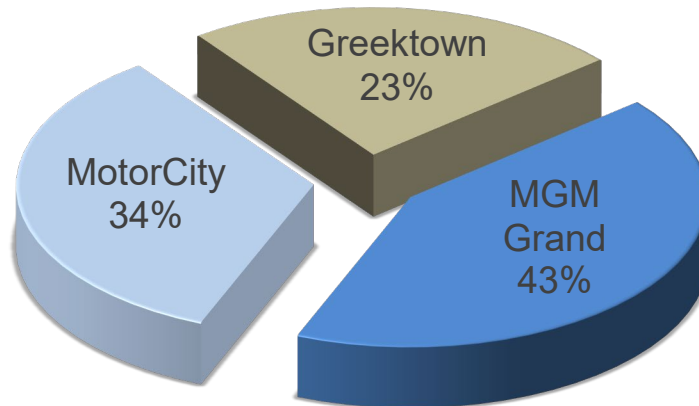
Casino Revenues

The Act defines “adjusted gross receipts” as the licensee’s gross gaming receipts less winnings paid to wagerers. “Gross receipts” are defined as the monetary value collected from gaming less a deduction for bad gaming debt. The adjusted gross receipts of the Detroit commercial casinos include both table games and electronic games of chance.

The following is a monthly and annual summary of the adjusted gross receipts and market share for the three Detroit casinos for calendar year 2018:

Month	MGM GRAND CASINO	MOTORCITY CASINO	GREEKTOWN CASINO	TOTAL DETROIT CASINOS
January	\$ 47,746,976	\$ 38,006,233	\$ 25,741,394	\$ 111,494,603
February	45,848,722	38,301,430	25,935,864	110,086,016
March	58,119,331	49,273,981	31,225,182	138,618,494
April	51,195,100	43,697,494	29,131,398	124,023,992
May	54,346,170	41,548,704	28,764,396	124,659,270
June	51,829,898	39,609,952	27,676,296	119,116,146
July	50,927,343	40,605,505	27,819,403	119,352,251
August	52,652,196	39,839,462	27,989,622	120,481,280
September	49,666,012	38,837,575	26,724,228	115,227,815
October	49,780,627	38,568,390	27,604,340	115,953,357
November	52,417,990	38,049,742	27,152,078	117,619,810
December	54,711,041	43,334,746	29,420,963	127,466,750
Total	\$ 619,241,406	\$ 489,673,214	\$ 335,185,164	\$ 1,444,099,784

Detroit Adjusted Gross Receipts \$1,444,099,784





Michigan Gaming Control Board

State Casino Wagering Tax

Section 432.212 of the Act imposed an 8.1 percent State Wagering Tax on the adjusted gross receipts received by each Detroit casino licensee from casino gaming authorized by the Act. The 8.1 percent is deposited in the State's School Aid Fund to provide additional funds for K-12 public classroom education.

In calendar year 2018, the combined 8.1 percent State Wagering Taxes paid by the three Detroit casino licensees and deposited in the State School Aid Fund totaled \$116,972,082.

The following is a monthly and annual summary of the State Wagering Tax payments for the three Detroit commercial casinos for calendar year 2018:

Month	MGM GRAND CASINO	MOTORCITY CASINO	GREEKTOWN CASINO	TOTAL DETROIT CASINOS
January	\$ 3,867,505	\$ 3,078,505	\$ 2,085,053	\$ 9,031,063
February	3,713,746	3,102,416	2,100,805	8,916,967
March	4,707,666	3,991,192	2,529,240	11,228,098
April	4,146,803	3,539,497	2,359,643	10,045,943
May	4,402,040	3,365,445	2,329,916	10,097,401
June	4,198,222	3,208,406	2,241,780	9,648,408
July	4,125,115	3,289,046	2,253,372	9,667,533
August	4,264,828	3,226,996	2,267,159	9,758,983
September	4,022,947	3,145,844	2,164,662	9,333,453
October	4,032,231	3,124,040	2,235,952	9,392,223
November	4,245,857	3,082,029	2,199,318	9,527,204
December	4,431,594	3,510,114	2,383,098	10,324,806
Total	\$ 50,158,554	\$ 39,663,530	\$ 27,149,998	\$ 116,972,082



