



MARYLAND LOTTERY AND  
GAMING CONTROL AGENCY

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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FOR THE YEARS ENDED JUNE 30,  
**2015 & 2014**

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ENTERPRISE FUND OF THE STATE OF MARYLAND

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## **INTRODUCTORY SECTION**

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**IN FISCAL YEAR 2015, THE MARYLAND LOTTERY AND GAMING CONTROL AGENCY (MLGCA) CELEBRATED 41 YEARS OF SUPPORTING MARYLANDERS. THE MLGCA IS THE FOURTH LARGEST CONTRIBUTOR TO THE STATE AFTER INDIVIDUAL TAX, CORPORATE TAX, AND SALES AND USE TAX.**

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MARYLAND LOTTERY AND GAMING CONTROL AGENCY,  
AN ENTERPRISE FUND OF THE STATE OF MARYLAND

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# Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



Montgomery Park Business Center  
1800 Washington Blvd., Suite 330  
Baltimore, Maryland 21230

Tel: 410-230-8800  
TTY users call Maryland Relay  
www.mdlottery.com

December 23, 2015

The Honorable Larry Hogan, Governor  
Maryland Lottery and Gaming Control Commission

## INTRODUCTION

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Maryland Lottery and Gaming Control Agency (MLGCA) for the fiscal years ended June 30, 2015, and June 30, 2014. This report has been prepared by the Accounting Department of the MLGCA. Responsibility for both the accuracy of the financial data and the completeness and fairness of presentation, including all disclosures, rests solely with the MLGCA. To the best of our knowledge and belief, the enclosed data is accurate and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the MLGCA. All disclosures necessary to enable the reader to gain an understanding of the MLGCA's financial activities have been included.

Presented in this report is information about the MLGCA, an independent agency of the State of Maryland. The MLGCA was established by the Maryland General Assembly through the enactment of Chapter 365 of Laws of Maryland of 1972 and the voters' approval that same year of a constitutional amendment. The amendment was ratified on November 7, 1972, and operations commenced on January 2, 1973. During the 2007 special session of the Maryland General Assembly, Chapter 4 was enacted relating to the legalization of Video Lottery Terminals (VLTs) in the State subject to the passage of a voters' constitutional referendum. In 2008, voters approved the installation of up to 15,000 VLTs in the State. On August 14, 2012, Senate Bill 1 – Gaming Expansion – Video Lottery Terminals and Table Games – passed the 2012 Second Special Session of the Maryland General Assembly. This bill contained many provisions concerning gaming operations and certain provisions that were subject to voter referendum. The provisions that were subject to voter referendum passed during the November 6, 2012, election and allowed for a sixth casino, increased the number of VLTs allowed in the State from 15,000 to 16,500, established table games and allowed for 24-7 casino operations. The MLGCA, in conjunction with a seven-member Commission, serves as the regulator of the gaming program while managing lottery operations. The MLGCA is an enterprise fund of the State and is included in the State's Comprehensive Annual Financial Report. MLGCA activity is reported as a major enterprise fund type and includes all activity for which the MLGCA is financially accountable.

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This letter of transmittal is designed to be read in conjunction with the complementary information offered in the Management's Discussion and Analysis (MD&A), which can be found immediately following the independent auditors' report.

The MLGCA is operated as a business enterprise within the framework of State laws and regulations. The mission of the MLGCA is twofold: providing revenue to the State through the sale of traditional lottery products and through the regulation of a gaming program. The MLGCA fulfills this mission by offering the sale of both draw and instant ticket games and Instant Ticket Lottery Machines (ITLMs) as described further on pages 15 through 21. Since its inception in 1973, traditional lottery sales have exceeded \$41.4 billion and have contributed \$14.4 billion in revenue to the State. The majority of the revenue from the traditional lottery is contributed to the State's General Fund and is used to support various programs and services, such as education, public health and safety, human resources and the environment. In addition, the MLGCA is required by statute to contribute a defined amount of traditional lottery revenue each year to the Maryland Stadium Authority and 10% of the ITLM revenue to the Veterans Trust Fund. Throughout the years, lotteries have evolved and have become more diversified, offering players a variety of choices. Today, 44 states and the District of Columbia operate lotteries selling both online games and instant ticket games. During fiscal year 2015, these lotteries generated \$67.1 billion in sales. The Maryland Lottery ranked eighth among state lotteries in per capita sales during this time period.

The mission of the casino gaming program is to regulate the program with the dual goals of generating revenue for the State of Maryland while maintaining integrity, transparency and fair play. Since the inception of the gaming program in 2011, video lottery gross terminal revenues generated by the casinos total in excess of \$2.1 billion. Since the inception of table games in fiscal year 2013, revenues generated from table games total \$659.3 million. The distribution of gaming revenue is directed by statute and described more fully on page 55 of this report. Today, eight state lotteries have the responsibility of regulating casino operations. During fiscal year 2015, casinos regulated by lotteries generated \$3 billion in government revenues in their respective states.

## **ECONOMIC OUTLOOK AND MLGCA PRODUCTS**

Please see Appendix A on page 13 for Maryland's Bureau of Revenue Estimates economic outlook and Appendix B on page 15 for MLGCA products, both of which are an integral part of this transmittal letter.

## **HIGHLIGHTS OF FISCAL YEAR 2015**

In fiscal year 2015, MLGCA contributed more than \$1.01 billion to the State of Maryland to support good causes, such as the Maryland Education Trust Fund; public health and safety; small, minority and women-owned businesses; horse racing; veterans' organizations; and more. \$526.5 million was generated by the Lottery and \$487 million was generated by the casinos.

## **TRADITIONAL LOTTERY**

Instant ticket sales set an all-time record in 2015, totaling \$546.1 million, an increase of \$66.4 million (13.9 percent) over 2014. Part of the success for the growth in the instant ticket product is that the Lottery continued to leverage relationships with widely known brands in connection with

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its scratch-off games. The Lottery partnered with the Baltimore Ravens for the sixth consecutive year to release a Ravens-themed scratch-off ticket and second-chance contest offering exclusive prizes, including season tickets for 20 years and trips to see the Ravens play an away game. In addition, the lottery launched instant games with brands such as Harley-Davidson, The Walking Dead, World Championship Poker and Monopoly.

In September 2014, Instant Ticket Lottery Machines were rolled out to qualified veterans' organizations. These machines generated \$3.8 million in sales in fiscal year 2015.

In June, the Keno and Racetrax mobile application (app) was launched. The app makes it more convenient than ever to play Keno with easy access to watch and search game results. Additionally, players can learn how to play, see hot and cold numbers, view payouts, and learn about promotions. Players can also search for Racetrax results, view handicaps and learn how to play. This app is available on both iOS and Android devices.

The Lottery created 20 new millionaires in 2015, and 13,899 players won \$10,000 or more playing our games.

## **CASINOS**

Maryland's casino industry continued to grow in fiscal year 2015, highlighted by the August 2014 opening of Horseshoe Casino Baltimore. With its approximately 1,900 employees, Horseshoe raised the state's number of casino workers to more than 5,900.

MLGCA exercised a five-year extension agreement with its current vendor to continue providing the central monitor and control system for the video lottery terminals at the casinos.

## **RESPONSIBLE GAMING**

Maryland has joined the World Lottery Association (WLA), primarily to participate in its Responsible Gaming Certification program. To date, Maryland has achieved Level 1 and Level 2 Certification, and has begun the process for Level 3 and eventually, Level 4 Certification. The MLGCA continued to operate its Voluntary Exclusion Program for individuals who wish to ban themselves from Maryland casinos or participation in Maryland's traditional lottery games. The MLGCA maintains an open dialogue with the State's responsible gambling treatment community through its leadership of the Maryland Alliance for Responsible Gambling (MARG).

## **FINANCIAL INFORMATION**

### **ACCOUNTING SYSTEMS AND POLICIES**

The MLGCA operates enterprise activities, which include sales of instant and draw game tickets, ITLMs, the regulation of gaming operations, and the related supporting functions: personnel, finance, administration, marketing, security, information technology and licensing. No general government functions or operations are managed by the MLGCA or included in this report. The MLGCA, like a private business, utilizes the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

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## **BUDGETARY SYSTEMS AND CONTROLS**

Budgetary control for all State agencies is maintained through the Governor's approval and the enactment of the State's budget by the General Assembly. Each year, the MLGCA submits its budget to the Governor for approval. The budget includes all costs to operate the traditional lottery and to regulate gaming operations. Excluded from the budget are lottery prizes paid to winners, commissions paid to lottery retailers and commissions paid to casino operators. Lottery prizes and commissions are funded from the sale of lottery tickets, including ITLMs, and are not included as part of the annual budget submitted for approval. Commissions paid to the casino operators are funded from the VLT and table game revenue.

The Governor, in turn, submits the budget for the entire State (including the MLGCA's budget) to the General Assembly for enactment. The MLGCA's official budget, as enacted by the General Assembly, is divided among the various divisions within the MLGCA. These divisions are responsible for monitoring expenditures within their division in order to ensure expenditures do not exceed the amount budgeted. Encumbrance accounting is utilized whereby purchase orders, contracts and other commitments are treated as expenditures for budgetary purposes. The MLGCA's Budget Department is responsible for monitoring the entire budget, including the budgeted funds allocated to the various divisions, in order to ensure that the total expenditures (including encumbrances) do not exceed the approved budget without first obtaining the approval of the Governor and the General Assembly.

## **DEBT ADMINISTRATION**

The MLGCA's long-term liabilities are primarily payments owed to Jackpot and lifetime winners and capital lease obligations. The payments due to winners are fully funded by amounts invested primarily in United States Government Agency Obligations (coupon bonds). Some investments also are held in annuity contracts. Capital lease obligations are for video lottery terminals leased through the VLT manufacturers.

## **INTERNAL CONTROL ENVIRONMENT**

Management of the MLGCA is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that the accounting system allows compilation of accurate and timely financial information. The structure is designed to provide reasonable assurance that these objectives are met.

To enhance controls over accounting procedures, the MLGCA has segregated the following functions: personnel, payroll, purchasing, accounts payable, accounts receivable and general ledger accounting. Data input and processing are separate from system programming with management providing approval and oversight. In addition, an internal auditor reviews all areas of the MLGCA and reports jointly to the Director and to the Commission.

Since the MLGCA manages instant tickets, controls the disbursement of lottery prizes and is responsible for the regulation of the casinos, the following steps have been taken to ensure the operations remain secure and meet the highest ethical standards:

- employing specialized compliance staff who are present at the casinos on a 24-hours-a-day/7-days-a-week basis;
- maintaining secure facilities and limiting access to them;

- performing background checks on retailers, vendors, employees and anyone requiring a gaming license;
- printing lottery tickets with special security features;
- performing unannounced inspections at the drawing studio to ensure compliance with established operating procedures;
- processing daily transactional data of all vendor activity by MLGCA personnel using internal control system programs and reconciling transactions to reports generated by the online lottery gaming vendor;
- comparing, on a daily basis, gross terminal revenue recorded on the MLGCA's central system to gross terminal revenue reported by the casinos' slot accounting systems and reconciling any differences;
- employing auditors at the casinos to ensure table game revenue is accurately accounted for and that the casinos are adhering to the required internal controls; and
- providing a variety of access and other controls in the MLGCA's computer systems.

The MLGCA has 327 employees, including contractual employees. The drawing studio is located at the broadcast facility of a television station located in Baltimore, Maryland, which produces the nightly drawings and Multi-Match drawings. Keno and Racetrax drawings are conducted by random number generators and are maintained and secured at the lottery draw game vendor's office located in Baltimore, Maryland. Mega Millions and Powerball drawings are held in Georgia and Florida, respectively.

## **FUTURE PROJECTS**

Fiscal year 2016 will be a challenging year for the MLGCA as it will strive to continue to exceed the high level of State contributions achieved in fiscal year 2015. Listed below are a few projected highlights for fiscal year 2016.

### **TRADITIONAL LOTTERY:**

An RFP for the Lottery's Central System was issued in December 2015 to obtain new state of the art lottery equipment and marketing services that will drive lottery sales. It is anticipated that an award will be made late in fiscal year 2016.

In January 2016, the Lottery will launch Cash4Life, a multi-jurisdictional draw game offering a top prize of \$1,000 a day for life and a second prize of \$1,000 a week for life. Other lotteries currently participating in this game include New York, New Jersey, Pennsylvania, Virginia and Tennessee.

A mobile application for My Lottery Rewards, a player loyalty club, will be launched, making it easier than ever for players to participate. Players can register to become a member, scan to receive rewards points and enter drawings, redeem points for prizes, scan their ticket to see if they are a winner, and find a retailer.

### **CASINO GAMING:**

The MLGCA is planning for the opening of the MGM Casino in Prince George's County in fiscal year 2017. This will add a 6th casino to the State's portfolio.

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## INDEPENDENT AUDIT

The MLGCA has contracted with an independent certified public accounting firm to perform an annual audit of the MLGCA. The independent auditors' opinions on the MLGCA's financial statements and internal controls are included in the financial section of this report.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MLGCA for its CAFR for the fiscal year ended June 30, 2014. This marked the tenth consecutive year the MLGCA received this prestigious national award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The MLGCA believes its current CAFR continues to meet Certificate of Achievement Program requirements and is submitting it to the GFOA to determine eligibility for another certificate.

## ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Accounting Department. A special note of thanks also is given to the MLGCA's Creative Services Division and current creative services partner for assisting in the layout of this report; Andrew Schaufele, Director of the State's Bureau of Revenue Estimates, for his assistance in providing information concerning the Maryland economy; and the MLGCA's independent auditors for providing assistance in developing this report.

This Comprehensive Annual Financial Report reflects the MLGCA's commitment to maintaining its financial statements and record-keeping systems in conformance with the highest standards of accountability.

Respectfully Submitted,

MARYLAND LOTTERY AND GAMING CONTROL AGENCY



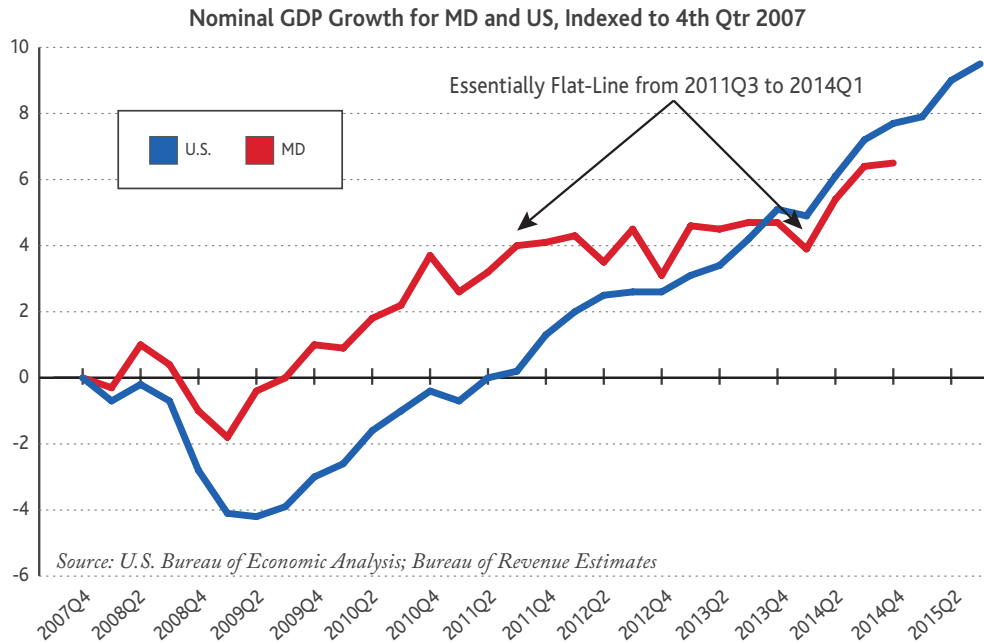
Gina M. Smith, CPA  
Deputy Director and Chief Financial Officer



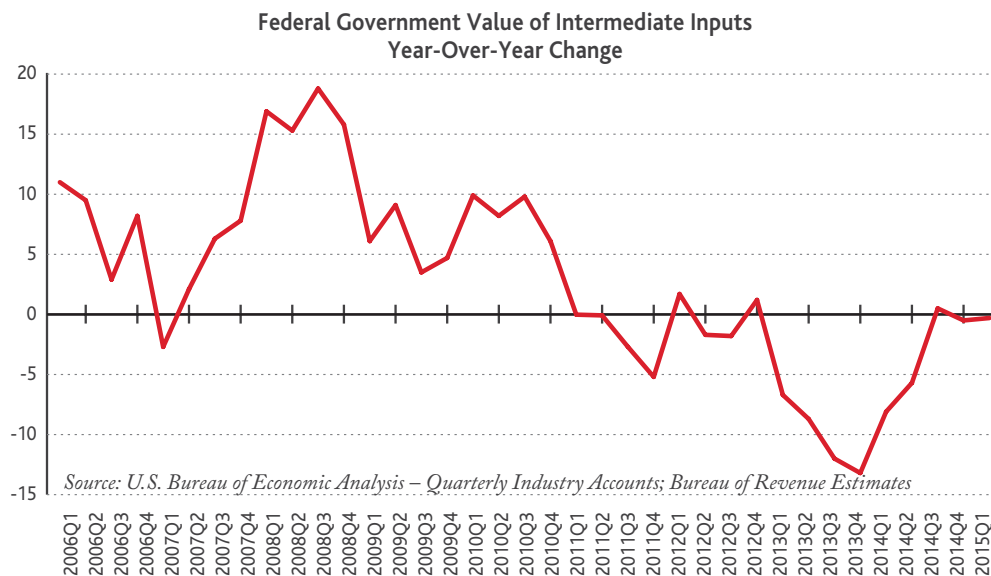
Gordon Medenica  
Director

## APPENDIX A: THE ECONOMIC OUTLOOK

Maryland’s economic growth between 2011 and 2014 has been tepid at best, particularly relative to national growth. This, of course, coincides with federal budget sequestration. The private sector began to adjust payrolls immediately, even as the bill was being discussed within Congress. Actual austerity measures were not effective until 2013, at which point the private and public sectors took another hit. The juxtaposition below illustrates the relative weakness of Maryland’s recovery over this period compared to the national recovery, a clear indication of the relative fiscal drag.



