



Indian Gaming Section Annual Report to the Citizens of Michigan Calendar Year 2013



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Michigan Gaming Control Board
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www.michigan.gov/mgcb

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To the Citizens of the Great State of Michigan:

On behalf of the Michigan Gaming Control Board (MGCB), I am pleased to submit to you the Indian Gaming Section Annual Report for the period of January 1, 2013 through December 31, 2013. This report includes a summary of significant activities and operations for this time period.

From January 1, 2013 through December 31, 2013, the Indian Gaming Section of the Michigan Gaming Control Board continued its oversight efforts of the Tribal-State Class III Gaming Compacts through the conduct of inspections, audits, and observations. In fulfilling our duties and responsibilities, MGCB has continued to receive invaluable assistance from the Michigan Attorney General's Office and the Office of the Governor's Legal Counsel for Native American Affairs.

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

Sincerely,

/S/

Richard Kalm
Executive Director



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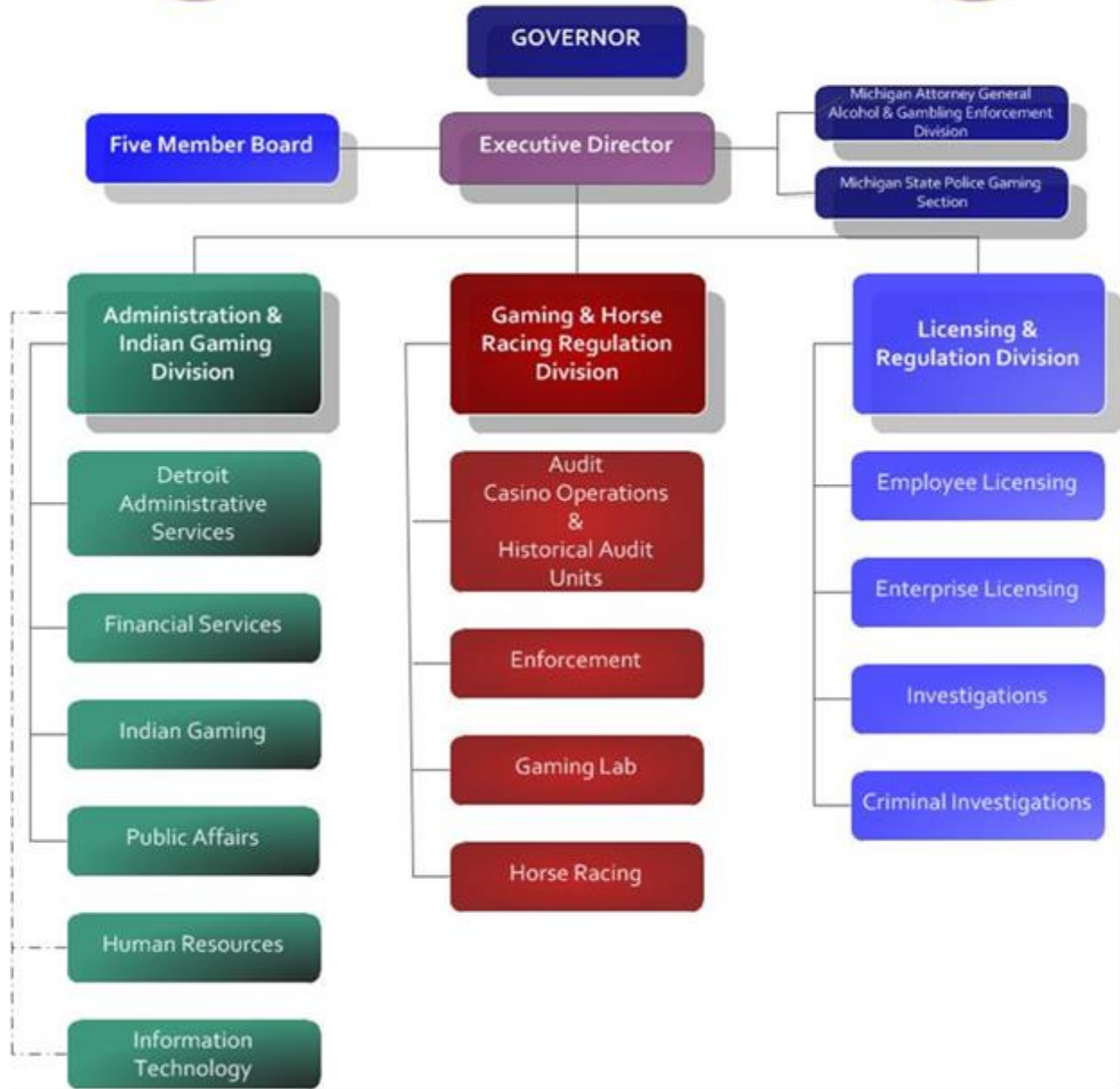
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Michigan Gaming Control Board