Michigan Gaming Control Board

City of Detroit Wagering Tax

Section 432.212 of Public Act 69 of 1997 imposed a 9.9 percent wagering tax on the adjusted gross receipts received by each Detroit casino licensee from casino gaming authorized by the Act. Public Act 306 of 2004 amended the original Act. Effective September 1, 2004, the City of Detroit wagering tax was temporarily increased by 2 percent to 11.9 percent. The elevated tax rate was reduced by 1 percent to the current rate of 10.9 percent when each of the three Detroit casinos became fully operational.

Development agreements also exist between each of the three Detroit casinos and the City of Detroit. Within these agreements, an additional 1 percent of each casino's adjusted gross revenue is required to be disbursed daily to the city. Once a casino reaches \$400 million in adjusted gross revenue for a calendar year, an additional 1 percent is required. The requirements outlined within the development agreements are in excess of what is required by the Act.

In calendar year 2018, the combined City of Detroit Wagering Taxes paid by the three Detroit casino licensees totaled \$182,937,021. Currently, this represents a significant percentage of the City of Detroit's budget.

The following is a monthly and annual summary of the City of Detroit Wagering Tax payments for the three Detroit commercial casinos for calendar year 2018:

Month	MGM GRAND CASINO	MOTORCITY CASINO	GREEKTOWN CASINO	TOTAL DETROIT CASINOS
January	\$ 5,681,890	\$ 4,522,742	\$ 3,063,226	\$ 13,267,858
February	5,455,998	4,557,870	3,086,368	13,100,236
March	6,916,200	5,863,604	3,715,797	16,495,601
April	6,092,217	5,200,002	3,466,636	14,758,855
May	6,467,194	4,944,296	3,422,963	14,834,453
June	6,167,758	4,713,584	3,293,479	14,174,821
July	6,060,354	4,832,055	3,310,509	14,202,918
August	10,392,269	4,740,896	3,330,765	18,463,930
September	6,406,916	4,621,671	3,180,183	14,208,770
October	6,421,701	4,672,526	3,284,916	14,379,143
November	6,761,921	8,908,417	3,231,097	18,901,435
December	7,057,724	5,590,182	3,501,095	16,149,001
Total	\$ 79,882,142	\$ 63,167,845	\$ 39,887,034	\$ 182,937,021



Michigan Gaming Control Board

Enforcement Section

The Enforcement Section continues daily monitoring of the casinos' responsibilities to ensure gaming integrity. Regulation officers located in the three Detroit casinos are authorized by the Act to investigate alleged violations of the Act, Administrative Rules and internal controls systems to ensure all casino facilities, activities and games are in compliance.

Violations Issued/Fines Imposed

During 2018, the Enforcement Section issued violations, warning letters and imposed fines as follows:

Greektown Casino, L.L.C. (GTC)

1/9/2018: The MGCB settled a violation related to GTC allowing a minor to enter the casino with a fine of \$4,000. The violation occurred in 2017.

2/15/2018: GTC was issued a warning letter for failure to provide dedicated camera coverage for a group of electronic gaming devices with possible jackpots of over \$100,000. The violation occurred in 2017.

5/4/2018: GTC was issued a warning letter for allowing a beverage supervisor to work without obtaining a Level 2 license. The violation occurred on January 14, 2018.

5/11/2018: GTC was issued a warning letter for allowing a minor to gain entry onto the casino gaming floor after showing a vertical driver's license identification to the security officer. The violation occurred in 2017.

6/29/2018: GTC was issued a warning letter for failing to provide the Official Promotion Rules at the Players' Service Desk. The violation occurred on April 6, 2018.

10/30/2018: The MGCB issued an Underage Citation with a fine of \$2,500 to GTC for allowing a minor to enter the casino. The violation occurred in 2018.

12/20/2018: GTC was issued a warning letter for paying a winner of a promotion after the approved allotted response time had expired. The violation occurred on April 20, 2018.