The chart below may help to illustrate the timing of the impacts and might even offer a glimmer of hope. The data is somewhat esoteric, even for most economists, but it shows the growth in the value of intermediate inputs purchased by the federal government. Intermediate inputs represent the value of the private sector’s sales to the federal government, an important component to Maryland’s economy. While this data is not Maryland specific, it is clear that we are far more affected than any other jurisdiction outside of Virginia and the District of Columbia.



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More recently, as the chart on the previous page shows, the “reset” of sequester may be behind us; meaning we are at our new baseline for federal spending, and the brunt of the losses may be behind us. That said, the sector will continue to be a drag. The sequester targets, even with the recent moderate increases, do not permit growth in discretionary spending until 2019; therefore an important sector of our economy will remain handicapped. As such, Maryland’s economic trajectory will remain muted relative to the national rate until either sequester is lifted or the next recession.

This will also remain a possible positive risk to this forecast. Federal sequester did close to nothing to fix the federal fiscal quagmire. In fact, it may have had a negative effect; as the economic impact of the half measures reduced economic growth without solving longer term spending issues. The real issues for the federal fiscal outlook are entitlements (also related to demographics). Should Congress address the real problem, and ameliorate or remove the sequester altogether, Maryland will grow at a higher trajectory.

## **THE MARYLAND OUTLOOK**

Maryland’s economy will expand in 2015, and growth in employment is expected to rise to 1.4% in 2015 from 0.9% in 2014. Further strong growth is expected in 2016 as the tail of the labor recovery completes before the growth rate slows (remaining positive) in 2017. Growth in the average wage for 2015 is expected to equal that of 2014, a somewhat disappointing factor, but related to the reasons that have been discussed throughout this summary. The rate of wage growth is expected to increase throughout the years as the labor market tightens, but to be sure, that rate of wage growth is low relative to historical norms. Aggregate wage growth and personal income measures increase as employment improves.

Regarding all that has been discussed and the outlook for Maryland’s largest general fund revenue source, the income tax, the outlook is relatively stronger. This is due to Maryland’s strong concentration of wealthy taxpayers. Income growth at the higher end has been substantial (volatile as well), buoying aggregate receipts to growth rates better than 5%.

## **RISKS**

As usual, risks abound, particularly in light of the recent attacks in Paris and San Bernardino, California. Additionally, with the recent rate hike, there is a risk that the market reacts in a negative manner that gains traction or that the higher rates slow broader growth in such a way that the economy again falters. Oil prices have created a sort of consumer dividend, and while low prices seem to have some traction for an extended period of time, higher prices would be a sharp drag to the average consumer.

Positive risks include the aforementioned reduction or abolition of federal sequester, but also expansion from the Port of Baltimore. The Panama Canal widening, which will allow so called “post-Panamax ships” to navigate the Canal, will permit large cargo ships to move from Asia to the East Coast. Currently that cargo is typically delivered to the West Coast and then transported by rail and road throughout the country. Baltimore is one of the few ports with the depth and infrastructure to handle these types of ships and will certainly see increased need for labor and capital. Should there be a meaningful surge in activity and jobs, there will also be indirect and induced impacts.

*Source: Andrew Schaufele, Director, Maryland Bureau of Revenue Estimates*

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## APPENDIX B: MARYLAND LOTTERY PRODUCTS

The MLGCA has introduced a number of different traditional lottery games since its inception and continues to provide players with the opportunity to participate in a variety of draw and instant ticket games. Draw games allow players to pick their numbers or utilize automatic computer-generated plays. Customers receive a ticket and then wait for the drawing to determine if they have won. Instant games are played by scratching a latex covering off a play area to reveal pre-printed combinations. If a winning combination appears, the customer is an instant winner. Instant Ticket Lottery Machines give players the same experience of playing an instant ticket through a machine.

Lottery games offered during fiscal year 2015 included the following:



**FISCAL YEAR 2015 STATISTICS:**

**\$240.9 million in net sales**

**13.7% of total net sales**

**\$3.6 million decrease from fiscal year 2014 Pick 3 net sales**

**PICK 3** was introduced in July 1976 and was the first draw game offered. Players choose three numbers from zero to nine for the chance of winning prizes ranging from \$25 to \$500. Drawings are held twice daily, seven days a week.



**FISCAL YEAR 2015 STATISTICS:**

**\$277.0 million in net sales**

**15.7% of total net sales**

**\$6.1 million increase from fiscal year 2014 Pick 4 net sales**

**PICK 4** was introduced in April 1983. Players choose four numbers from zero to nine for the chance of winning prizes ranging from \$100 to \$5,000. Drawings are held twice daily, seven days a week.



**FISCAL YEAR 2015 STATISTICS:**

**\$546.1 million in net sales**

**31.0% of total net sales**

**\$66.4 million increase from fiscal year 2014 Instant Ticket net sales**

**INSTANT TICKETS**, also known as scratch-offs, were first introduced in 1976. Similar to today's instant ticket games, the first instant ticket game launched in Maryland provided players with the opportunity to win by scratching a latex play area. From 1976 to 1985, a limited number of instant tickets games were launched; however, by 1986, instant games were launched on a more frequent basis. During fiscal year 2015, the MLGCA launched 53 new instant ticket games.



**FISCAL YEAR 2015 STATISTICS:**

**\$158.3 million in net sales**

**9.0% of total net sales**

**\$3.7 million decrease from fiscal year 2014 Keno net sales**

**KENO** is a draw game that is predominantly played in a social atmosphere, and drawings are held every four minutes. Keno was introduced in January 1993. A computer generates random sets of 20 numbers for each draw. These numbers are then displayed on a monitor. Players select from one to 10 numbers from a field of 80 numbers and win prizes ranging from \$2 to \$100,000 by matching anywhere from zero numbers to 10 numbers.



**FISCAL YEAR 2015 STATISTICS:**

**\$31.9 million in net sales**

**1.8% of total net sales**

**\$1.6 million decrease from fiscal year 2014 Keno Bonus net sales**

**KENO BONUS®** is a draw game that was introduced statewide in April 1999 and is sold in conjunction with Keno. By matching a Keno wager, players have an opportunity to multiply their winnings by three, four, five or 10. The multiplier is determined by a computer-generated wheel that is spun prior to each drawing. The maximum prize that can be won per game on any one Keno ticket when Keno Bonus is played is \$1 million.



**FISCAL YEAR 2015 STATISTICS:**

**\$113.3 million in net sales**

**6.4% of total net sales**

**\$183 thousand increase from fiscal year 2014 Keno Super Bonus net sales**

**KENO SUPER BONUS™** is a draw game that was introduced in June 2009 and is sold in conjunction with Keno. The amount of the Keno Super Bonus wager is twice the amount of the Keno wager. By matching a Keno wager, players have an opportunity to multiply their winnings by two, three, four, five, six, 10, 12 or 20. The multiplier is determined by a computer-generated wheel that is spun prior to each drawing and is part of the Keno Bonus wheel. The maximum prize that can be won on any Keno ticket when Keno Super Bonus is played is \$2 million.



**FISCAL YEAR 2015 STATISTICS:**

**\$134.9 million in net sales**

**7.7% of total net sales**

**\$2.9 million decrease from fiscal year 2014 Racetrax® net sales**

**RACETRAX®** is a draw game that launched statewide in August 2006. The game is predominantly played in a social atmosphere, and drawings are held approximately every four and a half minutes. This game is a computer-animated monitor game that offers the thrill of horse racing with advanced 3-D graphic animation that results in the horses and races appearing realistic. Players select from one to 12 horses to win prizes ranging from \$1.20 to \$31,454.



**FISCAL YEAR 2015 STATISTICS:**

**\$19.8 million in net sales**

**1.1% of total net sales**

**\$542 thousand decrease from fiscal year 2014 Racetrax® Bonus net sales**

**RACETRAX® BONUS** is a draw game that was launched statewide in August 2009 and is sold in conjunction with Racetrax. By matching a Racetrax wager, players have an opportunity to multiply their winnings by three, four, five or 10. The multiplier is determined by a computer-generated wheel that is spun prior to each drawing. The maximum prize that can be won per game on any Racetrax ticket when Racetrax Bonus is played is \$3.15 million.



**FISCAL YEAR 2015 STATISTICS:**

**\$21.3 million in net sales**

**1.2% of total net sales**

**\$124 thousand decrease from fiscal year 2014 Bonus Match 5 net sales**

**BONUS MATCH 5** is a draw game that was originally introduced in September 1995. The game was discontinued in January 1998 and re-introduced in February 2002. Players select or request the computer to generate five numbers from a field of 39. Players matching all five numbers, in any order, win \$50,000. In the event that there are more than 12 \$50,000 winners in one drawing, each winner will receive an equal share of the \$600,000 prize pool. Players also may win prizes ranging from \$2 to \$600. Drawings are held seven nights a week.



**FISCAL YEAR 2015 STATISTICS — MEGA MILLIONS:**

**\$75.8 million in net sales**

**4.3% of total net sales**

**\$18.4 million decrease from fiscal year 2014 Mega Millions net sales**

**FISCAL YEAR 2015 STATISTICS — MEGAPLIER:**

**\$6.2 million in net sales**

**0.4% of total net sales**

**\$34 thousand decrease from fiscal year 2014 Megaplier net sales**

**MEGA MILLIONS®** is a multi-state Jackpot draw game. The MLGCA began selling Mega Millions in September 1996. Currently, 46 lotteries sell Mega Millions. In October 2013, Mega Millions changed its matrix to give players better odds of winning any prize. The overall odds of winning any prize are 1 in 15. While players still select five white balls and one Mega ball, the number of white balls available to select from increased to 75, up from 56, and the number of Mega balls available to select from decreased to 15, down from 46. Jackpots now start at \$15 million, up from the previous \$12 million, and grow by a guaranteed \$5 million per draw. Players matching all numbers and the Mega ball win the Jackpot. If there are multiple winners, the Jackpot prize is divided evenly among the winners. The odds of winning the Jackpot are 1 in 259 million, up from 1 in 175 million. A second tier prize of \$1 million is now available, up from the previous \$250,000. Megaplier, a special feature that allows players to multiply their non-Jackpot winnings for an extra \$1, also changed. Players can now multiply their non-Jackpot winnings by 5 times, meaning they can win up to \$5 million. Winnings can still be multiplied by two, three or four as previously offered. Drawings are held on Tuesday and Friday evenings.



**FISCAL YEAR 2015 STATISTICS:**

**\$34.5 million in net sales**

**2.0% of total net sales**

**\$7.8 million increase from fiscal year 2014 Multi-Match net sales**

**MULTI-MATCH®** is a Jackpot draw game that was introduced in February 2006, replacing Lotto, the MLGCA's original in-state Jackpot game. Players receive three lines of six numbers. Players choose or request the computer to generate the first line of numbers from a field of 43. The computer then generates the remaining two lines of numbers. Players matching all six numbers in a single line, in any order, win the Jackpot, which typically starts at \$500,000 and increases after each drawing, if not won. If there are multiple winners, the Jackpot is divided by the number of winners. Players can also win fixed prizes ranging from \$2 to \$3,000 by matching three or more numbers in a single line or five or more numbers in the combined lines. Multi-Match drawings are held on Monday and Thursday evenings.



**FISCAL YEAR 2015 STATISTICS — POWERBALL:**

**\$84.8 million in net sales**  
**4.8% of total net sales**  
**\$16.0 million decrease from fiscal year 2014 Powerball net sales**

**FISCAL YEAR 2015 STATISTICS — POWER PLAY:**

**\$4.7 million in net sales**  
**0.3% of total net sales**  
**\$211 thousand decrease from fiscal year 2014 Power Play net sales**

**POWERBALL**<sup>®</sup> is a multi-state Jackpot draw game. The MLGCA began selling Powerball/Power Play in January 2010. Currently, 47 lotteries sell Powerball/Power Play. The base price of Powerball is \$2 and has a starting Jackpot of \$40 million. In Powerball, players choose or request the computer to generate a total of six numbers from two different fields. Players pick five numbers from a field of 59 and one Powerball from a field of 39. Players matching all numbers and the Powerball win the Jackpot. If there are multiple winners, the Jackpot prize is divided evenly among all winners. The odds of winning the jackpot are 1 in 176 million. Players also can win prizes ranging from \$4 to \$1 million. **POWER PLAY**<sup>®</sup> is a special feature of Powerball that allows a winner to increase their original Powerball prize amount. For an extra \$1, Powerball players can win \$12 to \$2 million. Drawings are held on Wednesday and Saturday evenings.



**FISCAL YEAR 2015 STATISTICS:**

**\$6.5 million in net sales**  
**0.4% of total net sales**  
**\$1.8 million decrease from fiscal year 2014 5 Card Cash net sales**

**5 CARD CASH** is a draw game that launched statewide in November 2012. Players receive a \$2 ticket featuring five randomly selected cards from the standard deck of 52 playing cards. Players can win instantly if their cards show a poker hand of a pair of jacks or better. Players can win from \$3 to \$100,000. Players have a second chance to win if they match two, three, four or five randomly drawn cards in drawings held seven days a week.

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# INSTANT TICKET LOTTERY MACHINES

## FISCAL YEAR 2015 STATISTICS:

**\$3.8 million in net sales**

**0.2% of total net sales**

INSTANT TICKET LOTTERY MACHINES (ITLMs) were introduced in September 2014 and placed at qualified veterans' organizations. The ITLM is an electronic device that dispenses pre-printed instant scratch tickets and utilizes a touchscreen monitor. The device accumulates winnings for the player and prints out a voucher at the conclusion of play that can be redeemed for cash or inserted into another ITLM for continued play.



## FISCAL YEAR 2015 STATISTICS:

**\$1.6 million in net sales**

**0.1% of total net sales**

MONOPOLY MILLIONAIRES' CLUB was a multi-state draw game launched in October 2014. For \$5, players had multiple chances to win. Players selected five numbers from a field of 52 and received a randomly chosen additional number from 1 – 28, represented by a Property from the Monopoly game board. Players had the chance to win top prizes from \$15 million to \$25 million dollars, \$1 million Club Prize and a trip to Las Vegas to be on a TV Game Show. Weekly drawings took place every Friday. Monopoly Millionaires' Club was suspended on December 26, 2014 due to a lack of support for the game.

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## MARYLAND CASINOS

Maryland casinos offered the following during fiscal year 2015:

### **Video Lottery Terminals (Slot Machines)**

**FISCAL YEAR 2015 STATISTICS:**  
**\$681.8 million in gross terminal revenue**  
**8,492 total video lottery terminals as of June 30, 2015**  
**\$102.7 million increase from fiscal year 2014 gross terminal revenue**

**VIDEO LOTTERY TERMINALS** were approved during the 2007 special session of the Maryland General Assembly. As of June 30, 2015, five casinos had opened and 8,492 video lottery terminals were in operation.