MICHIGAN GAMING CONTROL BOARD ORGANIZATION CHART





Michigan Indian Gaming Overview

Based on analysis of 2013 two percent payments to local units of state government, Indian gaming in Michigan reported net win on electronic games of chance of nearly \$1.48 billion, a 1.08 percent decrease from 2012's historical high. Most tribes experienced a decrease in their 2013 net win from 2012 levels.

The Pokagon Band of Potawatomi Indians opened their third facility, located in Dowagiac, Michigan, in April of 2013.

In terms of potential future development, the Little Traverse Bay Bands of Odawa Indians is exploring plans to open a second facility in Mackinac City.

Several tribes have acquired new land, or have contemplated acquiring new land, for the purpose of conducting Class III gaming activities. Two tribes, both of which purchased land with funds derived from the Michigan Indian Land Claims Settlement Act, Public Law 105-143, are engaged in litigation with the State of Michigan regarding the status and/or eligibility of their newly acquired land.

Michigan Indian Gaming Regulatory Framework

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



The State of Michigan has entered into Compacts with twelve Native American tribes. These twelve compacts have produced 23 tribal casinos located throughout the State. *Please see the map of Michigan's Tribal Casinos and listing of Michigan Tribes with Casinos and Number of Slot Machines located at the end of this report.*

The Compacts provide that the regulation of Indian casino gaming is the responsibility of the tribes. Michigan recognized the tribes as individual sovereign nations, and therefore has no regulatory authority over Class III gaming conducted on Indian lands. Although the State of Michigan does not regulate Indian casino gaming, the State does have oversight authority over compliance with the provisions of the Compacts and related Consent Judgments.

The Executive Director holds the duty and authority to conduct oversight of Tribal compacts related to Indian gaming. It is MGCB's responsibility to conduct the inspections of Class III gaming facilities and records, pursuant to and in accordance with the provisions of the Compacts. This oversight authority includes conducting financial and compliance audits and inspections of the tribal casinos' operations to determine the extent of their compliance with the Compacts and related Consent Judgments.

Board members of MGCB have no oversight role or authority over the Compacts.

Indian Gaming Section Mission, Personnel, Source of Funding, and Total Expenditures

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

The Compacts provide that the tribes shall make annual payments to the State to be applied towards the costs incurred in carrying out functions authorized by the terms thereof.



Some tribes, subject to certain exclusivity provisions, are required by the Compacts and related Consent Judgments to remit a percentage of their annual net win, derived from all Class III electronic games of chance, to the Michigan Strategic Fund (MSF) or Michigan Economic Development Corporation (MEDC). The MEDC provides funding to the Indian Gaming Section for oversight related to these payments.

All funds are placed into MGCB's Native American Casino Fund, which recorded expenditures of \$678,800 during calendar year 2013.

