



# **LIMITED-SCOPE PERFORMANCE AUDIT REPORT**

## **Kansas Casinos: Evaluating Whether Casinos Have Met Significant Contractual Obligations**

### **AUDIT ABSTRACT**

The 2007 Kansas Expanded Lottery Act allows the state of Kansas to own and operate games at destination casino resorts in four designated gaming zones, and authorizes the Kansas Lottery to contract with private companies to manage the daily operations of the state-owned casinos. The casino management contracts approved by the Kansas Lottery include numerous conditions and obligations the casino manager must meet. Hollywood Casino and Kansas Star Casino have met or are in the process of meeting all contractual obligations with the Kansas Lottery we reviewed. However, Hollywood Casino has not met its obligation to the Unified Government to construct a hotel, but has paid an annual penalty equal to 1% of Hollywood Casino's gaming revenues. In recent years, this amount has been about \$1.4 million.

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
December 2017**

## From the Legislative Post Auditor:

This limited-scope audit was authorized by the Legislative Post Audit Committee at its July 31, 2017 meeting. It addresses the following question: Have the Kansas Star and Hollywood Casinos met significant obligations included in their contracts with the state through the Kansas Lottery?

To answer this question, we interviewed officials from the Kansas Lottery, Kansas Racing and Gaming Commission, Hollywood Casino, and Kansas Star Casino. We reviewed the state contracts with Hollywood Casino and Kansas Star Casino and selected a sample of contractual obligations. We requested supporting documentation from Kansas Lottery, Hollywood Casino, and Kansas Star Casino officials to determine whether the two selected casinos appeared to be meeting those obligations. Through that work, we became aware of several additional contractual obligations between Hollywood Casino and the Unified Government of Wyandotte County and Kansas City Kansas (Unified Government). We selected a few of those obligations for review, and talked with both casino and Unified Government officials to evaluate what actions were being taken to comply with those additional contractual obligations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Overall, we believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit standards require that we report on any work we did related to internal controls, but a review of internal controls was not part of the scope of the audit as approved by the Legislative Post Audit Committee.

This audit was requested by Senator Rob Olson and conducted by Brad Hoff. Justin Stowe was the audit manager. If you need any additional information about the audit's findings, please contact Brad at (785) 296-3792.

Sincerely,



Scott Frank  
Legislative Post Auditor  
December 15, 2017

# Have the Kansas Star and Hollywood Casinos Met Significant Obligations Included in their Contracts with the State Through the Kansas Lottery?

## *Background Information*

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The 2007 Kansas Expanded Lottery Act allows the State of Kansas to own and operate games at destination casino resorts in four designated gaming zones. The four gaming zones are located in the northeast, southeast, south central, and southwest areas of the state. The four-state owned casinos are located in the following zones:

- **Northeast:** Hollywood Casino at Kansas Speedway (Kansas City)
- **South Central:** Kansas Star Casino (Mulvane)
- **Southwest:** Boot Hill Casino and Resort (Dodge City)
- **Southeast:** Kansas Crossing Casino (Pittsburg)

In fiscal year 2017, the four state-owned casinos generated \$371 million in total gaming revenues. *Figure 1* below shows the amount of gaming revenues generated since fiscal year 2015 for each of the state’s four casinos. As *Figure 1* shows, the two casinos that generated the most revenue in fiscal year 2017 were the Kansas Star Casino at \$178 million and the Hollywood Casino at almost \$145 million. A new state-owned casino, the Kansas Crossing in Pittsburg, recently opened in March 2017, which accounts for its limited revenues.