### **TABLE GAMES**

**FISCAL YEAR 2015 STATISTICS:**  
**\$356.4 million in revenue**  
**421 total table games**  
**\$101.5 million increase from fiscal year 2014 table game revenue**

**TABLE GAMES** became operational in fiscal year 2013 after the Maryland General Assembly passed the Gaming Expansion Act, making table games available to the casinos, subject to the passage of the voter referendum. As of June 30, 2015 there were 421 table games in operation.



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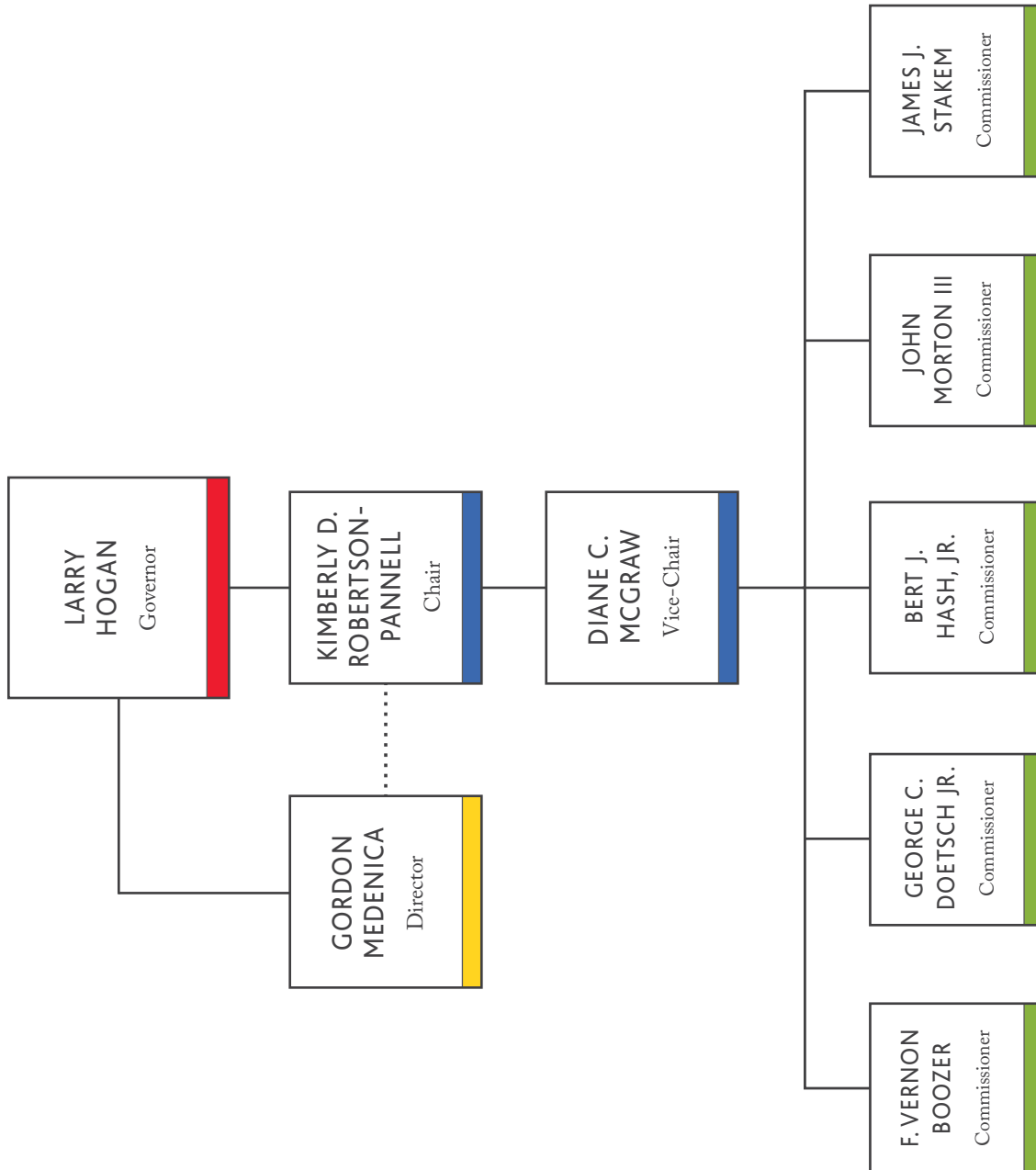
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

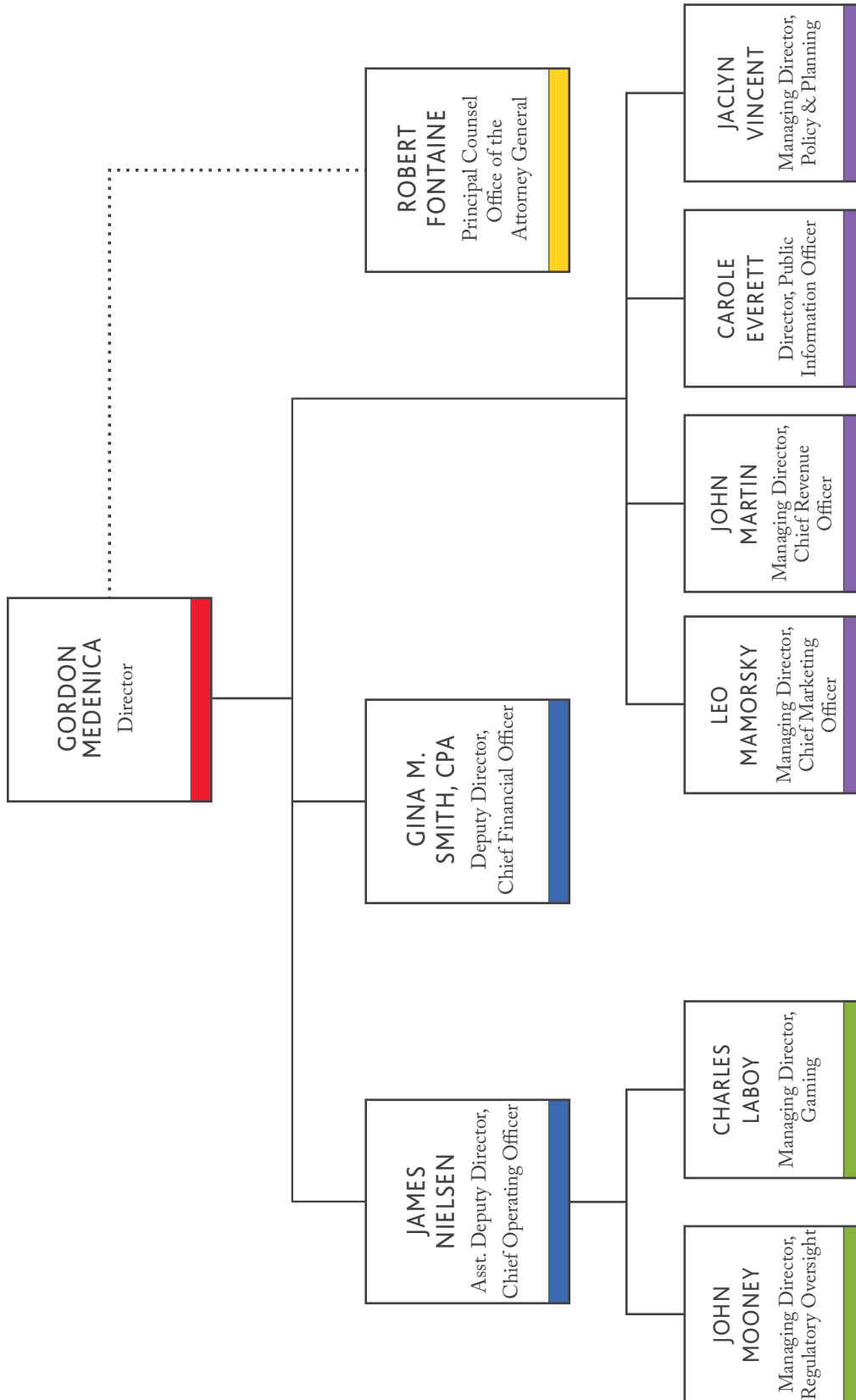
Executive Director/CEO



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
PRINCIPAL OFFICIALS AS OF JUNE 30, 2015



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**ORGANIZATIONAL CHART**



## **FINANCIAL SECTION**

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**IN FISCAL YEAR 2015, THE MLGCA CONTRIBUTED MORE THAN \$526 MILLION TO THE STATE OF MARYLAND IN LOTTERY REVENUE. CASINO GAMING ACTIVITIES CONTRIBUTED MORE THAN \$487 MILLION TO OTHER GOVERNMENTAL FUNDS.**

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MARYLAND LOTTERY AND GAMING CONTROL AGENCY,  
AN ENTERPRISE FUND OF THE STATE OF MARYLAND

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To the Maryland Lottery and Gaming Control Agency:

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Maryland Lottery and Gaming Control Agency (an agency of the State of Maryland) (Agency), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

## **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **OPINION**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Lottery and Gaming Control Agency, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **EMPHASIS OF MATTER**

As discussed in Note 1, the financial statements of the Maryland Lottery and Gaming Control Agency are intended to present the financial position and the changes in financial position and cash flows, where applicable, of the Maryland Lottery and Gaming Control Agency. They do not purport to, and do not, present fairly the financial position of the State of Maryland as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 30 through 44 and 71 through 72, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **OTHER INFORMATION**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maryland Lottery and Gaming Control Agency's basic financial statements.

The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the Maryland Lottery and Gaming Control Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Maryland Lottery and Gaming Control Agency's internal control over financial reporting and compliance.

*Stout, Causey & Horning, P.A.*  
September 30, 2015



The following Management's Discussion and Analysis (MD&A) provides an overview of the Maryland Lottery and Gaming Control Agency's (Agency) performance for the fiscal years ended June 30, 2015 and 2014. As you read the MD&A, 2015 refers to the fiscal year ended June 30, 2015, 2014 refers to the fiscal year ended June 30, 2014 and 2013 refers to the fiscal year ended June 30, 2013. The information contained in the MD&A should be read in conjunction with the information contained in the financial statements and notes to the financial statements, which begins on page 45.

## FINANCIAL HIGHLIGHTS

- Net lottery sales were \$1.76 billion in 2015, an increase of \$36.88 million or 2.14% compared to 2014 which decreased \$32.13 million or 1.83% as compared to 2013.
- Gross video lottery terminal revenue (VLT) was \$681.82 million in 2015, an increase of \$102.69 million or 17.73% as compared to 2014 which increased \$18.45 million or 3.29% as compared to 2013.
- Table game revenue was \$356.40 million in 2015, an increase of \$101.53 million or 39.84% compared to 2014 which increased \$206.83 million or 430.56% compared to 2013.
- Cost of sales increased by \$169.69 million or 10.75% in 2015 compared to 2014 which increased by \$169.1 million or 11.99% compared to 2013.
- Operating expenses decreased by \$24.09 million or 20.16% in 2015 compared to 2014 which increased by \$4.8 million or 4.21% compared to 2013.
- Transfers from lottery proceeds to the State of Maryland, the Stadium Authority and the Veterans Trust Fund from lottery proceeds in 2015 were \$526.53 million, an increase of \$5.42 million or 1.04% as compared to 2014 which decreased \$24.1 million or 4.42% as compared to 2013.
- Transfers to various State agencies from VLT and table game revenue totaled \$499.68 million in 2015, an increase of \$79.05 million or 18.79% compared to 2014 which increased \$44.1 million or 11.71% as compared to 2013.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Maryland Lottery and Gaming Control Agency is an independent agency of the State of Maryland (the State) that was created to generate revenue through the operation of a lottery. On November 4, 2008, a constitutional amendment was approved by voters which set up broad parameters for the operations of VLTs and the establishment of five casinos in the State. During the 2012 Second Special Session of the Maryland General Assembly, legislation passed, subject to voter referendum, that allowed, among other things, the implementation of table games as well as a sixth casino. During the November 2012 election, voters approved both table games and the sixth casino. The Agency is responsible for regulating the operations of the casinos. As of June 30, 2015, there were five casinos operating in the State with 8,492 VLTs and 421 table games.

The Agency is accounted for as a proprietary-type enterprise fund using the accrual basis of accounting, similar to a private business entity.



### **Financial Statements**

The financial statements included in this report are: the statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. The statements of net position present the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of the Agency with the difference being reported as net position. The statements of revenues, expenses, and changes in net position report the revenues and expenses of the Agency and are used to measure the success of its operations for a given period of time as it relates to contributions to the State of Maryland and other government agencies. The statements of cash flows reconcile the changes in cash and cash equivalents with the activities of the Agency for the periods presented. The activities are classified as operating, noncapital financing, capital and related financing, and investing.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 49 to 70 of this report.

### **Implementation of GASB Statement No. 68**

The Agency implemented GASB No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* for the fiscal year ended June 30, 2015. Under this statement, the Agency, a cost-sharing employer, is required to recognize a liability for its proportionate share of the State's overall net pension liability. Net pension liability is recorded on the statements of net position as a non-current liability. In addition, the Agency is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. Furthermore, the effects of a change in the Agency's proportion of the collective net pension liability and the differences during the measurement period between the Agency's contributions and its proportionate share of total contributions in the collective net pension liability are to be recorded as pension expense. The proportions of the effect not recognized in pension expense are reported as deferred outflows of resources or deferred inflows of resources related to pensions. In order to record the Agency's share of the State's pension liability, the Agency's net position has been retroactively adjusted for all periods presented in this MD&A.

## **FINANCIAL ANALYSIS**

Table 1 is a summarized version of the statements of net position as of June 30, 2015, 2014 and 2013. The table reflects the Agency's overall change in financial resources and claims on those resources. The majority of the assets consist of cash held by the State Treasury, investments, accounts receivable and net capital assets. The Agency's investments and the majority of accounts receivable, as well as the majority of cash held by the State Treasury, are used to pay lottery winners or are transferred as income to the State of Maryland. The remaining portion of cash held by the State Treasury is gaming revenue that is to be transferred to other government agencies. Most liabilities represent prize awards payables, annuities payable, amounts due to the State of Maryland, amounts due to other government agencies and capital lease obligations.



**Table 1 — Net Position (in thousands)**

	2015	2014	2013
Current Assets	\$ 238,535	\$ 190,342	\$ 222,418
Other Non-Current Assets	29,918	36,251	45,933
Capital Assets, net	61,756	10,526	23,826
<b>Total Assets</b>	<b>\$ 330,209</b>	<b>\$ 237,119</b>	<b>\$ 292,177</b>
Deferred Outflows of Resources	\$ 2,514	\$ 1,802	\$ 1,802
<b>Total Assets and Deferred Outflows</b>	<b>\$ 332,723</b>	<b>\$ 238,921</b>	<b>\$ 293,979</b>
Current Liabilities	\$ 242,059	\$ 189,291	\$ 231,987
Non-Current Liabilities	74,682	39,648	55,212
Net Pension Liability	13,724	15,130	15,130
<b>Total Liabilities</b>	<b>\$ 330,465</b>	<b>\$ 244,069</b>	<b>\$ 302,329</b>
Deferred Inflows of Resources	\$ 1,502	\$ —	\$ —
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 331,967</b>	<b>\$ 244,069</b>	<b>\$ 302,329</b>
Net Position			
Net Investment in capital assets	\$ 1,042	\$ (6,955)	\$ (7,197)
Unrestricted	(286)	1,807	(1,153)
<b>Total Net Position</b>	<b>\$ 756</b>	<b>\$ (5,148)</b>	<b>\$ (8,350)</b>

**Current Assets**

The Agency's current assets increased by \$48.19 million or 25.32% in 2015 compared to 2014 which decreased by \$32.1 million or 14.42% compared to 2013.

Cash held with State Treasury increased by \$90.52 million or 90.71% in 2015 compared to 2014 which increased \$14.86 million of 17.50% compared to 2013. At the end of 2015, there were three months of lottery income waiting to be transferred to the General Fund versus one month of income in 2014. The increase in Cash held with State Treasury was offset by a decrease in Cash and Cash Equivalents – Gaming Escrow. In 2015, Cash and Cash Equivalents – Gaming Escrow decreased by \$45.34 million or 99.91% compared to 2014 which decreased by \$30.2 million or 39.99% compared to 2013. Cash and Cash Equivalents – Gaming Escrow were primarily the funds received from applicants who applied for a casino operator license and, to a lesser extent, funds received from entities and individuals seeking to receive a gaming license. Operator license fees were held in this account until they were transferred to the Education Trust Fund or returned to unsuccessful bidders. In 2015, operator licensee fees for the Horseshoe Casino and the MGM casino, the sixth casino to be built, were transferred to the Education Trust Fund. The decrease between 2014 and 2013 represented the return of license fees totaling \$31.5 million to two unsuccessful bidders once an award was made to MGM to build the sixth casino.