One (1) GTC occupational licensee was issued a warning letter for working as a supervisor in a Level 2 position with a Level 3 license. The violation occurred on January 14, 2018.

One (1) GTC occupational licensee was issued a warning letter for allowing an employee to work in a Level 2 position with a Level 3 license. The violation occurred on January 14, 2018.

One (1) GTC occupational licensee was issued a warning letter for allowing a minor to enter the casino. The violation occurred on January 27, 2018.



Michigan Gaming Control Board

Detroit Entertainment, L.L.C. d/b/a MotorCity Casino-Hotel (MCC)

3/13/2018: The MGCB settled a violation with a fine of \$20,000 related to MCC allowing a disassociated person to complete a transaction in the casino. The violation occurred in 2016.

3/13/2018: The MGCB settled a violation with a fine of \$4,000 related to MCC allowing a minor to enter the casino. The violation occurred in 2017.

3/13/2018: The MGCB settled a violation with a fine of \$2,500 related to MCC allowing a minor to enter the casino. The violation occurred in 2017.

4/13/2018: MCC was issued a warning letter for failing to update the Electronic Gaming Device Machine Entry Authorization Log (EGD MEAL) Book after inspecting the slot machine. The violation occurred in 2017.

4/19/2018: MCC was issued a warning letter for failing to follow Internal Controls with regards to documenting information on bundled currency cash straps. The violation occurred in 2017.

6/27/2018: MCC was issued a warning letter for failing to ensure a supervisor had obtained the proper MGCB license prior to performing the position's duties. This violation occurred from May 15, 2017, through January 10, 2018.

9/20/2018: MCC was issued a warning letter for allowing a minor to gain access onto the gaming floor. The violation occurred 5/13/2018.

10/30/18: The MGCB issued an Underage Citation with a fine of \$3,000 to MCC for allowing a minor to enter the casino. The violation occurred in 2018.

12/27/2018: MCC was issued a warning letter for failing to provide adequate surveillance camera coverage in a gaming area. The violation occurred 9/11/2018.

One (1) MCC occupational licensee was issued a warning letter for failing to update the EGD MEAL Book after inspecting the slot machine. This violation occurred in 2017.

One (1) MCC occupational licensee was issued a warning letter for failing to obtain a MGCB occupational license of the adequate level prior to performing the position's duties. This violation occurred from May 15, 2017, through January 10, 2018.

Two (2) MCC occupational licensees were issued warning letters for allowing minors to enter the casino. The two (2) separate violations occurred on May 13, 2018, and July 14, 2018.



Michigan Gaming Control Board

MGM Grand Detroit, L.L.C. (MGM)

1/9/2018: The MGCB settled a violation with a fine of \$3,000 related to MGM allowing a minor to enter the casino. The violation occurred 12/31/2016.

1/9/2018: The MGCB settled a violation with a fine of \$3,000 related to MGM allowing a minor to enter the casino. The violation occurred in 2017.

3/13/2018: The MGCB settled a violation with a fine of \$10,000 related to MGM allowing a minor to enter the casino. The violation occurred in 2015.

4/13/2018: MGM was issued a warning letter for allowing a person to enter the count room without wearing a one-piece jumpsuit. The violation occurred in 2017.

5/4/2018: MGM was issued a warning letter for failure to ensure dealers are verbalizing cash buy-ins of \$100 or greater. These violations occurred on December 14, 2017, December 15, 2017, and January 17, 2018.

7/26/2018: MGM was issued a warning letter for allowing a minor to enter the gaming floor. The violation occurred on March 28, 2018.

11/27/2018: The MGCB issued an Underage Citation with a fine of \$2,500 to MGM for allowing a minor to enter the casino. The violation occurred in 2018.

12/18/2018: The MGCB issued an Underage Citation with a fine of \$3,000 to MGM for allowing a minor to enter the casino. The violation occurred in 2018.

One (1) MGM occupational licensee was issued a warning letter for allowing a vendor to enter the count room without wearing a one-piece jumpsuit. The violation occurred in 2017.