Payments to Local and State Government

Under provisions of the Compacts and related Consent Judgments, all tribes are required to remit two percent of their respective net win to local units of state government or local revenue sharing boards. For reporting period 2013, tribes collectively remitted \$29.6 million to local units of state government/local revenue sharing boards in two percent payments. *Please see the table on page 5 for the two percent payments by tribe for 2013.*

In addition, the Compacts and Consent Judgments require some tribes, based on exclusivity provisions, to remit payments to the MEDC or MSF. The percentage of net win paid to MEDC and MSF ranges from 4% to 12%, depending on the exclusivity provision contained in the Compact or related Consent Judgment. For reporting period 2013, tribes remitted \$62.9 million in payments to the MEDC and MSF. *Please see the table on page 5 for the MEDC/MSF payments by tribe for 2013.*



Indian Gaming Chart of Revenue Sharing Provisions

Tribe	Compact Year	Percentage of Net Win to Local Gov't	2013 Amount	Percentage of Net Win to MEDC/MSF	2013 Amount
Bay Mills Indian Community	1993	2%	\$ 563,049	0%	\$ -
Grand Traverse Band of Ottawa and Chippewa	1993	2%	\$ 1,663,528	0%	\$ -
Match-E-Be-Nash-She-Wish (Gun Lake)	2007	2%	\$ 3,368,277	8-12%	\$ 13,841,383
Hannahville Indian Community	1993	2%	\$ 1,086,350	0%	\$ -
Keweenaw Bay Indian Community	1993	2%	\$ 579,196	8%	\$ 2,316,785
Lac Vieux Desert Band of Lake Superior Chippewa	1993	2%	\$ 362,005	0%	\$ -
Little River Band of Ottawa Indians	1998	2%	\$ 1,546,813	6%	\$ 4,051,976
Little Traverse Bay Bands of Odawa Indians	1998	2%	\$ 1,060,956	6% (6-10% if second facility is opened)	\$ 2,888,692
Nottawaseppi Huron Band of the Potawatomi	1998	2%	\$ 5,266,401	4-8%	\$ 16,565,604
Pokagon Band of Potawatomi Indians	1998	2%	\$ 7,311,800	6-8%	\$ 23,242,036
Saginaw Chippewa Indian Tribe	1993	2%	\$ 5,077,541	0%	\$ -
Sault Ste. Marie Tribe of Chippewa Indians	1993	2%	\$ 1,735,250	0%	\$ -
Totals			\$ 29,621,166		\$ 62,906,476



Indian Gaming Section Oversight Accomplishments

Net Win Audits/Inspections

The Indian Gaming Section performs financial audits to ensure that the net win totals are fairly stated, in all material respects, and that the related payments to local units of state government/local revenue sharing boards and the MEDC/MSF are properly remitted in accordance with the relevant Compact and related Consent Judgment.

In calendar year 2013, the Indian Gaming Section presented final net win audit reports to seven tribes which encompassed twelve fiscal years as follows:

Tribe	Fiscal Year
Bay Mills	2010
Bay Mills	2011
Keweenaw Bay	2011
Keweenaw Bay	2012
Lac Vieux	2010
Little River Band	2011
Little River Band	2012
Little Traverse Bay Band	2010
Little Traverse Bay Band	2011
Nottawaseppi Huron	2011
Sault Ste Marie	2010
Sault Ste Marie	2011

In addition to these issued final reports, fieldwork and write-up was performed for six tribes covering ten fiscal years, with final reports anticipated in calendar year 2014.



Compliance Audits/Inspections

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

The Indian Gaming Section presented seven final compliance audit reports to six tribes in calendar year 2013 as follows:

Tribe	Audit
Bay Mills	2012
Grand Traverse Band	2013
Keweenaw Bay	2013
Little River Band	2013
Nottawaseppi Huron	2012
Sault Ste Marie	2011
Sault Ste Marie	2012

In addition to these final reports, fieldwork or write-up was performed for an additional five tribes, representing six compliance audits/inspections, with final reports anticipated in calendar year 2014.