**Current Assets (continued)**

Accounts receivable increased by \$2.81 million or 9.18% in 2015 compared to 2014 which decreased by \$14.1 million or 31.59% compared to 2013. Accounts receivable is primarily comprised of amounts due from lottery retailers from the sale of lottery tickets and revenue due from the casino operators. Accounts receivable from lottery retailers increased \$4.67 million or 17.69% in 2015 compared to 2014 which decreased by \$10.4 million or 28.31% compared to 2013. On a weekly basis, amounts due from retailers are collected electronically from the retailers' bank accounts. In 2015, two days' worth of sales activity was waiting to be collected compared to one day in 2014 and seven days in 2013.

Accounts receivable from casino operators decreased by \$1.84 million or 44.24% in 2015 compared to 2014 which decreased by \$3.8 million or 47.44% in 2014 compared to 2013. Gross terminal revenue is electronically transferred to the Agency on a daily basis and table game revenue is electronically transferred to the Agency every two days. Corresponding increases and decreases in accounts receivables from casino operators is a function of the change in gaming revenue for the last days of the fiscal year and timing of when the revenue is received.

The current portion of investments for annuity payments decreased by \$3.41 million or 31.61% in 2015 compared to 2014 which decreased by \$2.6 million or 19.34% compared to 2013. The continued decreases during these years resulted from fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that expired.

**Non-Current Assets**

The Agency's non-current assets consists of investments for annuity payments, net of current portion and capital assets, net of depreciation. Non-current assets increased by \$44.90 million or 95.98% in 2015 compared to 2014 which decreased by \$23.0 million or 33.95% compared to 2013.

Capital assets, net of depreciation, increased by \$51.23 million or 486.72% in 2015 compared to 2014 which decreased by \$13.3 million or 55.82% compared to 2013. The increase in 2015 is attributed to the leasing of VLTs at the Casino at Ocean Downs and the Rocky Gap Casino and Resort that qualified as capital leases. The gaming law changed on April 1, 2015 which required Maryland Live! Casino and Hollywood Casino Perryville to own/lease their own VLTs. Horseshoe Casino was required to purchase/lease their own VLTs from start up. However, the Agency was still required to own/lease all of the VLTs for the Casino at Ocean Downs and the Rocky Gap Casino and Resort. As such, the Agency entered into various new contracts with several VLT manufacturers for the leasing of the VLTs for these two casinos. These leases contain a purchase option at the end of the five year term and as such, are treated as capital leases and are capitalized based on the present value of their minimum lease payments and are amortized over a five year period. The decrease in 2014 is attributed to the amortization of other VLTs that were treated as capital leases. Details of capital assets, additions and depreciation are included in Note 4 to the financial statements, on page 61.



### **Non-Current Assets (continued)**

The Agency's investments for annuity payments, net of current portion, decreased by \$6.33 million or 17.47% in 2015 compared to 2014 which decreased by \$9.7 million or 21.08% compared to 2013. These continued decreases resulted from fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that have expired.

### **Deferred Outflows of Resources**

In 2015, the Agency recognized deferred pension outflows as a result of the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The amount recognized represents the Agency's contributions subsequent to the measurement date and the change in actuarial assumptions as described in Note 9 to the financial statements.

### **Current Liabilities**

Current liabilities increased by \$52.77 million or 27.88% in 2015 compared to 2014 which decreased by \$42.7 million or 18.40% compared to 2013. The majority of the increase in current liabilities is related to an increase in the amount due to the General Fund. This amount increased by \$95.60 million or 264.30% in 2015 compared to 2014 which decreased by \$275,000 or .75% compared to 2013. At the end of 2015, there were three months of lottery income waiting to be transferred versus one month in 2014 and 2013. The increase in the amount due to the General Fund was offset by a decrease in gaming escrow payable. In 2015, gaming escrow payable decreased by \$44.12 million or 99.91% compared to 2014 which decreased by \$31.5 million or 41.60% compared to 2013. The majority of the funds in the gaming escrow payable account were for application fees received from casino operators bidding on casinos. These fees were held in this account until either remitted to the Education Trust Fund or returned to unsuccessful bidders. In 2015, license fees totaling \$44.1 million, for Horseshoe Casino and the MGM casino, the sixth casino to be built, were transferred to the Education Trust Fund. The decrease between 2014 and 2013 was the result of an award being made to MGM casino and the return of application fees totaling \$35.0 million to unsuccessful bidders.

### **Non-Current Liabilities**

Non-current liabilities increased by \$33.63 million or 60.38% in 2015 compared to 2014 which decreased by \$15.6 million or 28.19% compared to 2013. The increase in 2015 is attributed to the increase in capital lease obligations, net of current portion. Capital lease obligations, net of current portion increased by \$39.27 million or 479.31% in 2015 compared to 2014 which decreased by \$8.7 million or 51.56% compared to 2013. The increase in capital lease obligations is attributed to the leasing of the VLTs at the Casino at Ocean Downs and the Rocky Gap Casino and Resort.

The increase in capital lease obligations was partially offset by a decrease in annuity prizes payable. Annuity prizes payable decreased by \$5.43 million or 17.91% in 2015 compared to 2014 which decreased by \$7.5 million or 19.81% in 2014 compared to 2013. The primary reason for these



### **Non-Current Liabilities (continued)**

decreases is fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that expired. A similar decrease in non-current investments for annuity payments is discussed above. Additional information on the Agency's non-current liabilities may be found in Notes 5, 6, and 7 to the financial statements, beginning on page 62.

### **Net Pension Liability**

The Agency recognized a net pension liability of \$13.72 million in 2015 as a result of implementing GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The \$13.72 million represents the Agency's proportionate share of the State of Maryland's total net pension liability. The 2014 and 2013 pension liability was added to the Statement of Net Position for comparative purposes.

### **Deferred Inflows of Resources**

In 2015, the Agency recognized deferred pension inflows as a result of the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The amount recognized represents the Agency's contributions subsequent to the measurement date and the change in actuarial assumptions as described in Note 9 to the financial statements.

### **Net Position**

Net position increased by \$5.90 million or 114.68% in 2015 which increased \$3.2 million or 64.31% in 2014 compared to 2013. Because the Agency is required by law to transfer its entire budgetary basis net position to the State of Maryland and its gaming revenue to government agencies, changes in net position do not reflect the results of the Agency's operating activities. Rather, changes in net position reflect differences between budgetary basis net income and net income in accordance with accounting principles generally accepted in the United States and the unclaimed prize fund.

The increase in net position in 2015 is primarily attributed to the gain on the sale of the VLTs. The Agency sold the majority of its VLTs when the gaming law changed that transferred ownership of the VLTs to two of the casinos. The increase in 2014 from 2013 is attributed to the increase in outstanding encumbrances and the balance in the unclaimed prize fund. These increases were partially offset by an unrealized loss on investments.



**Results of Operations**

Table 2 is a summarized version of the statements of revenues, expenses, and changes in net position for the years ended June 30, 2015, 2014 and 2013.

	2015	2014	2013
Revenue			
Draw games	\$ 1,211,000	\$ 1,244,359	\$ 1,270,280
Instant games	546,054	479,632	485,839
ITLMs	3,812	—	—
<b>Total sales</b>	<b>1,760,866</b>	<b>1,723,991</b>	<b>1,756,119</b>
VLT Revenue — Gross Terminal Revenue	681,823	579,134	560,679
VLT Revenue — State Grant	66,263	81,648	73,691
VLT Revenue — Table Games	356,401	254,870	48,038
VLT Revenue — Facility Applicants	2,813	3,282	2,704
VLT Revenue — Facility Applicants	3,968	3,035	2,964
ITLM Lease Revenue	1,588	—	—
<b>Total Revenue</b>	<b>2,873,722</b>	<b>2,645,960</b>	<b>2,444,195</b>
Cost of sales	1,748,772	1,579,083	1,409,998
<b>Gross profit</b>	<b>1,124,950</b>	<b>1,066,877</b>	<b>1,034,197</b>
Operating expenses	95,408	119,493	114,663
<b>Income from operations</b>	<b>1,029,542</b>	<b>947,384</b>	<b>919,534</b>
Non-operating revenues (expenses)			
Unrealized gain (loss) on investments	(1,016)	(1,876)	(4,232)
Gain on Sale of VLTs	4,206	—	—
Voluntary exclusion program	17	—	—
Interest expense	(641)	(568)	(720)
Payments to State of Maryland General Fund, Stadium Authority and Veterans Trust Fund	(526,527)	(521,107)	(545,225)
Payments to Other Government Funds/ Agencies — Gaming	(499,677)	(420,631)	(376,536)
<b>Total non-operating expenses</b>	<b>(1,023,638)</b>	<b>(944,182)</b>	<b>(926,713)</b>
<b>Change in Net Position</b>	<b>5,904</b>	<b>3,202</b>	<b>(7,179)</b>
Total Net Position — beginning of year	(5,148)	(8,350)	(1,171)
<b>Total Net Position — end of year</b>	<b>\$ 756</b>	<b>\$ (5,148)</b>	<b>\$ (8,350)</b>



**Sales**

Net sales were \$1.761 billion in 2015, an increase of \$36.88 million or 2.14% as compared to 2014 which decreased \$32.13 million or 1.83% as compared to 2013.

Lottery sales are categorized as draw games, instant ticket games or instant ticket lottery machine sales (ITLMs). Draw games are further categorized as Numbers, Monitor and Matrix games.

Draw games sales decreased \$33.36 million or 2.68% in 2015 as compared to 2014 which decreased \$25.92 million or 2.04% in 2014 as compared to 2013. In 2013 through 2015, sales decreases occurred in both Monitor games and Matrix games while Numbers games increased.

**Table 3 — Net Sales of Draw Games (in thousands)**

	2015	2014	2013
Numbers	\$ 517,869	\$ 515,364	\$ 513,323
Monitor	457,656	466,231	493,570
Matrix	235,475	262,764	263,387
<b>Total</b>	<b>\$1,211,000</b>	<b>\$1,244,359</b>	<b>\$1,270,280</b>

Sales for the Numbers games, which are Pick 3 and Pick 4, increased by \$2.50 million or .49% in 2015 compared to 2014 which increased by \$2.04 million or .40% in 2014 as compared to 2013. Pick 4 sales increased in years 2015 and 2014 over the previous years by \$6.13 million or 2.26% and \$3.03 million or 2.26% respectively, whereas Pick 3 sales have decreased in these years over the previous years by \$3.63 million or 1.48% and \$984,000 or .40%, respectively. The increase in Pick 4 sales and the continued decrease in Pick 3 sales can be attributed to the top prize offered in these games. The top prize for Pick 3 is \$500, whereas the top prize for Pick 4 is \$5,000. It is further believed that the continued decrease in Pick 3 may be the result of the Racetrax<sup>®</sup> game. Racetrax<sup>®</sup> offers a trifecta bet that plays like Pick 3 but has better odds of winning.

Sales for the Monitor games, which includes Keno, Keno Bonus, Keno Super Bonus, Racetrax<sup>®</sup>, and Racetrax<sup>®</sup> Bonus decreased by \$8.58 million or 1.84% in 2015 compared to 2014 which decreased by \$27.34 million or 5.54% in 2014 as compared to 2013. Keno games decreased by \$5.12 million or 1.66% compared to 2014 which decreased by \$36.70 million or 10.64% as compared to 2013. It is believed that the continued decrease in the Keno games may be attributed to the opening of the casinos and in particular the Maryland Live! Casino. Racetrax<sup>®</sup> sales decreased by \$3.46 million in fiscal year 2015, compared to 2014 which increased \$9.36 million or 6.29% compared to 2013. In the last half of 2014, the agency reduced the bet type for the Trifecta Box, whereby players could make the Trifecta Box purchase for \$0.50 versus \$1.00. As such, the average ticket price for the Trifecta Box fell from \$1.00 to \$0.86 resulting in a decline in overall sales.



**Sales (continued)**

Sales for Matrix games, which includes Powerball and Power Play, Mega Millions and Megaplier, Bonus Match 5, Multi-Match, 5 Card Cash and Monopoly Millionaires' Club decreased by \$27.29 million or 10.39% in 2015 compared to 2014 which decreased by \$623,000 or .24% compared to 2013.

Of all the Matrix games, Multi-Match was the only game that showed growth over 2014. Multi-Match sales increased by \$7.80 million or 29.22% in 2015 compared to 2014 which decreased by \$2.06 million or 7.15% compared to 2013. During 2015, the Multi-Match jackpot hit a high of \$3.6 million which was the fourth largest jackpot ever offered by the game. Similar size jackpots had not occurred since 2010. Decreases in prior years were the result of small jackpots and the game's inability to compete with Mega Millions and Powerball.

Both Mega Millions, combined with Megaplier, and Powerball, combined with Power Play, declined significantly in 2015, compared to 2014. The decrease in these games, especially Powerball is an industry wide issue as players suffer from jackpot fatigue, and the games are not generating the large jackpots they once did. Mega Millions, combined with Megaplier, decreased by \$18.47 million or 18.38% compared to 2014 which increased by \$29.47 million or 41.50% compared to 2013. Although in 2015, the jackpot rose to over \$100 million five times, the largest jackpot only rose to \$321 million, whereas in 2014 the jackpot rose to over \$100 million four times, with one jackpot rising to \$414 million and another jackpot rising to \$648 million.

Powerball, combined with Power Play, sales decreased by \$16.25 million or 15.37% in 2015 compared to 2014 which decreased by \$25.58 million or 19.48% compared to 2013. Although the jackpot rose to over \$100 million six times in 2015 as it did in 2014, five times the jackpot hit between \$122 million and \$225 million, with the largest jackpot hitting at \$500 million. In comparison, during 2014, the jackpots rolled in excess of \$400 million three of the six times. The decrease in 2014 compared to 2013 can be attributed to the jackpot rolling in excess of \$100 million six times during 2013. Two of these times, the jackpot reached \$550 million and \$600 million

Bonus Match 5 decreased by \$124,000 or .58% in 2015 compared to 2014 which increased by \$366,000 or 1.73% in 2014 compared to 2013. Bonus Match 5 has a stable player base with very little change between years. 5 Card Cash decreased by \$1.8 million or 21.89% in 2015 compared to 2014 which decreased \$2.8 million or 25.24% in 2014. Sales for this game have continued to decline as there is not a stable player base.

In October 2014, the lottery launched Monopoly Millionaires' Club, a new national game. The game was designed to create multiple millionaires in one draw. Jackpots started at \$15 million and could rise up to \$25 million. Once the main jackpot was won, approximately ten additional \$1 million winners would be selected. The game also offered a game show component. It quickly became apparent that the game was too confusing for players, and sales were suspended in December 2014. Sales of this game in 2015 totaled \$1.6 million.



**Sales (continued)**

Instant ticket games are the second category of lottery games offered to the public. Instant ticket game sales increased by \$66.4 million or 13.85% in 2015 compared to 2014 which decreased by \$6.2 million or 1.28% compared to 2013 as shown in Table 4. 2015 was a record year for instant ticket sales. The increase can be attributed to the success of licensed product games as well as the overall mix of the tickets. During 2015, nine licensed product games were launched (e.g., Monopoly, The Walking Dead) in comparison to three in 2014. It is believed that the decrease in instant game sales in 2014 can be attributed to opening of the casinos as the casinos offer instant gratification and provide a greater entertainment value. However, the decline was somewhat arrested in 2014 compared to 2013 by the launch of the three licensed products.