<b>Figure 1</b>			
<b>Summary of Total Casino Gaming Revenues</b>			
<b>Fiscal Year 2015 to Fiscal Year 2017</b>			
<b>(in millions)</b>			
<b>Casino</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Kansas Star Casino</b>	\$181.8	\$181.6	\$178.1
<b>Hollywood Casino</b>	\$142.8	\$143.8	\$144.6
<b>Boot Hill Casino and Resort</b>	\$40.5	\$38.9	\$40.2
<b>Kansas Crossing (a)</b>	--	--	\$8.2
<b>Total</b>	<b>\$365.1</b>	<b>\$364.3</b>	<b>\$371.1</b>
(a) The Kansas Crossing Casino opened on March 29, 2017. Source: Kansas Lottery (unaudited)			

State law authorizes the Kansas Lottery to contract with private companies to manage the daily operations of the state-owned casinos. The Kansas Expanded Lottery Act allows the state to own and operate casinos. In addition, K.S.A. 74-8734(d) gives the Kansas Lottery the authority to approve contracts with a gaming facility manager to manage casino operations. The law states the Kansas Lottery has “complete and ultimate ownership and operational control of the gaming operation” and “full control over all decisions concerning lottery gaming facility games.” These include slot machines and table games. The casino facility manager can either

purchase or lease for the Kansas Lottery all games played at a casino. While the state owns the games, the facility manager owns the building and land where the casino is located.

**State law requires the state receive no less than 22% of the casino's gaming revenues.** The Kansas Expanded Lottery Act requires that all casino and slot machine income from casinos be sent to the Kansas Lottery. Upon receiving these revenues, Kansas Lottery officials are responsible for depositing this money with the State Treasurer's Office. The State Treasurer's Office then redistributes these moneys according to state law, as follows:

- 22% of the gaming revenues are deposited in the Expanded Lottery Revenue Fund. By law, this fund can be used to reduce the state's unfunded liability to KPERS, fund state infrastructure improvements, increase the number of engineering students in Kansas, and reduce local taxes.
- 3% is transferred to the general operating fund of either the city or county where the casino is located and possibly the other county located in the gaming zone.
- 2% is transferred to the Problem Gambling and Addictions Grant Fund. Funds are used to help provide assistance for treating individuals with pathological gambling problems and other addictions.
- The remaining revenues (approximately 73%), are returned to the casino managers to cover operating expenditures and profit.

**This audit focused on two state-owned casinos—the Kansas Star Casino in Mulvane and the Hollywood Casino in Kansas City.** Because of the time constraints associated with a limited-scope audit, we had to limit our analysis to two casinos. We chose these casinos because they generate the most gaming revenue. In fiscal year 2017, Kansas Star Casino generated \$178 million and Hollywood Casino generated nearly \$145 million.

- **Boyd Gaming Corporation currently manages the Kansas Star Casino in Mulvane.** Kansas Lottery officials signed an agreement with Peninsula Gaming Partners, LLC in 2010 to manage the Kansas Star Casino, which opened December 2011. In early 2012, Peninsula Gaming LLC was acquired by Boyd Gaming Corporation. After receiving state approval, Boyd Gaming—a gaming and hospitality company based in Nevada—became the facility manager of Kansas Star Casino in late 2012 and assumed the contractual obligations agreed on in 2010. The Kansas Star Casino has 1,770 slot machines, 52 table games, 8 poker tables and employs about 830 employees.
- **Kansas Entertainment LLC currently manages the Hollywood Casino in Kansas City.** Kansas Lottery officials signed an agreement with Kansas Entertainment, LLC in 2009 to manage the Hollywood Casino, which opened February 2012. Kansas Entertainment LLC is owned by International Speedway Corporation and Penn National Gaming. Penn National Gaming, a gaming company based in Pennsylvania, operates 23 casinos nationwide. Hollywood Casino has 2,000 slot machines, 52 table games, 12 poker tables, and employs about 700 employees.

**State-owned casinos are regulated by two different state agencies and are audited by external firms.** State law gives the Kansas Racing and Gaming Commission the authority to regulate all four state-owned casinos including auditing the casino's revenues, enforcing all state laws, and providing oversight of each casino's internal controls and security. The Kansas Lottery also has the authority at any time to examine the financial books, records, and financial statements of a casino. If a violation of the contract occurred and depending on the severity of the violation, the Kansas Lottery can terminate the management contract.