Additional Accomplishments

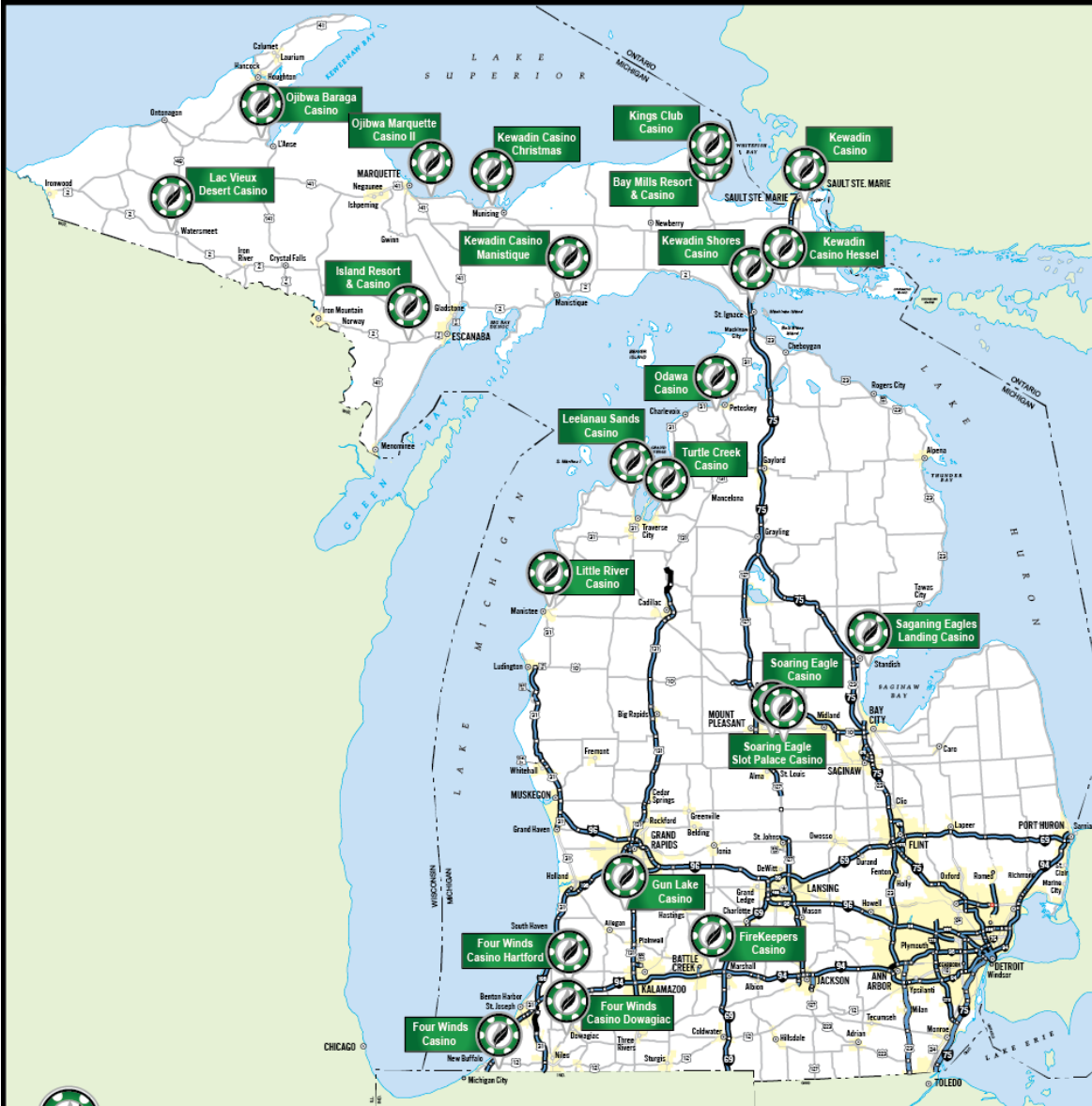
In addition to the audits and inspections conducted, we note the following additional accomplishments for calendar year 2013:

- Obtained data on payments made by tribes to local units of state government/local revenue sharing boards and to MEDC/MSF and updated records.
- Upgraded and utilized new audit management software to obtain greater efficiencies in audit management and reporting through its integrated modules.
- Researched and participated in committee led by the Governor’s Office to develop model compact provisions to be used in the renegotiation of the 1993 compacts.
- Revised audit programs to improve business processes.
- Researched and analyzed online gaming legislation throughout the United States.
- Attended continuing professional education.
- Prepared and submitted an annual report to MEDC.



Michigan Gaming Control Board

MICHIGAN'S TRIBAL CASINOS



TRIBAL CASINOS

- | | | | | |
|----------------------------|--------------------------|---------------------------|--------------------------------|----------------------------------|
| Bay Mills Resort & Casino | Gun Lake Casino | Kewadin Casino Manistique | Little River Casino | Soaring Eagle Casino |
| FireKeepers Casino | Island Resort and Casino | Kewadin Shores Casino | Odawa Casino | Soaring Eagle Slot Palace Casino |
| Four Winds Casino | Kewadin Casino | Kings Club Casino | Ojibwa Baraga Casino | Turtle Creek Casino |
| Four Winds Casino Dowagiac | Kewadin Casino Christmas | Lac Vieux Desert Casino | Ojibwa Marquette Casino II | |
| Four Winds Casino Hartford | Kewadin Casino Hessel | Leelanau Sands Casino | Saganing Eagles Landing Casino | |



Michigan Tribes with Casinos and Number of Slot Machines

Michigan Tribal Casino Information		
Locations	Tribal Casino	Approximate No. of Slot Machines
2	Bay Mills Indian Community	
	Kings Club Casino - Brimley, MI	250
	Bay Mills Resort & Casino - Brimley, MI	700
2	Grand Traverse Band of Ottawa & Chippewa Indians	
	Leelanau Sands Casino - Suttons Bay, MI	500
	Turtle Creek Casino - Williamsburg, MI	1250
1	Hannahville Tribe	
	Island Resort & Casino - Harris, MI	1400
2	Keweenaw Bay Indian Community	
	Ojibwa Casino - Baraga, MI	350
	Ojibwa Casino - Marquette, MI	300
1	Lac Vieux Desert Band	
	Lac Vieux Desert Resort Casino - Watersmeet, MI	650
1	Little River Band	
	Little River Casino - Manistee, MI	1550
1	Little Traverse Bay Bands of Odawa Indians	
	Odawa Casino & Hotel - Petoskey, MI	1300
1	Match-E-Be-Nash-She-Wish Band of Pottawatomi (Gun Lake Band)	
	Gun Lake Casino - Wayland, MI	1500
1	Nottawaseppi Huron Potawatomi	
	FireKeepers Casino - Battle Creek, MI	2800
3	Pokagon Band of Potawatomi	
	Four Winds Casino Resort - New Buffalo, MI	3000
	Four Winds Casino Hartford - Hartford, MI	500
	Four Winds Casino Dowagiac - Dowagiac, MI	300
3	Saginaw Chippewa Indian Community	
	Soaring Eagle Casino & Resort - Mt. Pleasant, MI	4200
	Soaring Eagle Slot Palace - Mt. Pleasant, MI	
	Saganing Eagles Landing Casino - Standish, MI	850
5	Sault Ste. Marie Tribe of Chippewa Indians	
	Kewadin Casino - Christmas, MI	200
	Kewadin Casino - Hessel, MI	150
	Kewadin Casino - Manistique, MI	200
	Kewadin Casino - Sault Ste. Marie, MI	800
	Kewadin Casino - St. Ignace, MI	800
23	Total	23550