**Table 4 — Net Sales of Instant Games by Price Point  
(in thousands)**

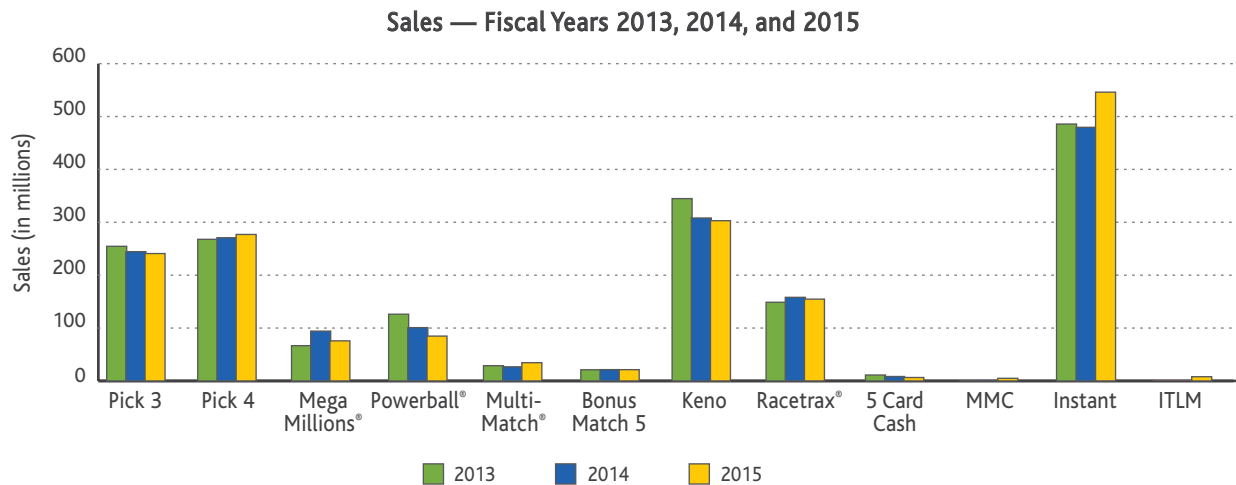
	2015	2014	2013
\$1	\$ 29,393	\$ 28,805	\$ 28,406
\$2	42,851	43,833	47,443
\$3	39,664	37,104	40,532
\$5	230,885	194,024	191,378
\$10	127,962	115,443	115,902
\$20	75,299	60,422	62,178
<b>Total</b>	<b>\$ 546,054</b>	<b>\$ 479,631</b>	<b>\$ 485,839</b>

Instant ticket lottery machines (ITLMs) are the third category of lottery games offered. Instant ticket lottery machines were first introduced in September 2014 and under law are allowed only in veterans’ organizations in certain counties in Maryland. An ITLM is an electronic device that dispenses pre-printed instant scratch tickets and utilizes a touch screen monitor. The device accumulates winnings and prints out a voucher at the conclusion of play. ITLM sales (which are accounted for as amount bet less amount won) totaled \$3.8 million in 2015.



**Sales (continued)**

The following graph depicts draw, instant and ITLM sales for 2015, 2014, and 2013. Keno, Keno Bonus and Keno Super Bonus sales (labeled as Keno for the chart below) have been combined as have Racetrax® and Racetrax® Bonus sales (labeled as Racetrax for the chart below) Mega Million and Megaplier (labeled as Mega Millions for the chart below) and Powerball and Power Play (labeled as Powerball for the chart below).



**Gaming Revenue — Gross Terminal Revenue, Table Game, State Grant, Facility Applicants and Machine Assessment**

Gaming revenue – gross terminal revenue (GTR) represents the revenue generated by the VLTs net of total prize payouts. Gross terminal revenue in 2015 totaled \$681.82 million, an increase of \$102.69 million or 17.73% over 2014 which increased \$18.5 million or 3.29% compared to 2013. The increase in 2015 is primarily attributed to the opening of the Horseshoe Casino in August 2014. In addition, GTR for the Casino at Ocean Downs and the Rocky Gap Casino Resort increased slightly. These increases were offset by decreases in GTR at Hollywood Casino Perryville and Maryland Live! Casino. The increase in 2014 from 2013 is attributed to a full year of operation at the Rocky Gap Casino Resort and a slight increase at the Casino at Ocean Downs. This increase was primarily offset by a decrease at the Maryland Live! Casino and to a lesser extent at the Hollywood Casino – Perryville.

**Table 5 — Gross Terminal Revenue Statistics**

Casino	Date Opened	Number of Machines as of June 30, 2015	2015 GTR (in millions)	2014 GTR (in millions)	2013 GTR (in millions)
Hollywood Casino — Perryville	September 27, 2010	850	\$ 66.2	\$ 72.1	\$ 76.0
Casino at Ocean Downs	January 4, 2011	800	53.2	52.0	50.5
Maryland Live! Casino	June 6, 2012	4,060	392.5	419.6	431.4
Rocky Gap Casino Resort	May 22, 2013	579	38.1	35.4	2.8
Horseshoe Casino	August 24, 2014	2,203	131.8	—	—
<b>Total</b>		<b>8,492</b>	<b>\$ 681.8</b>	<b>\$ 579.1</b>	<b>\$ 560.7</b>



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Gaming Revenue — Gross Terminal Revenue, Table Game, State Grant, Facility Applicants and Machine Assessment (continued)**

Gaming revenue – table games revenue generated in 2015 increased by \$101.53 million or 39.84% compared to 2014 which increased by \$206.8 million or 430.56% compared to 2013. Table games debuted in March 2013. The following table shows table game statistics for the casinos.

**Table 6 — Table Game Revenue Statistics**

<u>Casino</u>	<u>Date Tables Debuted</u>	<u>Number of Tables as of June 30, 2015</u>	<u>2015 Table Games Revenue (in millions)</u>	<u>2014 Table Games Revenue (in millions)</u>	<u>2013 Table Games Revenue (in millions)</u>
Hollywood Casino — Perryville	March 6, 2013	22	\$ 12.0	\$ 13.6	\$ 6.0
Maryland Live! Casino	April 11, 2013	202	233.8	235.4	41.6
Rocky Gap Casino Resort	May 22, 2013	18	6.6	5.9	0.4
Casino at Ocean Downs	N/A	–	–	–	–
Horseshoe Casino	August 24, 2014	179	104.0	–	–
<b>Total</b>		<b>421</b>	<b>\$ 356.4</b>	<b>\$ 254.9</b>	<b>\$ 48.0</b>

For the gaming operations, the gross terminal revenue is required to be transferred to specified Government agencies to be used for certain purposes or is retained by the casinos and the Agency to assist in covering the costs of the operations. The table below shows the overall disbursements and allocations.

**Table 7 — Gaming Revenue Disbursements/Allocations**

<u>Fund</u>	<u>2015 Disbursements (in millions)</u>	<u>2014 Disbursements (in millions)</u>	<u>2013 Disbursements (in millions)</u>
Maryland Education Trust Fund	\$ 387.8	\$ 328.4	\$ 284.5
Casino Operators	539.0	406.2	223.9
Horse Purse Dedication	46.0	38.9	39.1
Local Impact Grants	36.5	30.9	30.8
Race Tracks Facility Renewal Accounts	7.1	9.6	10.8
Maryland Lottery and Gaming Control Agency	11.9	11.6	11.2
Small, Minority and Women-Owned Business	9.9	8.4	8.4
<b>Total</b>	<b>\$ 1,038.2</b>	<b>\$ 834.0</b>	<b>\$ 608.7</b>



**Gaming Revenue — Gross Terminal Revenue, Table Game, State Grant, Facility Applicants and Machine Assessment (continued)**

Gaming revenue – state grant represents funds received from the State of Maryland to help pay for the costs of the gaming operations. Gaming revenue – state grant decreased by \$15.39 million or 18.84% in 2015 compared to 2014 which increased by \$8 million or 10.8% compared to 2013. The decrease in 2015 is the result of a change in the gaming law that specified, effective April 1, 2015, the Agency would no longer own/lease VLTs at Hollywood Casino Perryville and Maryland Live! Casino. As a result, less funding was needed to pay for the VLTs. The increase in 2014 from 2013 resulted from needing a full year's worth of funding for the VLTs at the Rocky Gap Casino Resort in comparison to one month's worth of funding in 2013.

Gaming revenue – facility applicants represents money received to perform background investigations on applicants who have applied for a gaming license. Gaming revenue – facility applicants decreased by \$469,000 or 14.3% in 2015 compared to 2014 which increased by \$578,000 or 21.39% compared to 2013. This account fluctuates based on the number of license applications received. The decrease in 2015 is attributed to no major casino openings as the majority of applications received for the Horseshoe Casino were received in 2014. As such, the increase in 2014 can be attributed to applications received for Horseshoe Casino which opened in August 2014 as well as continued turnover at all casinos.

Gaming revenue – machine assessments represents assessments made to casino operators based on the maximum number of VLTs on the floor during the fiscal year and the number of table games on the floor as of the end of the fiscal year. In accordance with the law, casino operators are assessed a yearly fee of \$425 per VLT and \$500 per table. These funds are collected by the Agency and subsequently remitted to the Department of Health and Mental Hygiene's Problem Gambling Fund. Machine assessments increased by \$932,000 or 30.71% in 2015 compared to 2014 which increased by \$72,000 or 2.42% compared to 2013. The increase in 2015 is due to the opening of the Horseshoe Casino and the related assessment. The slight increase in 2014 is attributed to the addition of more table games at the casinos during 2014.

**Cost of Sales**

Cost of sales consists of lottery prize expense, lottery retailer commissions, casino operator commissions, costs paid to vendors to operate and maintain the lottery system and the gaming system, and costs paid for the printing and delivery of instant games.

Cost of sales increased by \$169.69 million or 10.75% in 2015 compared to 2014 which increased by \$169.1 million or 12.0% from 2013. The increase in each of these years is primarily attributed to the increase in the amount of commissions earned by casino operators. Commission paid to casino operators increased by \$132.8 million or 32.68% in 2015 compared to 2014 which increased \$182.3 million or 81.41% in 2014 compared to 2013. The increase in 2015 is primarily attributed to the opening of Horseshoe Casino in August 2014. The increase in 2014 is primarily attributed to a full year of table game operations versus four months or less in 2013.



**Cost of Sales (continued)**

Commissions paid to lottery retailers increased by \$6.49 million or 5.31% in 2015 compared to 2014 which increased by \$2.3 million or 1.94% compared to 2013. Typically, increases and decreases in commission are a function of sales as retailers receive a percentage of all tickets sold and cashed at their location. Sales in 2015 increased resulting in an increase in commission paid to retailers. Although sales decreased in 2014, commission paid to retailers increased as a result of a change in the commission fees earned. In January 2013, sales commission earned by retailers increased from 5% to 5.5%. As such, the increase in 2014 from 2013 is the result of a full year of commission earned at the higher rate of 5.5%.

Prize expense increased by \$29.45 million or 2.88% in 2015 compared to 2014 which decreased by \$16.4 million or 1.58% compared to 2013. There is a direct correlation between prize expense and sales. As such, the increase in 2015 was the result of an increase in sales whereas the decrease in 2014 was the result of a decrease in sales from 2013.

**Operating Expenses**

Operating expenses decreased by \$24.09 million or 20.16% in 2015 compared to 2014 which increased by \$4.8 million or 4.21% in 2014 compared to 2013.

Other General and Administrative Expenses decreased by \$24.38 million or 32.77% in 2015 compared to 2014 which increased by \$15.4 million or 26.02% compared to 2013. The decrease in 2015 is the result of the transfer of ownership of the VLTs in March 2015 to two of the casinos. As such, only 9 months of funding was needed to pay for these VLTs. The increase in 2014 is primarily attributed to the increase in the costs of the VLTs. In 2014, there was a year's worth of payments for the machines at Rocky Gap Casino Resort versus one month of payments in 2013.

Depreciation and Amortization decreased by \$3.47 million or 26.11% in 2015 compared to 2014 which decreased by \$12.1 million or 47.64% compared to 2013. The decrease in 2015 is the result of the transfer of ownership of VLTs that occurred in March 2015. As such, only 9 months of depreciation expense was recognized. The decrease in 2014 is attributed to all VLTs meeting the criteria of a capital lease being fully amortized during 2014.

**Non-operating Revenue (Expenses)**

Non-operating expenses increased by \$79.46 million or 8.4% in 2015 compared to 2014 which increased by \$17.5 million or 1.89% compared to 2013. In 2015, the Agency had non-operating revenue of \$4.22 million. This revenue was primarily attributed to the gain on the sale of VLTs that occurred as a result of the gaming law change that took effect on April 1, 2015 and transferred the ownership of the VLTs at two of the casinos. As a result, the Agency sold the majority of its state owned VLTs. There was no non-operating revenue in 2014.

Non-operating expenses primarily consist of unrealized losses on investments held to fund obligations to annuitants and payments to the State of Maryland General Fund, the Stadium Authority, the Veterans Trust Fund and other government agencies. The Agency expects to realize the face value

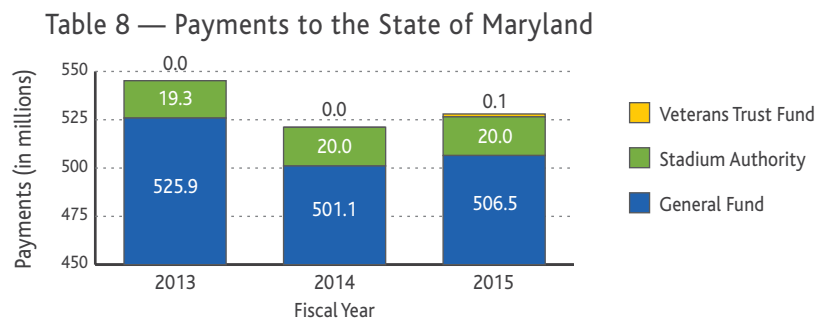


**Non-operating Revenue (Expenses) (continued)**

of its investments, since it intends to hold these investments until maturity. Therefore, any interim unrealized gains or losses on investments will reverse. The change in fair value of the investments held by the Agency is discussed in more detail on page 58.

The Agency is required by State law to transfer its budgetary basis net income to the State of Maryland (General Fund, Stadium Authority and the Veterans Trust Fund) from its lottery operations. Furthermore, it is required to transfer revenue from its gaming operations to various government agencies. Accordingly, the Agency's success can be measured by the income it transfers.

Transfers to the State of Maryland totaled \$526.53 million, an increase of \$5.42 million or 1.04% compared to 2014 which decreased \$24.1 million or 4.42% compared to 2013. The increase in 2015 is the result of an increase in lottery sales. The decreases in 2014 and 2013 are the result of the decline in lottery sales. The graph below depicts the payments made to the State of Maryland for 2015, 2014, and 2013.



Transfers to other government funds/agencies increased by \$79.05 million or 18.79% in 2015 compared to 2014 which increased by \$44.1 million or 11.71% compared to 2013. Table 7 on page 41 provides a breakdown of the various accounts. Funds retained by the Agency are not included in the increases noted for non-operational expenses. The increase in 2015 is the result of the opening of Horseshoe Casino and overall higher VLT and table game revenue. In addition, it is a result of higher gaming net income which was attributed to the sales of the VLTs. The increase in 2014 is attributed to a full year of table game operations, compared to four months in 2013 and to a lesser extent, a full year of operations at the Rocky Gap Casino Resort.