The casinos are also audited by external accounting firms. Each casino is required to undergo an outside audit of its financial records—the two casinos we evaluated have contracted with Deloitte and Touch. In addition, our office contracts with an outside firm to conduct an audit of the Kansas Lottery’s financial statements. The contracted auditors told us they work with casinos to determine the amount of revenues the casino managers tell them was transferred to the Kansas Lottery is consistent with the amount the Kansas Lottery has received. Because this was a limited-scope audit, we did not evaluate the work of the contracted auditors with regards to the casinos.

## ***Finding #1: The Casino Management Contracts Approved by the Kansas Lottery Include Numerous Conditions and Obligations***

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We reviewed the original management contracts and any related amendments between the Kansas Lottery and the managers of the two casinos (Hollywood Casino and Kansas Star Casino) to identify significant contractual obligations the casino managers must meet. We also reviewed an additional contract between Hollywood Casino and the Unified Government of Wyandotte County and Kansas City Kansas (Unified Government) which created several additional obligations, including construction of a hotel near Hollywood Casino. *Appendix A* lists each of the significant contractual obligations we identified. Although *Appendix A* is not necessarily an exhaustive list of every contractual obligation, we think it represents all significant management obligations between the casinos and the state.

**State law requires the casino management contracts include certain provisions before the casino opens.** KSA 74-8734 (h) lists several provisions that must be included in the casino management contracts before they are approved by the Kansas Lottery. For example, state law specifies the contract has a maximum initial term of 15 years from the opening date of the casino. The contract can be renewed at the end of this initial term by mutual agreement between the state and the casino manager. Other contract provisions required by law include specifying the total amount to be paid to the casino manager, establish a mechanism to distribute gaming revenues to the casino manager and the state, financing commitments for the casino’s construction, agreement on the types of lottery games to be installed at the casino, and an endorsement from the local governing body where the casino will be located. Also, the contract must include provisions for the Kansas Racing and Gaming Commission to oversee all casino operations, and for the casino managers to pay for the costs of this oversight and regulation.

**Both the Hollywood Casino and the Kansas Star Casino have several identical obligations in their contracts with the Kansas Lottery.** In addition to the provisions required by law, both sets of contracts include a variety of other obligations. For example, both contracts (about 70 pages long) required the casino managers to:

- provide building insurance certificates to the Kansas Lottery
- submit business plans and a budget to the Kansas Lottery
- maintain confidentiality for any proprietary information
- disclose the odds of winning any prize to the public
- maintain an accurate accounting system in managing the casino

**Both casinos also had unique provisions in their contracts with the Kansas Lottery.** For example, Hollywood Casino in Kansas City agreed to request NASCAR add a second race at the Kansas Speedway no later than 2011 NASCAR season. Similarly, Hollywood Casino agreed to construct a road racing course at Kansas Speedway and promote a race sanctioned by the Grand American Road Racing Association to take place no later than the 2011 season.

The Kansas Star Casino in Mulvane agreed to unique provisions to support the local community. Kansas Star Casino committed \$1.5 million annually to the Kansas All-Star Scholars Fund beginning in the 2012-2013 school year and ending in the 2025-2026 school year. The purpose of this fund is to provide \$100 gift cards to all students who attend public schools in Sumner County and Mulvane. These cards can be used for school enrollment fees or to purchase school supplies, clothes, and shoes. Also, the fund awards \$500 grants to teachers to help pay for the cost of additional teaching materials. Finally, the fund awards \$1,000 scholarships to every graduating senior who applies and is attending a post-secondary institution.

**Finally, we identified several unique contractual obligations between the Hollywood Casino in Kansas City and the Unified Government.** In September 2009, as part of its contract approval process with the state, Hollywood Casino also agreed to several additional obligations through a separate contract with the Unified Government. Those obligations included construction of a nearby hotel, as well as a variety of other contributions to the Unified Government, including:

- 1% of total gaming revenues to be used at the Unified Government's discretion to benefit the community as a whole.
- \$500,000 a year to be disbursed to selected school districts in Wyandotte County.
- \$500,000 a year for community services and charitable causes.
- \$100,000 a year to the Parks and Recreation Department.