One (1) MGM occupational licensee was issued a warning letter for allowing dealers to refrain from verbalizing cash buy-ins of \$100 or greater. The violation occurred in 2017.

Two (2) MGM occupational licensees were issued warning letters for serving alcohol to an underage minor. The two (2) separate violations occurred on February 11, 2018.

Three (3) MGM occupational licensees were issued warning letters for allowing a minor to enter the casino. The three (3) separate violations occurred in 2017 and 2018.



Michigan Gaming Control Board

Supplier Fines

Gaming Partners International USA, Inc.

7/11/2018: The MGCB settled a violation with a fine of \$5,000 related to the delivery of defective playing cards to the casinos. The violation occurred in 2016.

United States Playing Cards

5/11/2018: United States Playing Cards was issued a warning letter for providing playing cards which failed to comply with MGCB playing card specifications. The violations occurred in 2017.

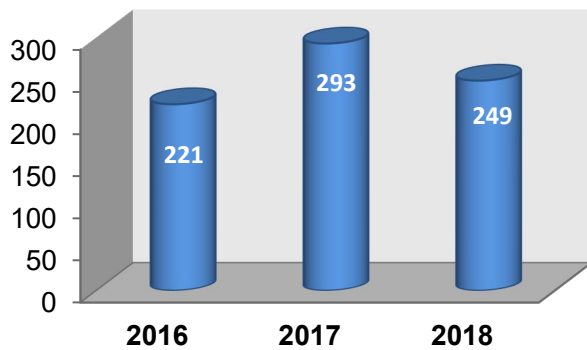
Aristocrat Technologies Inc.

12/19/2018: The MGCB settled a violation with a fine of \$15,000 related to the shipment of unapproved software to the casinos. The violation occurred in 2018.

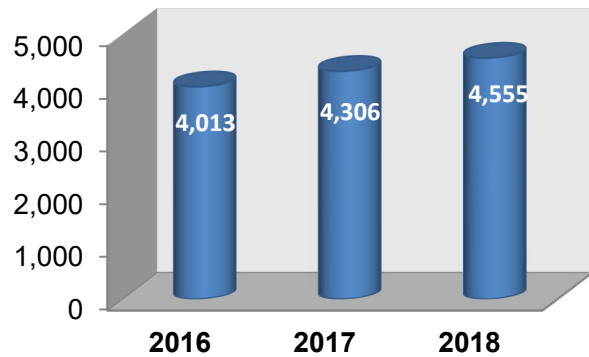
Disassociated Persons List and Problem Gambling Diversion Program

The Act created the Disassociated Persons List (DPL) designed for problem gamblers who request self-exclusion for the remainder of their lives from entering and gaming at the three commercial casinos in the City of Detroit. The Act also states an individual who violates the terms and conditions of the DPL is guilty of criminal trespassing, which is punishable by imprisonment for not more than one year, a fine of not more than \$1,000 or both. As of December 31, 2018, the DPL program included 4,555 people.

Approved DPL Applications by Year



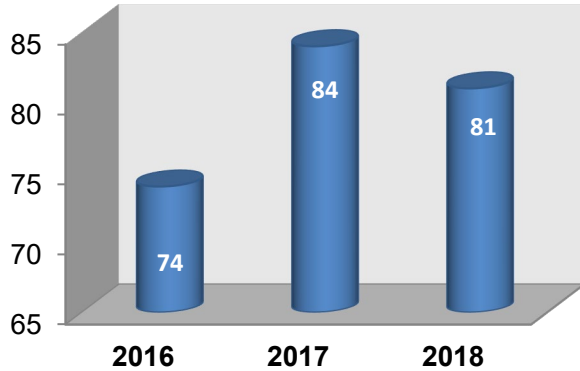
Cumulative Approved DPL Applications Per Year





Michigan Gaming Control Board

Diversion Program Completions by Year*



In 2018, 119 first-time DPL offenders were offered the Diversion Program and 81 discharge summaries were received for those completing the program. Since inception, a cumulative total of 795 DPL offenders have been offered the Diversion Program and 617 have completed it.