**Contacting the Agency's Financial Management**

The financial report is designed to provide a general overview of the Agency's financial activity for those interested in the Agency's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Gina M. Smith, Deputy Director/CFO, Maryland Lottery and Gaming Control Agency, 1800 Washington Boulevard, Suite 330, Baltimore, Maryland 21230.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**STATEMENTS OF NET POSITION**

	As of June 30	
	2015	2014
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 2,225,270	\$ 2,523,668
Cash and cash equivalents — Gaming Escrow	40,740	45,377,327
Cash and cash equivalents — Restricted — Gaming Licensing Deposits	3,862,473	1,072,662
Cash and cash equivalents — Agent	168,050	119,051
Cash held with State Treasury	190,303,942	99,782,733
Accounts receivable — Lottery	31,078,073	26,406,051
Accounts receivable — Gaming	26,687	50,372
Accounts receivable — Casino Operators	2,317,597	4,156,118
Prepaid commissions	50,467	53,915
Current portion of investments for annuity payments	7,386,024	10,800,126
MUSL reserves	1,076,106	—
Total current assets	<u>238,535,429</u>	<u>190,342,023</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	61,756,088	10,525,562
Investments for annuity payments, net of current portion	29,917,557	36,251,098
Total non-current assets	<u>91,673,645</u>	<u>46,776,660</u>
Total assets	<u>\$ 330,209,074</u>	<u>\$ 237,118,683</u>
Deferred Outflows of Resources:		
Deferred pension outflows	2,514,108	1,802,000
Total deferred outflows of resources	<u>2,514,108</u>	<u>1,802,000</u>
Total assets and deferred outflows of resources	<u>\$ 332,723,182</u>	<u>\$ 238,920,683</u>
<b>Liabilities:</b>		
Current liabilities:		
Current portion of annuity prizes payable	\$ 7,174,806	\$ 10,479,410
Current portion of employee related payables	1,555,662	1,635,448
Current portion of capital lease obligation	13,249,953	9,286,893
Transfer due to State of Maryland General Fund	131,777,854	36,172,861
Transfer due to Other Government Agencies — Gaming	42,568,021	40,411,439
Prize awards payable	39,254,446	40,037,704
Accounts payable and accrued expenses	2,480,709	2,068,067
Accounts payable and accrued expenses — Gaming	-	1,003,582
Gaming licensing deposits	1,058,094	885,739
Gaming escrow payable	40,740	44,161,077
Agent escrow payable	168,050	119,051
Unearned revenue	2,213,360	2,479,426
Taxes and other liabilities	516,942	550,006
Total current liabilities	<u>242,058,637</u>	<u>189,290,703</u>
Non-current liabilities:		
Annuity prizes payable, net of current portion	24,871,971	30,298,472
Employee related payables, net of current portion	1,270,220	1,156,095
Capital lease obligation, net of current portion	47,464,519	8,193,256
Pension Liabilities	13,723,698	15,130,443
MUSL reserves	1,076,106	—
Total non-current liabilities	<u>88,406,514</u>	<u>54,778,266</u>
Total liabilities	<u>\$ 330,465,151</u>	<u>\$ 244,068,969</u>
Deferred Inflows of Resources:		
Deferred pension inflows	1,502,148	—
Total deferred inflows of resources	<u>1,502,148</u>	<u>—</u>
Total liabilities and deferred inflows of resources	<u>331,967,299</u>	<u>244,068,969</u>
<b>Net Position:</b>		
Net investment in capital assets	\$ 1,041,616	\$ (6,954,587)
Unrestricted	(285,733)	1,806,301
Total net position	<u>755,883</u>	<u>(5,148,286)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 332,723,182</u>	<u>\$ 238,920,683</u>

*The accompanying notes are an integral part of these financial statements.*

MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**



	Years ended June 30	
	2015	2014
Revenue:		
Draw games	\$ 1,211,000,248	\$ 1,244,359,105
Instant games	546,053,764	479,631,463
ITLMs	3,812,016	—
Total Sales	1,760,866,028	1,723,990,568
Gaming Revenue — Gross Terminal Revenue	681,822,742	579,133,667
Gaming Revenue — State Grant	66,263,057	81,648,408
Gaming Revenue — Table Games	356,401,074	254,869,582
Gaming Revenue — Facility Applicants	2,812,897	3,282,340
Gaming Revenue — Machine Assessments	3,967,980	3,035,800
ITLM Lease Revenue	1,587,896	—
Total Revenue	2,873,721,674	2,645,960,365
Cost of sales:		
Prize expense	1,051,485,747	1,022,033,738
Retailer commissions	128,596,268	122,109,073
Casino commissions	538,999,870	406,227,926
Gaming vendor and data processing fees	23,522,186	20,772,228
Instant ticket printing and delivery	6,167,461	7,940,317
Total Cost of Sales	1,748,771,532	1,579,083,282
Gross Profit	1,124,950,142	1,066,877,083
Operating expenses:		
Salaries, wages and benefits	23,198,757	20,205,985
Advertising and promotions	12,369,906	11,593,907
Depreciation and amortization	9,827,449	13,300,598
Other general and administrative expenses	50,011,479	74,392,476
Total Operating Expenses	95,407,591	119,492,966
Income from Operations	1,029,542,551	947,384,117
Non-operating revenues (expenses):		
Investment revenue (loss)	1,059,353	846,701
Amortization of discount for annuity prize liabilities	(2,075,891)	(2,723,561)
Gain on sale of VLTs	4,206,207	—
Voluntary exclusion program	17,074	—
Interest expense	(641,187)	(567,607)
Payments to State of Maryland General Fund	(506,492,649)	(501,106,646)
Payments to State of Maryland Stadium Authority and Veterans Trust	(20,034,267)	(20,000,000)
Payments to Other Governmental Funds/Agencies — Gaming	(499,677,022)	(420,631,196)
Total Non-Operating Revenues (Expenses)	(1,023,638,382)	(944,182,309)
Change in Net Position	5,904,169	3,201,808
Total Net Position — Beginning of year	(5,148,286)	(8,350,094)
Total Net Position — End of year	\$ 755,883	\$ (5,148,286)

*The accompanying notes are an integral part of these financial statements.*



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**STATEMENTS OF CASH FLOWS**

	Years ended June 30	
	2015	2014
Cash flows from operating activities:		
Receipts from customers	\$ 2,829,108,482	\$ 2,629,019,779
Payments to suppliers	(97,442,350)	(116,111,101)
Payments to employees	(23,164,418)	(19,719,885)
Payments to agents	(667,592,690)	(531,414,050)
Prize payments/awards to players	<u>(1,052,302,069)</u>	<u>(1,022,642,221)</u>
Net cash and cash equivalents provided by operating activities	988,606,955	939,132,522
Cash flows from noncapital financing activities:		
Transfers to the State of Maryland General Fund and Stadium Authority	(430,887,656)	(521,381,161)
Transfers to Other Government Funds/Agencies — Gaming	(487,783,079)	(418,272,705)
Prize payments/awards	<u>(10,806,996)</u>	<u>(13,843,996)</u>
Net cash and cash equivalents used in noncapital financing activities	(929,477,731)	(953,497,862)
Cash flows from capital and related financing activities:		
Payments of capital lease obligations	(20,526,599)	(13,543,033)
Interest payments	(641,187)	(567,607)
Purchase of equipment	<u>(1,043,400)</u>	<u>—</u>
Net cash and cash equivalents used in capital and related financing activities	(22,211,186)	(14,110,640)
Cash flows from investing activities:		
Coupon bonds purchased	—	(726,071)
Proceeds from matured annuities and bonds	<u>10,806,996</u>	<u>13,843,996</u>
Net cash and cash equivalents provided by investing activities	10,806,996	13,117,925
Net increase (decrease) in cash and cash equivalents	47,725,034	(15,358,055)
Cash and cash equivalents, beginning of year	<u>148,875,441</u>	<u>164,233,496</u>
Cash and cash equivalents, end of year	<u>\$ 196,600,475</u>	<u>\$ 148,875,441</u>
Noncash investing and financing activities:		
Purchase of equipment under capital lease obligations	\$ 63,866,669	\$ —
Change in fair value of investments	<u>\$ (1,016,538)</u>	<u>\$ (1,876,860)</u>

MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**STATEMENTS OF CASH FLOWS (CONTINUED)**



	Years ended June 30	
	2015	2014
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 1,029,542,551	\$ 947,384,117
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	9,827,449	13,300,598
Deferred prize payments	–	726,072
Deferred inflows pension	1,502,148	–
Deferred outflows pension	(2,514,108)	–
Effect of changes in operating assets and liabilities:		
Accounts receivable	(2,809,816)	14,139,037
Prepaid commissions	3,448	(10,316)
Accounts payable and accrued expenses	(44,489,923)	(35,675,193)
Employee related payables	34,339	486,100
Taxes and other liabilities	(33,064)	(277,331)
Prize awards payable	(783,258)	(1,057,224)
Unearned revenue	(266,066)	116,662
Pension liability	(1,406,745)	–
Net cash and cash equivalents provided by operating activities	<u>\$ 988,606,955</u>	<u>\$ 939,132,522</u>

*The accompanying notes are an integral part of these financial statements.*



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### LEGISLATIVE ENACTMENT

The Maryland Lottery and Gaming Control Agency (Agency) was established by the Maryland General Assembly enactment of Chapter 365 of Laws of Maryland of 1972, and the voters' approval that same year of a constitutional amendment to allow the lottery. The amendment was ratified on November 7, 1972, and the Agency commenced operations on January 2, 1973.

The mandate of the law was to establish a State-operated lottery, under the immediate supervision of a Director and the guidance of a Commission, for the purpose of producing revenue for the State. The Governor, with the advice and consent of the Senate of Maryland, appoints the Director and the Commission members.

During the 2007 special session of the Maryland General Assembly, Chapter 4 was enacted relating to the legalization of video lottery terminals (VLTs) in the State subject to the passage of a voters' constitutional referendum. In 2008, voters approved the installation of up to 15,000 VLTs at five privately owned casinos at specified locations throughout the State.

On August 14, 2012, Senate Bill 1 – Gaming Expansion – Video Lottery Terminals and Table Games passed the 2012 Second Special Session of the Maryland General Assembly. This bill contained many provisions concerning gaming operations and certain provisions that were subject to voter referendum. The provisions which were subject to voter referendum passed during the November 6, 2012 election and allowed for a sixth casino at a site in Prince George's County, increased the maximum number of video lottery terminals allowed in the State from 15,000 to 16,500, established table games and allowed for 24-7 operations.

Effective October 1, 2012, the bill also authorized the Agency to issue certain veterans' organizations a license for up to five instant ticket lottery machines (ITLMs). Veterans' organizations in counties on the Eastern Shore and in Montgomery County are not eligible. After deductions for commissions and prize payouts, 10% of the proceeds are distributed to the Maryland Veterans Trust Fund and the remainder goes to the general fund. An ITLM is an electronic device that dispenses pre-printed instant scratch tickets and utilizes a touchscreen monitor. The device scans and validates the barcode on the instant ticket as it is dispensed and displays the result of the ticket on the touchscreen monitor. The device accumulates winnings for the player and prints out a voucher at the conclusion of play that can be redeemed for cash or inserted into another ITLM for continued play.

The Agency, in conjunction with its Commission, serves as the regulator of the Gaming program and is responsible for regulating the casinos, licensing the casino operators and all other entities and individuals requiring a gaming license, and the collection and disbursement of VLT gross terminal revenue and table game revenue in accordance with the law.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Agency is a part of the primary government of the State of Maryland and is reported as a proprietary fund and business-type activity within the State of Maryland's financial statements. The State of Maryland prepares a comprehensive annual financial report (CAFR). The Agency is an enterprise fund of the State of Maryland and is included in the basic financial statements of the CAFR of the State of Maryland.

### BASIS OF ACCOUNTING AND PRESENTATION

The Agency is accounted for as a proprietary special purpose government fund engaged in business-type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates.

### LOTTERY GAMES — REVENUE RECOGNITION AND PRIZE OBLIGATIONS

Revenue from lottery games originate from three product lines: draw games, instant games and instant ticket lottery machines (ITLMs). The Agency develops multiple game themes and prize structures to comply with its enabling legislation and customer demand. Independent and corporate retailers comprised principally of grocery and convenience stores, package goods stores, and restaurants serve as the primary distribution channel for draw and instant lottery sales. Veterans' organizations are the only distribution channel for ITLMs. Retailers receive a sales commission of 5.5% of net sales and a cashing commission of 3% of prizes redeemed. Veterans' organizations earn an additional ½% sales commission on ITLM sales.

Licensed lottery retailers sell draw game lottery tickets to the public through the use of computerized terminals. Draw games are categorized as: Numbers (Pick 3 and Pick 4), Matrix (Multi-Match, Mega Millions/Megaplier, Powerball/Power Play, Bonus Match 5, 5 Card Cash and Monopoly Millionaires' Club) and Monitors (Keno, Keno Bonus®, Keno Super Bonus, Racetrax®, and Racetrax® Bonus). Draw revenue is recognized in the month in which the related drawings are held. Revenue from the sale of tickets and commissions paid for future drawings are deferred until the drawings are held. Revenue from instant games is recognized when the retailer activates the book of tickets. Licensed veterans' organizations offer ITLMs to their customers. The Agency recognizes ITLM revenue as "gross terminal revenue" equivalent to all wagers, net of related prizes.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prize obligations for draw games are determined and recognized after each drawing is held. For all draw games, winners are paid a certain amount depending upon the number of winners and the order of the winning numbers drawn. The Multi-Match, Mega Millions and Powerball jackpots are calculated as a percentage of total game revenue. If there is no jackpot winner, the prize pool is carried forward until there is a winner. The remaining Multi-Match, Mega Millions and Powerball prize levels are based on a predetermined set amount. Prize obligations are recognized monthly for instant games based on the books activated by retailers and the related prize expense based on the specific game's prize structure.

### GAMING OPERATIONS (VLTs AND TABLE GAMES) — REVENUE RECOGNITION AND PRIZE OBLIGATIONS

As of the end of fiscal year 2015, five casinos were in operation with a total of 8,492 VLTs. VLTs are a self-activated video version of lottery games which allow for a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The prize structures of these video lottery games are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expenses are netted against total video credits played. The Agency recognizes VLT revenue as "gross terminal revenue" equivalent to all wagers, net of related prizes.

In accordance with the law, the casino operators receive a specified percentage of gross terminal revenue to operate their casinos. Prior to April 1, 2015, two of the casino operators received 33% of the gross terminal revenue, one casino operator received 39% of the gross terminal revenue, one casino operator received 43% of the gross terminal revenue and one casino operator received 50% of the gross terminal revenue. Effective April 1, 2015, there was a law change that required two of the casinos to own/lease their own VLTs instead of the Agency. In exchange, the percentage of gross terminal revenue received by these casinos increased from 33% to 39% for one casino and from 33% to 41% for the other casino. Also, prior to April 1, 2015, the Agency retained 2% of the gross terminal revenue to help fund the operations of the VLT program. Since, effective April 1, 2015, the Agency no longer owned/leased the VLTs at two of the casinos, the Agency now retains 1% of the gross terminal revenue from all of the casinos with the exception of one casino where the Agency still retains 2% of the gross terminal revenue. The enabling legislation requires the Agency to disburse the remainder of the gross terminal revenue to other Government agencies, which in turn are responsible for making further distributions.

As of June 30, 2015, there were 421 table games in operation at four of the casinos. Table games include blackjack, roulette, craps, baccarat, big six wheel and various poker games. Table game revenue is equivalent to all wagers, net of related prizes. Casino operators receive 80% of the table game revenue to operate their casino. The remaining 20% is remitted to the Agency who in turn transfers it to the Education Trust Fund in accordance with the enabling legislation. The casino operators' share of the revenue from both VLTs and table games is recorded as a cost of sales.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To further help fund the operations of the Gaming program, the State provided grants to the Agency during fiscal years 2015 and 2014 in the amount of \$66,263,057 and \$81,648,408 respectively.

License related revenues (application, license, fingerprint, principal applicant background investigation, and vendor fees) are recorded as licensing deposits until the receipt is identified as being for a specific applicant and type of fee which usually occurs in the same month that the deposit is received. After the specific applicant and fee type is ascertained, the related deposit amount is recognized as revenue, except for principal applicant investigation fees which are recognized as revenue when the background investigation is completed and the applicant is either invoiced for any investigation costs in excess of the deposit received or the portion of the deposit in excess of investigation costs is returned to the applicant.

Administrative expenses for the Gaming program are recognized as they are incurred. The majority of the expenses incurred for the VLT program are for the lease of the VLTs. Prior to April 1, 2015, the Agency was required to purchase or lease the VLTs for four of the five casinos. Effective, April 1, 2015, the Agency was only required to purchase or lease VLTs at two of the five casinos. VLTs that were purchased by the Agency were financed through the State Treasurer's Office and were treated as a capital lease for financial statement purposes. The Agency made its final payment on these VLTs in March 2015. At the same time, the Agency sold the VLTs that it had originally purchased. The gain on the sale of these VLTs is recognized as non-operating revenue in the accompany statements of revenue, expenses and changes in net position.

Prior to April 1, 2015, the leased VLTs were comprised of VLTs that had no minimum lease period or VLTs that had a minimum lease period of 12 or 18 months. For the VLTs that did not have a minimum lease period, the Agency treated these payments as an administrative expense and recognized the expense when incurred. For the VLTs that had a minimum lease period, the majority of them met the criteria for capital leases and were treated as such for financial statement purposes. The lease terms for these VLTs had expired by December 2013. For the remaining VLTs that did not meet the criteria for capital leases, the Agency treated these payments as an administrative expense and recognized the expense when incurred. Effective April 1, 2015, the Agency entered into new contracts with several manufacturers to lease the VLTs at two casinos. All of these leases met the criteria for capital leases and are treated as such for financial statement purposes.

### OPERATING AND NON-OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds such as the Agency are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Agency are derived from providing various types of lottery games, various VLT games and table games. Operating expenses for lottery games include the costs to operate the various games, to pay prize winners, and administrative expenses. Operating expenses for gaming include



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the costs to operate the various games and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposited with financial institutions, deposits with the Maryland State Treasury and overnight investment repurchase agreements.