## ***Finding #2: Hollywood Casino and Kansas Star Casino Have Met or Are in the Process of Meeting All Contractual Obligations with the Kansas Lottery We Reviewed***

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**We reviewed a selection of significant contractual obligations between the two casinos and the Kansas Lottery to determine whether those obligations are being met.** We reviewed the casino management contracts and subsequent amendments for both casinos and to identify the obligations we thought were the most significant. We primarily focused on obligations related to the daily operations and business practices of the casinos, but also looked at deliverables the casinos are required to provide to the Kansas Lottery such as budgets and business plans.

**Both casinos appear to have met or are in the process of meeting the contractual obligations with the Kansas Lottery we reviewed.** To evaluate the casinos' compliance with the contractual obligations we identified, we worked with officials from the two casinos, the Kansas Lottery, and the Kansas Racing and Gaming Commission. We reviewed various documents including cancelled checks, budget documents, proof of insurance forms, and

financial audit summaries to help us determine of whether each contractual obligation was being met. In some cases, we followed up with officials to help clarify any questions we had related to the supporting documentation.

We saw sufficient evidence to conclude both casinos have met or are in the process of meeting their contractual obligations. **Figure 2** below shows each of the obligations we reviewed. As **Figure 2** shows, we saw sufficient evidence to conclude Kansas Star Casino is meeting the eight obligations we reviewed and Hollywood Casino is meeting the nine obligations we reviewed.

<b>Figure 2</b> <b>Summary of Whether the Kansas Star and Hollywood Casino</b> <b>Have Met Selected Contractual Obligations With the State</b>		
Contractual Obligation	Evidence that Casino is Meeting Obligation?	
	Hollywood	Kansas Star
<b>Kansas Lottery Contract Obligations</b>		
Submit a certificate of building insurance to the Kansas Lottery	Yes	Yes
Submit all revenues to the Kansas Lottery on a daily basis	Yes	Yes
Have several types of insurance including insurance for loss or damage by fire, lightning, and other casualties and workers' compensation insurance	Yes	Yes
Submit a compliance certificate for insurance policies to the Kansas Lottery [annually]	Yes	Yes
Maintain an accurate accounting system in connection with its management of the Lottery Gaming Facility	Yes	Yes
Submit a reasonably detailed operating statement including year-to-date results to the Kansas Lottery (a)	Yes	Yes
Submit a casino budget and proposed business plan to the Kansas Lottery [fiscal year]	Yes	Yes
Construct a road racing course at Kansas Speedway	Yes	N/A
Provide two free billboards to State of Kansas at Kansas Speedway for promotion of tourism	Yes	N/A
Commit \$1.5 million annually to the students in Sumner County and Mulvane school districts through the creation of the Kansas All-Star Scholars Fund "Ad Astra."	N/A	Yes
(a) In lieu of a monthly operating statement, Kansas Lottery officials reconcile gaming revenue on a daily basis and thus waived receipt of any additional monthly operating statement. Source: LPA review of contractual obligations between Hollywood Casino and the Kansas Lottery.		

***Finding #3: Hollywood Casino Has Not Met its Obligation to the Unified Government to Construct a Hotel, But Has Paid An Annual Penalty of About \$1.4 Million as a Result***

In addition to its contract with the Kansas Lottery, Hollywood Casino in Kansas City has a separate contract with the Unified Government which includes additional obligations. We selected five of these additional obligations to review. Four of the five obligations require the casino to make cash contributions to the Unified Government for a variety of purposes. The fifth involved the construction of a multi-million dollar hotel near the casino.

As we discussed in Finding #1 on page 3, the Kansas Star Casino in Mulvane also had separate obligations to the local community that it agreed to, but they were included in its contract with the Kansas Lottery (rather than a separate local contract). We evaluated those local obligations as part of our work for Finding #2.

**Hollywood Casino is meeting four of five contractual obligations with the Unified Government we reviewed.** *Figure 3* below shows each of the obligations we reviewed for between Hollywood Casino and the Unified Government. To determine whether the casino was meeting these obligations, we talked to officials from the Unified Government and reviewed supporting documentation including canceled checks to reach a conclusion. As *Figure 3* shows, we saw sufficient evidence to conclude Hollywood Casino is meeting all but one of the obligations we reviewed.