**The Diversion Program offers a first-time offender the option of completing a treatment program rather than burdening the criminal justice system further. First-time offenders offered the Diversion Program within a calendar year may not complete the program until the following year. Statistics provided above are the number of completed individual diversion programs per calendar year.*

Gaming Lab Section

In 2018, the Gaming Lab Section completed 1,002 gaming product evaluations, of which 944 were for new gaming software and 58 were for new gaming hardware. The lab also processed 23 revocations of previously approved product submissions. Once revoked, a product is no longer approved for use in the commercial casinos.

Lab staff also performs forensic evaluations, reviews progressive liability transfers by the casinos, processes malfunction occurrences and manufacturer notifications, researches emerging gaming technologies, reviews data and reports used in gaming tax calculations, drafts rule waivers, creates policies and assists in addressing patron complaints.



Minors and Compulsive Gambling

Annual Underage and Compulsive Gaming Studies

Section 15(2) of the Act, MCL 432.215(2), requires each Detroit commercial casino licensee to conduct an annual study on minors and compulsive gaming. Section 15(1) of the Act further requires the MGCB include certain information regarding minors on casino premises, which each licensee must compile as part of the annual study. The following table summarizes the required information compiled and reported by each of the three Detroit commercial casino licensees in their respective annual studies on minors and compulsive gaming for calendar year 2018:

**Casino Licensees' Reported Contacts with Minors
On Licensed Casino Premises During Calendar Year 2018**

<i>Number of Minors</i>	MGM Grand	MotorCity	Greektown
Denied entry into the casino*	2,098	13,808	2,370
Physically escorted from the casino premises	7	0	6
Detected participating in gambling games other than slot machines	2	0	1
Detected using slot machines	0	2	2
Taken into custody by a law enforcement agency on the casino premises	7	2	0
Detected illegally consuming alcohol on the casino premises	1	0	1

* Numbers indicate all patrons denied entry as reported by the casinos



Michigan Gaming Control Board

Board Revenues and Expenditures

State Services Fee Fund

Section 432.212a of the Act provides all casino-related regulatory and enforcement costs, compulsive gambling programs and other casino-related programs, activities and services conducted by the MGCB, the MSP, AG's office, Michigan Department of Health and Human Services (MDHHS), and other state agencies shall be paid from annual fees assessed on the three Detroit commercial casino licensees. Under the Act, each casino 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 one third 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 casinos was assessed and paid a total of \$34,629,405 for calendar year 2018, and \$34,156,664 for fiscal year 2018.

From the annual assessment fees paid each year by the licensees, \$2,000,000 must be deposited in the State of Michigan's Compulsive Gaming Prevention Fund. Up to \$1,040,000 may be distributed annually to the Domestic Violence and Treatment Board administered by the MDHHS. 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 MDHHS.

Application and License Fees, Fines and Costs

The MGCB is authorized by the Act to collect various license application fees to fund the agency'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 the 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 the MGCB to order reimbursement of investigative costs and to impose fines as disciplinary actions to penalize violators of the Act or Administrative Rules. MGCB collected application and license fees and other authorized fees, fines and reimbursement of costs totaling \$1,727,338 for calendar year 2018, and \$1,783,798 for fiscal year 2018.



Michigan Gaming Control Board

Native American Casino Fund

The Indian Gaming Oversight program originally was established within the Office of Racing Commissioner, Department of Agriculture. 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 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 fund 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, is 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

Administrative Rule 432.1842 of the Act 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 commercial 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 fund 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 MGCB Executive Director. All powers, duties and functions of regulating live horse racing were placed with the Executive Director 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 and Rural Development (MDARD). Executive Order 2009-54 maintains the authority, powers, duties and functions under Section 20 of the *Horse Racing Law of 1995*, Public Act 279 of 1995, MCL 431.320 (Equine Development Fund) within MDARD 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 MDARD.