### CASH AND CASH EQUIVALENTS – GAMING ESCROW

Cash and cash equivalents – gaming escrow consists of funds deposited in escrow with a financial institution and the related interest earned. The monies deposited are primarily application fees received from Gaming Facility Operator License applicants that are held in separate escrow sub accounts until the application review process is complete and the license is either awarded or denied. If the license is awarded, the monies are transferred to the Maryland Education Trust Fund. If the license is denied, the monies are returned to the applicant. During fiscal year 2015, operator license fees totaling \$44.1 million were transferred to the Education Trust Fund. During fiscal year 2014, operator license fees totaling \$31.5 million were returned to unsuccessful bidders.

### CASH AND CASH EQUIVALENTS – RESTRICTED – GAMING LICENSING DEPOSITS

Cash and cash equivalents – restricted – gaming licensing deposits account is used to record the receipt of licensing related fees and investigation deposits that are received from applicants wanting to obtain a gaming license. For the majority of applicants, at the end of the month, fees are recorded as revenue after the specific applicant and type of fee received is determined.

For principal employee applicants, in addition to the aforementioned fees, the Agency also receives a background investigation deposit which is used to pay the investigation costs for the principal employee applicant. These deposit amounts remain in cash and cash equivalents – restricted – gaming license Deposits and are recorded as a licensing deposit liability until the investigation is completed. To the extent that the investigation deposit is greater than the costs incurred for the investigation, the monies are refunded to the applicant. To the extent that the investigation deposit is less than the costs incurred for the investigation, the applicant is billed for the deficit. After the investigation is completed, the deposit is recorded as revenue.

### CASH AND CASH EQUIVALENTS – AGENT

Cash and cash equivalents – agent consists of lottery agency funds deposited in escrow with a financial institution and the related interest earned. Monies deposited into the escrow accounts were received from select agents who deposited monies with the Agency in lieu of obtaining a bond.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### ACCOUNTS RECEIVABLE – LOTTERY

Accounts receivable – lottery represents the amounts due from lottery retailers from the sale of lottery tickets. The Agency utilizes the allowance method to provide for doubtful accounts based on management's evaluation of the collectability of accounts receivable. The Agency determines accounts receivable to be delinquent when greater than 10 days past due. Receivables are written off when it is determined that amounts are uncollectible. As of June 30, 2015 and 2014, management believes all accounts receivable are collectible, and, as such, no allowance for doubtful accounts has been recorded.

### ACCOUNTS RECEIVABLE – GAMING

Accounts receivable – gaming represents outstanding amounts due that have been billed to applicants for completed background investigations and amounts due from VLT manufacturers for liquidated damages.

### ACCOUNTS RECEIVABLE – CASINO OPERATORS

Accounts receivable – casino operators represents the amount of gross terminal revenue and table games revenue due from the casino operators. Gross terminal revenue is collected on a daily basis. Table game revenue is collected every two days. Also included in the June 2015 and 2014 balances are the amount due from the casino operators for the \$425 per VLT assessment and the \$500 per table game assessment that is due to the Problem Gambling Fund. Management believes that all accounts receivable are collectible, and as such, no allowance for doubtful accounts has been recorded as of June 30, 2015 and 2014.

### CAPITAL ASSETS AND LEASEHOLD IMPROVEMENTS

The Agency has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000 and all leased assets. These assets are comprised principally of technology equipment necessary to administer lottery games and VLTs. The purchased assets are recorded at cost and depreciation is computed using the straight-line method over three-to-five year useful lives. Assets acquired through capital leases are initially recorded at the net present value of the minimum lease payments. Assets acquired under capital leases are amortized over the lesser of the lease term or the estimated useful life of the leased asset.

### INVESTMENTS

Investments consist of United States Government Treasury Bonds and annuity contracts. The investments in United States Government Treasury Bonds are purchased in the name of the Agency and stated at fair value based on quoted market prices. Investments in annuity contracts are purchased in the name of the Agency and stated at present value, which approximates fair value.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### COMPENSATED ABSENCES

The Agency accrues compensated absences in accordance with GASB No. 16, *Accounting for Compensated Absences*. All full-time permanent Agency employees accrue annual leave at variable rates based on the number of years employed by the State of Maryland. The maximum annual leave an employee can earn per calendar year is 25 days. At the end of each calendar year, an employee's accrued annual leave may not exceed 75 days. Accrued annual leave is included in the employee related payables in the accompanying statements of net position. Agency employees also accrue sick pay benefits. However, the Agency does not record a liability for accrued sick pay benefits as neither the State of Maryland nor the Agency has a policy to pay unused sick leave when employees terminate from State service.

### PAYMENTS TO THE STATE OF MARYLAND

The law requires the Agency to transfer its lottery revenue in excess of funds allocated to prize awards and operating expenses to the State of Maryland General Fund and to a lesser extent the Maryland Stadium Authority and the Veteran's Trust Fund. These payments are recorded as a non-operating expense in the accompanying statements of revenues, expenses, and changes in net position.

The law further requires the Agency to transfer its gaming revenue to various governmental agencies. On a monthly basis, in accordance with percentages specified in the law, the Agency transfers funds to the State's Department of Education into the Maryland Education Trust Fund; the State's Racing Commission into accounts for Local Impact Grants, Purse Dedication and Racetracks Facility Renewal and to the State's Board of Public Works into the Small, Minority, and Women-Owned Business Account. These transfers are recorded as non-operating expenses in the accompanying statements of revenues, expenses and changes in net position.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of the total game revenue and the distributions for the years ended June 30, 2015 and 2014, respectively, follows:

Fund	Fiscal Year 2015	Fiscal Year 2014
Education Trust Fund	\$ 387,775,612	\$ 328,428,368
Local Impact Grants	36,453,259	30,879,481
Horse Purse Dedication	46,014,332	38,947,386
Racetracks Facility Renewal	7,104,779	9,515,739
Small, Minority and Women Owned Businesses	9,941,798	8,421,677
Maryland Lottery and Gaming Control Agency	11,934,165	11,568,798
Casino Operators	538,999,870	406,227,926
<b>Total</b>	<b><u>\$ 1,038,223,815</u></b>	<b><u>\$ 833,989,375</u></b>

### NET POSITION

Net position is presented as either unrestricted or net investment in assets. Net position invested in capital assets, net of related debt, represents the difference between capital assets net of accumulated depreciation and the related capital lease obligations. Unrestricted net position represents the net position available for future operations including outstanding encumbrances as of year-end and unrealized gains or losses on investments. Market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amount due to the Maryland Stadium Authority, State of Maryland General Fund or payments to Other Governmental Agencies.

### NEW ACCOUNTING PRONOUNCEMENTS

The Agency implemented GASB Statement No 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measure Date – an amendment of GASB Statement No. 68* for the year ended June 30, 2015. In line with this implementation, the Agency adjusted the total net position for the beginning of the year by \$13,328,443 for the years ended June 30, 2015 and 2014. Further, the Agency recorded a pension liability, deferred outflows of resources and deferred inflows of resources on the accompanying statements of net position as disclosed in Note 9.

GASB Statement No. 66 (GASB No. 66), *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67 (GASB No. 67), *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 70 (GASB No. 70), *Accounting and Financial Reporting for Nonexchange Financial Guarantees* effective for the fiscal year ended June 30, 2014 did not have an impact of the Agency’s financial position.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB has issued Statement No 72 (GASB No. 72), *Fair Value Measurement and Application*, GASB Statement No 73 (GASB No. 73) *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and GASB Statement No 76 (GASB No. 76), *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* effective for fiscal years beginning after June 15, 2016. GASB has also issued Statement No 77 (GASB No. 77), *Tax Abatement Disclosures* effective for periods beginning after December 15, 2015, Statement Number 74 (GASB No. 74), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* for fiscal years beginning after June 30, 2016 and Statement No. 75 (GASB No. 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective for fiscal years beginning after June 15, 2017. The Agency is in the process of assessing the impact of these statements and will implement them as of the effective dates.

## 2. CASH AND CASH EQUIVALENTS

As of June 30, 2015 and June 30, 2014, the carrying amounts of deposits with financial institutions were \$6,296,533 and \$49,092,708, respectively. The corresponding bank balances were \$5,095,666 and \$47,592,316 as of June 30, 2015 and June 30, 2014, respectively.

As of June 30, 2015 and June 30, 2014, the amount on deposit with the Maryland State Treasury (State Treasury) was \$190,303,942 and \$99,782,733, respectively. The corresponding State Treasury balances were \$19,420,302 and \$15,773,347, respectively. The State Treasury has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards, and commissions. The deposits with the State Treasury are part of the State of Maryland's internal investment pool and are not separately identifiable as to specific types of securities. The State Treasury maintains these and other Maryland State agency funds on a pooled basis in accordance with State statute. The Agency does not obtain interest on funds deposited with the State Treasury. As of June 30, 2015 and 2014, the Agency's deposits with the State Treasury were less than 2% of the total deposits with the State Treasury.

**Custodial credit risk** — Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits will not be returned to it. The Agency's deposit policy requires that it comply with the State law that governs the State Treasury deposits. Specifically, unexpended or surplus money may be deposited in a financial institution in the State, if the deposit is interest bearing; the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and the custodian holds the collateral.

**Interest rate risk** — The State Treasury's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the State Treasury will not directly invest in securities maturing more than five years from the date of purchase.



## 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Credit risk — State law requires that the State Treasury investments in repurchase agreements be collateralized by United States Treasury and Agency Obligations. In addition, investments may be made directly in United States Agency Obligations. State law also requires that money market mutual funds receive the highest possible rating from at least one nationally recognized statistical rating organization.

Concentration of credit risk — The State Treasury's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5% of government fund investments are in the FNMA and the Federal Home Loan Mortgage Corporation. As of June 30, 2015, these investments are 33.55% and 44.57% of the State of Maryland's internal investment pool total investments, respectively. As of June 30, 2014, these investments were 43.69% and 34.79% of the State of Maryland's internal investment pool total investments, respectively.

## 3. INVESTMENTS

### UNITED STATES GOVERNMENT TREASURY BONDS

It is the Agency's policy to fund jackpot and lifetime prize awards through the purchase of United States Government Treasury Bonds. Furthermore, it is the policy of the Agency to hold these investments to maturity. The investment maturities approximate the annuity prizes payable installment due dates.

The Agency has purchased long-term investments to fund jackpot and lifetime prize awards. The majority of these investments are United States Government Treasury Bonds, which carry a yield to maturity of approximately 0.382% to 7.255%. As of June 30, 2015 and June 30, 2014, the Agency's United States Government Treasury Bonds totaled \$37,163,966 and \$46,866,649, respectively. The investments in United States Government Treasury Bonds are carried at fair value based on quoted market prices on the accompanying statements of net position and the related unrealized gains (losses) and interest income are recorded as investment revenue (loss) on the accompanying statements of revenues, expenses, and changes in net position.

Through the State securities lending program, authorized under section 2-603 of the State's Finance and Procurement Article of the Annotated Code of Maryland, the State Treasurer's Office lends United States Government securities to broker-dealers and other entities (borrowers). As of June 30, 2015 and June 30, 2014, Agency United States Government Treasury Bonds totaling \$18,846,718 and \$17,996,703, respectively, were lent as part of this program. The State Treasurer's Office controls the program and authorizes all transactions. The State's (and Agency's) custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral.



### **3. INVESTMENTS (CONTINUED)**

The collateral will be returned for the same securities by the next business day if the aggregate value of the collateral falls to less than 100% of the market value of the securities lent against the collateral. Cash collateral is initially pledged at greater than the market value of the securities.

At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2015 and 2014, the related collateral for the Agency securities lent totaled \$19,183,372 and \$20,602,671, respectively, resulting in 101.8% and 108.5% as of June 30, 2015 and 2014, respectively, collateralization of the fair value of the Agency securities lent. The benefit of collateral received or income earned is not passed onto the Agency and therefore not reflected in the Agency's financial statements.

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of the lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. The State's custodial bank is obligated to indemnify the State against liability for any suits, actions, or claim of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State. The State did not experience any losses on their securities lending transactions for the years ended June 30, 2015 and 2014.

#### **ANNUITY CONTRACTS**

As of June 30, 2015 and June 30, 2014, the annuity contracts totaled \$139,615 and \$184,875, respectively. The annuity contracts were purchased in 1976 to satisfy the Agency's obligation for certain lifetime prizes. The value of the annuity contracts and related annuity prizes payable were adjusted in fiscal year 2005 based on revised actuarial life expectancy tables.

#### **INVESTMENT RISK**

Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. Typically, this risk is higher in debt securities with longer maturities. The Agency is not subject to interest rate risk because it is the Agency's policy to hold the investments until maturity, unless an annuitant through a court order forces the sale of an investment to settle the Agency's obligation to the annuitant at which time the annuitant would be paid the proceeds received from the sale of the investments.

For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency is not subject to custodial risk because the United States (U.S.) Government Treasury Bonds are held in the Agency's name by its custodian and annuity contracts are not evidenced by securities that exist in physical or book entry form.



### 3. INVESTMENTS (CONTINUED)

#### UNITED STATES GOVERNMENT TREASURY BONDS AND ANNUITY CONTRACTS

As of June 30, 2015, the Agency had the following investments:

Investment Type	Fair Value	Credit Quality Rating	% of Investments	Investment Maturities (In Years)				
				Less than 1	1-5	6-10	11-20	21-30
<u>Investments in prize annuities:</u>								
United States Treasury Bonds	\$ 37,163,966	1	99.6%	\$ 7,357,958	\$ 14,458,821	\$ 11,354,683	\$ 3,992,504	\$ -
Annuity Contracts	139,615	2	.4%	28,066	81,037	18,681	11,831	-
<b>Total Investments</b>	<b>\$ 37,303,581</b>		<b>100.0%</b>	<b>\$ 7,386,024</b>	<b>\$ 14,539,858</b>	<b>\$ 11,373,364</b>	<b>\$ 4,004,335</b>	<b>\$ -</b>

1 Credit quality ratings not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government.

2 Annuity contracts not rated.

As of June 30, 2014, the Agency had the following investments:

Investment Type	Fair Value	Credit Quality Rating	% of Investments	Investment Maturities (In Years)				
				Less than 1	1-5	6-10	11-20	21-30
<u>Investments in prize annuities:</u>								
United States Treasury Bonds	\$ 46,866,649	1	99.6%	\$ 10,749,166	\$ 17,557,135	\$ 13,370,385	\$ 5,189,963	\$ -
Annuity Contracts	184,575	2	.4%	50,960	100,553	18,681	14,381	-
<b>Total Investments</b>	<b>\$ 47,051,224</b>		<b>100.0%</b>	<b>\$ 10,800,126</b>	<b>\$ 17,657,688</b>	<b>\$ 13,389,066</b>	<b>\$ 5,204,344</b>	<b>\$ -</b>

1 Credit quality ratings not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government.

2 Annuity contracts not rated.



#### 4. CAPITAL ASSETS

A summary of capital asset activity for the years ended June 30, 2015 is as follows:

	<u>2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>2015</u>
Capital Assets				
Machinery and Equipment	\$ 70,126,934	\$ 64,910,068	\$ 40,598,648	\$94,438,354
Leasehold Improvements	613,240	-	-	613,240
Total Capital Assets	<u>70,740,174</u>	<u>64,910,068</u>	<u>40,598,648</u>	<u>95,051,594</u>
Less Accumulated Depreciation and Amortization				
Machinery and Equipment	59,601,372	9,827,449	36,746,555	32,682,266
Leasehold Improvements	613,240	-	-	613,240
Total Accumulated Depreciation and Amortization	<u>60,214,612</u>	<u>9,827,449</u>	<u>36,746,555</u>	<u>33,295,506</u>
Net Capital Assets	<u>\$ 10,525,562</u>	<u>\$ 55,082,619</u>	<u>\$ 3,852,093</u>	<u>\$ 61,756,088</u>

A summary of capital asset activity for the years ended June 30, 2014 is as follows:

	<u>2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>2014</u>
Capital Assets				
Machinery and Equipment	\$ 70,126,934	\$ -	\$ -	\$ 70,126,934
Leasehold Improvements	613,240	-	-	613,240
Total Capital Assets	<u>70,740,174</u>	<u>-</u>	<u>-</u>	<u>70,740,174</u>
Less Accumulated Depreciation and Amortization				
Machinery and Equipment	46,300,774	13,300,598	-	59,601,372
Leasehold Improvements	613,240	-	-	613,240
Total Accumulated Depreciation and Amortization	<u>46,914,014</u>	<u>13,300,598</u>	<u>-</u>	<u>60,214,612</u>
Net Capital Assets	<u>\$ 23,826,160</u>	<u>\$ 13,300,598</u>	<u>\$ -</u>	<u>\$ 10,525,562</u>



## 5. ANNUITY PRIZE OBLIGATIONS

The Agency carries long-term annuity prize obligations at present value. Presented below is a summary of long-term annuity prize payment requirements for annuities payable to maturity:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 7,174,806	\$ 217,353	\$ 7,392,159
2017	4,183,449	352,543	4,535,992
2018	2,686,352	389,640	3,075,992
2019	2,540,581	535,411	3,075,992
2020	3,337,387	1,057,542	4,394,929
2021–2025	9,022,912	4,262,068	13,284,980
2026–2030	2,920,229	2,250,751	5,170,980
2031–2033	181,061	119,372	300,433
Total	<u>\$ 32,046,777</u>	<u>\$ 9,184,680</u>	<u>\$ 41,231,457</u>

This debt represents annual payments owed to jackpot and lifetime winners. Annuity prizes are paid over a period of time ranging from 20 to 25 years depending on the time period in which the prize was won. The Agency has purchased United States Government Treasury Bonds or annuity contracts that fully fund these obligations.