<b>Figure 3                      Summary of Whether Hollywood Casino in Kansas City                      Has Met or Is in the Process of Meeting Selected Contractual Obligations with the                      Unified Government</b>	
<b>Contractual Obligation</b>	<b>Evidence that                      Hollywood Casino                      is Meeting                      Obligation?</b>
Provide a total of \$500,000 annually to be distributed by the Unified Government to selected Wyandotte County school districts	Yes
Provide \$500,000 annually to the Unified Government and distributed to community services and charitable causes	Yes
Contribute 1% of Gaming Revenues to the Unified Government to be used at its discretion to benefit the community as a whole	Yes
Build a hotel near the casino within 2 years of open date (see page 7 for more information about this obligation)	No (a)
Hollywood Casino pays an annual fee equal to 1% of casino revenues to the Unified Government for every year the hotel is not built	Yes
(a) As part of the agreement, Hollywood Casino pays an annual fee equal to 1% of casino revenues to the Unified Government for every year the hotel is not built. Source: LPA review of contractual obligations between Hollywood Casino and the Unified Government.	

**Hollywood Casino has not met an obligation to construct a hotel near the casino, but pays an annual penalty of about \$1.4 million to the Unified Government.** In 2009, Hollywood Casino agreed to build a hotel near the casino through its development agreement with the Unified Government. The agreement required a hotel be built within two years of the casino's February 2012 opening date. If the hotel was not built by the deadline, the agreement specified the casino must pay an annual penalty to the Unified Government equal to 1% of its gaming revenues for every year the hotel is not built. In recent years, this fee has been equal to about \$1.4 million annually. We followed up with Unified Government officials who told us the casinos have made the payment every year since 2014. Additionally, Unified Government and Kansas Lottery officials told us because this annual payment is being made they do not consider Hollywood Casino to be in violation of the development agreement with the Unified Government.

**Hollywood Casino officials cited uncertain economic conditions and proposed changes in tax law as reasons for delaying hotel construction.** Officials have testified in legislative committees that their initial market research did not support building a hotel. They also told us if expanded gaming were to occur, it would likely cut into the casino's revenues. Specifically, the potential reopening of The Woodlands, a racing facility in Wyandotte County that in the past has featured pari-mutuel wagering, creates an unstable economic climate for the casino. Officials told us they are still committed to the hotel project, but are unlikely to begin construction until the economic climate has stabilized and the situation with the Woodlands has been settled. Until then, Hollywood Casino officials told us they will continue to pay the annual penalty.

## ***Recommendations***

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We had no recommendations for this audit.

## *Agency Response*

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On November 21, 2017, we provided copies of the draft audit report to the Kansas Lottery for an official response. We also provided copies to Hollywood Casino in Kansas City and sections of the draft report to Kansas Star Casino in Mulvane and the Unified Government for technical clarifications. We made minor clarifications to the final report as a result of these reviews, but those changes did not affect any of our findings or conclusions.

Kansas Lottery officials agreed with the audit's findings and conclusions. Kansas Lottery officials did not submit a formal response.

## APPENDIX A

### Summary of Significant Contractual Obligations Hollywood Casino in Kansas City and Kansas Star Casino in Mulvane Have With the Kansas Lottery

This appendix summarizes the significant contractual obligations agreed to between the Kansas Lottery and Hollywood Casino in Kansas City and Kansas Star Casino in Mulvane and includes development agreement obligations between Hollywood Casino and the Unified Government.