Michigan Gaming Control Board

State Lottery Fund (Millionaire Party)

Per Executive Order 2012-04 the licensing and regulation of charitable millionaire party gaming was transferred from Lottery to the MGCB Executive Director. This Executive Order transferred the licensing and regulatory authority of millionaire party gaming under the Bingo Act to the MGCB Executive Director, however the funding of this function is still retained by Lottery through the State Lottery Fund. All fees the MGCB collects in connection with Millionaire Party are remitted for deposit into the State Lottery Fund and all necessary expenses the MGCB incurs are financed from the State Lottery Fund. Board members have no authority or role in regulating millionaire parties. Regulation of other forms of charitable gaming such as bingo and raffles remains with Lottery.

Board Statement of Revenues and Expenditures

Section 432.215(1) of the Act 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 the MGCB, like other state agencies, operates on a fiscal year (October 1 – September 30) basis, the Act requires 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 MGCB's revenues and expenditures for both calendar year and fiscal year 2018.

Statement of Revenues and Expenditures

(In Thousands)

REVENUES

	<u>Fiscal Year 2018</u>	<u>Calendar Year 2018</u>
State Casino Gaming Fund		
Casino and supplier fines	\$ 91.0	\$ 59.5
Other	0.3	0.3
State Services Fee Fund		
Annual Assessments	34,156.6	34,629.4
<u>Application Fees:</u>		
Casinos	1.2	1.2
Suppliers	222.8	235.7
Occupational	165.6	161.2
Vendors	20.5	17.7
<u>License Fees:</u>		
Casinos	75.0	75.0
Suppliers	510.0	495.0
Occupational	392.6	378.0
Vendors	55.3	54.1
<u>Other Fees:</u>		
Badge Replacement Fees	7.1	7.2
Other	2.5	2.5
Native American Casino Fund		
Oversight fees	793.0	902.9
Lab Fund		
Testing fees	239.9	239.9
Total Revenue	\$ 36,733.4	\$ 37,259.6
EXPENDITURES		
State Casino Gaming Fund		
Information Technology	\$ (117.8)	\$ (117.8)
State Services Fee Fund		
Board	(7.1)	(7.2)
Administration	(21,686.4)	(21,852.3)
Information Technology	(2,211.9)	(2,234.0)
Native American Casino Fund		
	(716.7)	(739.2)
Lab Fund		
	(237.9)	(162.7)
Millionaire Party Fund		
	(2,632.9)	(2,664.6)
Equine Development Fund		
	(1,564.8)	(1,352.0)
Total Expenditures	\$ (29,175.5)	\$ (29,129.8)

Statement of Revenues and Expenditures (cont.)

(In Thousands)

OTHER FINANCING SOURCES (USES)

Transfers from Other Funds:

Department of Agriculture	\$ 1,582.2	\$ 1,582.2
Michigan State Lottery	2,736.0	2,736.0
Total Transfers from Other Funds	4,318.2	4,318.2

Transfers to Other Funds:

State Services Fee Fund

Department of Health and Human Services	(2,000.0)	(3,333.0)
Michigan Office of the Auditor General	(1,357.9)	(1,357.9)
Department of Treasury	(318.6)	(318.6)
Michigan State Police	(8,156.9)	(8,156.9)
Department of Civil Service	(212.5)	(212.5)

Native American Casino Fund

Department of Civil Service	(10.1)	(10.1)
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Lab Fund

Department of Civil Service	(6.8)	(6.8)
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State Lottery Fund

Department of Treasury	(59.8)	(59.8)
Department of Civil Service	(43.3)	(43.3)

Equine Development Fund

Department of Civil Service	(17.4)	(17.4)
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Total Transfers to Other Funds	\$ (12,183.3)	\$ (13,516.6)
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Total Other Financing Sources (Uses)	\$ (7,865.1)	\$ (9,198.3)
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Excess Revenues and Other Sources Over (Under) Expenditures and Other uses	\$ (307.2)	\$ (1,068.6)
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Footnotes:

1. Calendar year presentation is not included in the State of Michigan Comprehensive Annual Financial Report. Approval for calendar year presentation was received from the Department of Technology, Management and Budget, Office of Financial Management.
2. Governmental fund types are accounted for using the modified accrual basis of accounting.



This Annual Report was not produced at taxpayer expense.
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