<b>Summary of Obligation</b> <i>(bolded and shaded areas were evaluated as part of this audit)</i>	<b>Is the obligation included in the casino's contract?</b>	
	<b>Hollywood Casino</b>	<b>Kansas Star Casino</b>
<b>Kansas Lottery Contract Obligations</b>		
Manager will at its own expense, keep in full force and affects its legal existence, rights and franchises required in order for it to observe all of this Agreement's terms and conditions	Yes	Yes
Conform to all zoning, planning, building, licensing, and environmental laws and regulations of governmental authorities (federal, state, or local)	Yes	Yes
Comply with all environmental laws and regulations	Yes	Yes
<b>Provide certificate of building insurance to Kansas Lottery</b>	Yes	Yes
Comply with all rules, regulations or policies of the Kansas Racing and Gaming Commission now or in the future	Yes	Yes
Access to sufficient resources	Yes	Yes
Comply with all rules, regulations or policies of the Kansas Lottery now or in the future	Yes	Yes
Manager will not own, lease, license, or control the rights to any software, hardware, computer chips, etc. required to operate the games	Yes	Yes
Processing payment of all prizes including the withholding of income taxes and reporting of prizes	Yes	Yes
<b>Manager and Kansas Lottery will jointly develop a business plan</b>	Yes	Yes
Manager will provide a business plan and budget for all ancillary operations including restaurants, hotels, motels, or entertainment facilities	Yes	Yes
Manager must purchase or lease, on behalf of the state of Kansas, all facility games including approved games, felt, dice, cards, chips, layouts, or intellectual property rights as determined by the Executive Director	Yes	Yes
<b>Manager must pay all revenues daily to the Kansas Lottery-deposit will be made electronically</b>	Yes	Yes
Manager must pay the expenses of the Kansas Lottery incurred for the implementation and operation of the Kansas Expanded Lottery Act	Yes	Yes
Manager must pay the expenses of the Kansas Racing and Gaming Commission for KRGC's oversight and regulation of the manager	Yes	Yes
Manager will pay for their share of the expenses incurred for the central computer system	Yes	Yes
Keep the facility and all property and improvements in good repair and in reasonable safe condition (including maintaining the central communication system, and keeping the facility in first class condition)	Yes	Yes

<b>Summary of Obligation</b> <i>(bolded and shaded areas were evaluated as part of this audit)</i>	<b>Is the obligation included in the casino's contract?</b>	
	<b>Hollywood Casino</b>	<b>Kansas Star Casino</b>
<b>Manager must have several types of insurance: loss or damage by fire, lightning, and other casualties; workers' compensation, disability benefits, commercial general liability insurance, business interruption insurance, employer liability coverage</b>	Yes	Yes
Manager must ensure the insurance names the Lottery Commission, the Kansas Lottery, and the state of Kansas as insureds	Yes	Yes
<b>Certificates of insurance must be deposited with Kansas Lottery</b>	Yes	Yes
Within 120 days after the end of each fiscal year, the manager must file with the Kansas Lottery a certificate executed the insurance policies are compliant	Yes	Yes
If lottery facility is damaged, destroyed or condemned, the manager must promptly replace, repair, rebuild, or restore the facility to its status prior to the damage	Yes	Yes
Manager must use its commercially reasonable efforts to advertise, market, and promote the gaming facility.	Yes	Yes
Manager must make available to the public the odds of winning any prize or prizes games played on all Lottery facility games	Yes	Yes
Manager must maintain the confidentiality of any proprietary information or trade secrets	Yes	Yes
Manager will provide, supervise, direct the work of, discharge, and determine the compensation and other benefits of all personnel.	Yes	Yes
Manager must ensure its personnel meet all applicable regulatory requirements.	Yes	Yes
Manager will provide and direct employee recruitment, instructional programs, incentives, and on-the-job training	Yes	Yes
<b>Manager must maintain an accurate accounting system in connection with its management of the Lottery Gaming Facility. The books and records will be kept in accordance with generally accepted accounting principles maintained in accordance with current industry standards for similar gaming businesses.</b>	Yes	Yes
<b>On or before the 20th day following the close of each month, Manager must furnish the Executive Director with a reasonably detailed operating statement for the Lottery Gaming Facility for that period, including year-to-date results.</b>	Yes	Yes
Manager must maintain all books and records regarding the Lottery Gaming Facility for a minimum period of five (5) years, or such other longer period as may be imposed by regulation or statute.	Yes	Yes
<b>No later than forty-five (45) days prior to the commencement of each Fiscal Year, Manager must submit to the Executive Director a budget (the "Budget") and a proposed Business Plan for the Lottery Gaming Facility for such Fiscal Year, containing reasonably detailed revenue and expense projections and providing projections for all material expenditures that Manager anticipates to be made, as well as all anticipated material capital expenditures and material expenditures for replacements.</b>	Yes	Yes
Manager must promptly notify the Executive Director of any need to depart in any material way from the Budget if, in Manager's judgment, adherence to the Budget is impractical or if such departure is necessary or desirable for the Lottery Gaming Facility's efficient or profitable operation.	Yes	Yes

<b>Summary of Obligation</b> <i>(bolded and shaded areas were evaluated as part of this audit)</i>	<b>Is the obligation included in the casino's contract?</b>	
	<b>Hollywood Casino</b>	<b>Kansas Star Casino</b>
Manager shall establish or facilitate the establishment of the bank accounts listed below: (1) a special bank account in the name of the Kansas Lottery at a Kansas bank approved by the Executive Director and the Pooled Money Investment Board; (2) one account in Manager's name at a bank in a jurisdiction of Manager's choosing for the purposes of receiving its compensation payment from the Kansas Lottery; (3) one or more accounts into which amounts sufficient to cover all operating expenses and other costs of the Lottery Gaming Facility	Yes	Yes
Manager will promptly comply in all material respects with all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses/certifications, authorizations, directions and requirements of all federal, state, county, municipal and other governments, departments, commissions, boards, companies or associations insuring the premises, courts, authorities, officials and officers, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Lottery Gaming Facility or any part thereof, or to any use, manner of use or condition of the Lottery Gaming Facility or any part thereof	Yes	Yes
Manager acknowledges and agrees that all Electronic Gaming Machines at the Lottery Gaming Facility will be directly linked to a central computer at a location determined by the Executive Director for purposes of security, monitoring, auditing, and providing other available program information to the Kansas Lottery.	Yes	Yes
<b>Two free billboards to State of Kansas at Kansas Speedway for promotion of tourism to Kansas</b>	Yes	N/A
<b>Manager is committing \$1.5 million annually to the families of Sumner County and Mulvane school districts, through the creation of the Kansas All-Star Scholars Fund "Ad Astra."</b>	N/A	Yes
Within 30 days after the close of the Fiscal Year, Manager must update all exhibits to this Agreement as designated by the Executive Director. Upon the Executive Director's written request, Manager will provide such other information regarding the financial or legal undertakings of Manager, the Lottery Gaming Facility, or the Ancillary Lottery Gaming Facility Operations.	Yes	Yes
<b>Approval of NASCAR adding a second NASCAR Sprint Cup Series event no later than the 2011 NASCAR Sprint Cup Series event.</b>	Yes	N/A
<b>Construct a road racing course at Kansas Speedway, which shall be suitable for the holding of major road racing motorsports events. As part of same, Kansas Speedway agrees to promote a race sanctioned by the Grand American Road Racing Association following the completion of such road racing course and no later than the 2011 racing season.</b>	Yes	N/A

<b>Summary of Obligation</b> <i>(bolded and shaded areas were evaluated as part of this audit)</i>	<b>Is the obligation included in the casino's contract?</b>	
	<b>Hollywood Casino</b>	<b>Kansas Star Casino</b>
<b>Unified Government of Wyandotte County and Kansas City Kansas Contract Obligations</b>		
<b>Build a hotel near the casino within 2 years of open date</b>	Yes	N/A
<b>Contribute 1% of Gaming Revenues to the Unified Government to be used at its discretion to benefit the community as a whole</b>	Yes	N/A
<b>Provide a total of \$500,000 annually to be distributed by the Unified Government to selected Wyandotte County school districts</b>	Yes	N/A
<b>Provide \$500,000 annually to the Unified Government and distributed to community services and charitable causes</b>	Yes	N/A
Provide \$100,000 to Unified Government Parks & Recreation	Yes	N/A
Provide \$25,000 to Wyandotte County Conventions & Visitors Bureau	Yes	N/A
Provide \$10,000 per year to local Wyandotte County Chambers of Commerce	Yes	N/A
Source: Original management contracts and related amendments between the Kansas Lottery and casino managers (Hollywood Casino and Kansas Star Casino) and the development agreement between Hollywood Casino and the Unified Government.		