Long-term liability activity of annuity prize payments for the years ended June 30, 2015 and 2014 was as follows:

<u>Fiscal Year Ending</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
June 30, 2014	\$ 40,777,882	\$ 2,075,891	\$ 10,806,996	\$ 32,046,777	\$ 7,174,806
June 30, 2014	\$ 51,172,245	\$ 3,445,300	\$ 13,839,663	\$ 40,777,882	\$ 10,479,410



## 6. EMPLOYEE RELATED PAYABLES

Changes in long-term employee related payables were as follows for the years ended June 30, 2015 and 2014. The employee related payables due within one year are included in the current portion of the employee related payables on the accompanying statements of net position, which also includes salaries payable in the amount of \$821,252 and \$999,953 as of June 30, 2015 and 2014, respectively.

	2015		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 1,562,589	\$ 229,000	\$ 1,791,589
Additions	1,095,022	99,970	1,194,992
Reductions	(874,981)	(106,970)	(981,951)
Ending Balance	<u>\$ 1,782,630</u>	<u>\$ 222,000</u>	<u>\$ 2,004,630</u>
Amount Due Within One Year	\$ 700,000	\$ 34,410	\$ 734,410
Non-Current Portion	1,082,630	187,590	1,270,220
	<u>\$ 1,782,630</u>	<u>\$ 222,000</u>	<u>\$ 2,004,630</u>
	2014		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 1,222,154	\$ 141,000	\$ 1,363,154
Additions	933,094	111,843	1,044,937
Reductions	(592,658)	(23,843)	(616,501)
Ending Balance	<u>\$ 1,562,590</u>	<u>\$ 229,000</u>	<u>\$ 1,791,590</u>
Amount Due Within One Year	\$ 600,000	\$ 35,495	\$ 635,495
Non-Current Portion	962,590	193,505	1,156,095
	<u>\$ 1,562,590</u>	<u>\$ 229,000</u>	<u>\$ 1,791,590</u>



## 7. COMMITMENTS AND CONTINGENCIES

### LEASES

The Agency leases office space, warehouse facilities, and on-line and instant product equipment over periods extending through July 2023. Rent expense for the years ended June 30, 2015 and 2014 totaled \$1,060,020 and \$818,075, respectively. Certain leases contain a bargain purchase option and are accounted for as capital leases.

The assets acquired under capital leases include:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Machinery and Equipment	\$ 91,983,613	\$ 68,286,448
Accumulated Amortization	<u>(31,253,535)</u>	<u>(57,932,543)</u>
	<u>\$ 60,730,078</u>	<u>\$ 10,353,905</u>

The following is a schedule of future minimum lease payments under these leases:

Year Ending June 30:	<u>Operating Leases</u>	<u>Capital Leases</u>
2016	\$ 1,090,443	\$ 13,249,953
2017	1,132,042	13,249,883
2018	1,175,341	13,249,935
2019	1,220,473	13,249,915
2020	1,267,252	9,919,753
2021	1,316,013	–
2022	1,366,697	–
2023	703,049	–
<b>Total</b>	<b>\$ 9,271,310</b>	<b>\$ 62,919,439</b>
Less amount representing interest		2,204,967
Present value of minimum lease payments		60,714,472
Less current maturities		13,249,953
Long-term portion of capital lease obligations		<u>\$ 47,464,519</u>

Liability activity for capital leases was as follows for the years ended June 30,:

	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 17,480,149	\$ 31,023,183
Acquisitions	63,866,668	–
Disposals	(17,480,149)	–
Payments	<u>(3,152,196)</u>	<u>(13,543,034)</u>
Ending Balance	<u>\$ 60,714,472</u>	<u>\$ 17,480,149</u>



## 8. PARTICIPATION IN THE MULTI-STATE LOTTERY ASSOCIATION

In July 2014, the Agency became a member of the Multi-State Lottery Association (MUSL), which operates several jackpot lottery games on behalf of other participating lotteries. The Agency participates in two of these games: Mega Millions and Powerball. MUSL is managed by a Board of Directors, which is comprised of lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer these multi-state games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and independent contractors serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the independent audit.

Each MUSL member sells game tickets through its lottery retailers and makes weekly wire transfers to MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for Powerball and Mega Millions is 50% of each drawing period's sales, within minimum jackpot levels.

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve as a contingency reserve to protect from unforeseen liabilities. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to the members if MUSL disbands or, after one year, if a member leaves MUSL.

The Agency's share of the prize reserve fund balances with MUSL as of June 30, 2015 was as follows (in thousands):

	<b>Total Prize Reserves</b>	<b>Agency Share</b>
Powerball	\$ 109,940	\$ 318
Mega Millions	37,272	758
	<u>\$ 147,212</u>	<u>\$ 1,076</u>

Lottery prize reserves held by MUSL are invested according to a Trust agreement the participating lotteries have with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to the payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.



## 9. RETIREMENT BENEFITS

The Agency and its employees contribute to the State Retirement and Pension System (the System). The System is a cost sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees. The Agency's only obligation to the System is its required annual contribution. The System is administered by a Board of Trustees in accordance with State Personnel and the Pension Article of the Annotated Code of Maryland. The System prepares a separately audited CAFR, which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202.

### PLAN DESCRIPTIONS

Agency employees are members of the Employees' Retirement and Pension Systems (two of several systems managed by the System's Board of Trustees). The Employees' Retirement System (the Retirement Plan) includes those employees hired prior to January 1, 1980 who have not elected to transfer to the Employees' Pension System (the Pension Plan). Conversely, members of the Pension Plan include those employees hired after January 1, 1980 and prior employees who have elected to transfer from the Retirement Plan.

The Retirement Plan provides retirement, death and disability benefits to its members. Members of the Retirement Plan are generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of eligible service regardless of age. The annual retirement allowance equals  $1/55$  (1.8%) of the member's highest three-year average final salary (AFS) multiplied by the number of years of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of eligible service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of eligible service, whichever is less. The maximum reduction for a member is 30%. Any member who terminates employment before attaining retirement age but after accumulating five years of eligible service is eligible for a vested retirement allowance.

The Pension Plan provides retirement, death and disability benefits to its members. Certain aspects of eligibility and benefit calculations are different for employees hired on or after July 1, 2011. Those differences are explained below.

Members of the Pension Plan who were active participants prior to July 1, 2011 are generally eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. Generally, the annual pension allowance for a member equals  $1/55$  (1.8%) of the member's AFS, multiplied by the number of years of creditable service. A member may retire with reduced benefits upon attaining age 55 with at least 15 years of eligible service. Any member who terminates employment before attaining retirement age but after accumulating five years of eligible service is eligible for a vested retirement allowance.



**9. RETIREMENT BENEFITS (CONTINUED)**

Employees hired on or after July 1, 2011 (New Hires) are generally eligible for full retirement benefits based upon the “Rule of 90” which states that the sum of the employee’s age plus eligible service must equal 90 or the employee must be age 65 with 10 years of service. The annual pension allowance for New Hires equals 1.5% of the member’s AFS, multiplied by the number of years of creditable service. AFS for New Hires is calculated using the highest 5 consecutive years. A New Hire may retire with reduced benefits upon attaining age 60 with at least 15 years of eligible service. A New Hire who terminates employment before attaining retirement age but after accumulating ten years of eligible service is eligible for a vested retirement allowance.

**FUNDING POLICY**

Active members and the employers of the members are required to contribute to the Employees’ Retirement and Pension Systems. The Agency’s required contribution is established by annual actuarial valuations using the entry age normal cost method with projection and other actuarial assumptions adopted by the Board of Trustees. For service earned after July 1, 2011, members of the Employees’ Retirement System and the Employee’s Pension System are required to contribute 7% of earnable compensation.

The Agency contributions, which equal 100% of the required contributions, for the three years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Agency contribution	\$2,315,584	\$1,802,088
Percentage of payroll	10.21%	9.11%

**GASB NO. 68 – PENSION DISCLOSURES**

In June 2012, GASB issued Statement No. 68, “Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No 27.” GASB Statement No. 68 requires the Agency to recognize the long-term obligations for pension benefits as a liability for the first time on the Statements of Net Position and to more comprehensively and comparatively measure the annual cost of pension benefits.

As of June 30, 2015, the Agency reported a liability of \$13,723,698 for its proportionate share of the State of Maryland’s pension liability. The net pension liability was measured as of June 30, 2014 (The Maryland State Retirement and Pension System measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency’s proportion of the State of Maryland’s net position liability was based on a projection of the Agency’s long term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.



## 9. RETIREMENT BENEFITS (CONTINUED)

The components of the State of Maryland’s net pension liability as reported by the Maryland State Retirement and Pension System at the measurement date:

### State of Maryland’s Net Pension Liability Components June 30, 2014 (expressed in millions)

Total Pension Liability (TPL)	\$ 63,086.7
Plan Fiduciary Net Position	45,340.0
Net Pension Liability	<u>17,746.7</u>
Ratio – Fiduciary Net Position /TPL	<u>71.87%</u>

On June 30, 2015, the Agency’s proportion of the State of Maryland’s net pension liability of \$16,783,079,048 (State pool only) was \$13,723,698 or .02% of the total State’s pension liability.

The Agency reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources as of June 30, 2015:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience change of assumptions	\$ 198,524	\$ –
Net difference between projected and actual earnings on pension plan investments	–	1,502,148
Agency’s contributions subsequent to the measurement date	<u>2,315,584</u>	–
Total	<u>\$ 2,514,108</u>	<u>\$ 1,502,148</u>

The Agency’s contributions of \$2,315,584 reported as deferred outflows of resources related to pensions resulted from contributions subsequent to the measurement date. This amount will be recognized as a reduction in the net pension liability for the year ended June 30, 2016.

## 10. OTHER POST-EMPLOYMENT BENEFITS

Members of the State Retirement and Pension Systems and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (Plan). The Plan is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental



## 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

insurance benefits to eligible state employees, retirees, and their dependents. A separate valuation is not performed for the Agency. The Agency's only obligation to the Plan is its required annual contribution.

Effective June 1, 2004, the State established the Postretirement Health Benefits Trust Fund (OPEB Trust) to receive appropriated funds and contributions to assist the Plan in financing the State's post-employment health insurance subsidy. The OPEB Trust is established in accordance with the State Personnel and Pensions Article, Section 34-101 of the Annotated Code of Maryland and is administered by the Board of Trustees for the State Retirement and Pension System. The Board of Trustees prepares a financial report for the OPEB Trust, which can be obtained from the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202.

### PLAN DESCRIPTION

Agency employees are members of the Plan. Members, generally, may enroll and participate in the health benefit options if the retiree ended State service with at least 10 years of creditable service and within five years before the age at which a vested retirement allowance normally would begin or if the retiree ended State service with at least 16 years of creditable service.

### FUNDING POLICY

Based on current practice, the State subsidizes approximately 50% to 85% of covered medical, dental, prescription, and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for postemployment health care benefits, which is based on health care insurance charges for current employees. Costs for post retirement benefits are for State of Maryland retirees. The State does not distinguish employees by employer/State agency. Instead, the State allocates the postemployment health care costs to all participating employers. The cost of these benefits is expensed when paid. For the years ended June 30, 2015 and June 30, 2014, the State did not allocate postemployment health care costs to participating employers and as a result no contribution was made by the Agency.

## 11. RISK MANAGEMENT

The Agency is exposed to various risks associated with the theft, damage, or destruction of assets, torts, and game liability. To manage the related risks, the Agency participates in the State's insurance program, which provides general liability, personal and casualty, and workers' compensation insurance. The program requires all agencies to submit premiums based upon proportionate payroll costs and/or claim history. This insurance covers related losses up to a maximum of \$1,000,000 per event. Settlements have not exceeded coverage for any of the past three fiscal years. The activity related to accrued workers' compensation costs is included in the schedule exhibited in Note 6.



## 11. RISK MANAGEMENT (CONTINUED)

To minimize risks associated with lottery game liabilities, the Agency has established aggregate payout limits for each game type. This approach discontinues sales of the daily numbers games once the potential liability limit is reached for a specific player selection. A maximum payout limit is established for those games with a first-tier prize, which requires multiple first-tier winners to split the related prize.

Risk is minimized for gaming operations as the law requires a VLT to have an average payout of 87% or more but does not exceed 100%. A casino's gaming floor is to be configured to collectively achieve, at all times, an average payout of 90% and which does not exceed 95%. For table games, any overall loss for the day is absorbed by the casinos.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
 NET POSITION — BUDGET AND ACTUAL**

	For the Year ended June 30, 2015			
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Budget over (under)
Revenues:				
Cash Revenue Receipts from all Sources	\$ 2,882,058,620	\$2,841,127,000	\$2,829,108,482	\$ (12,018,518)
Expenditures and encumbrances:				
Gaming Vendor and Information Technology Fees	20,871,720	23,402,720	23,522,186	119,466
Instant Ticket Printing and Delivery	7,246,441	7,710,129	6,167,461	(1,542,668)
Salaries, Wages, and Benefits	22,611,720	22,811,720	23,198,757	387,037
Advertising and Promotions	11,783,957	11,783,957	12,369,906	585,949
Other General and Administrative Expenses	79,345,605	79,321,513	50,011,479	(29,310,034)
Reversions VLT General Fund	-	(5,177,494)	5,117,494	10,294,988
Reversions — Lottery	-	(1,804,751)	1,804,751	3,609,502
Total expenditures and encumbrances	<u>141,859,443</u>	<u>138,047,794</u>	<u>122,192,034</u>	<u>(15,855,760)</u>
Excess of Revenues over (under) expenditures	2,740,199,177	2,703,079,206	2,706,916,448	3,837,242
Other Sources (uses) of financial resources:				
Transfers in (out):				
State of Maryland Stadium Authority and Veterans Trust	(20,000,000)	(20,000,000)	(20,034,267)	(34,267)
State of Maryland General Fund	(503,467,000)	(500,010,000)	(506,492,649)	(6,482,649)
Other Government Agencies/Funds — VLT	-	-	(499,677,022)	(499,677,022)
Excess of revenues over expenditures and other sources of financial resources	<u>\$ 2,216,732,177</u>	<u>\$2,183,069,206</u>	<u>\$ 1,680,712,510</u>	<u>\$ (502,356,696)</u>
<b>Reconciliation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures</b>				
Change in Net Position	\$ 5,904,169			
Non-budgetary expenditures:				
Prize Expense	\$ 1,051,485,747			
Retailer and Casino Commissions	667,596,138			
Depreciation	9,827,449			
Bad Debt	55,053			
Accounting principle differences:				
Accounts Receivable	4,648,337			
Unearned Revenue	(266,066)			
Increase in Fair Value of Investments	1,059,353			
Amortization of Discount Prize Liabilities	2,075,891			
Compensated absences	220,040			
Workers' Compensation	(7,000)			
Capital lease payments and related interest	(20,632,346)			
Cash received for VLT	(41,254,255)			
Excess of Revenues over Expenses	<u>\$ 1,680,712,510</u>			



## 1. BUDGETING AND BUDGETARY CONTROL

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. Each year the Agency prepares its annual budget and submits it to the Governor. The Governor then presents the State's annual budget (including the Agency's) to the General Assembly in accordance with Constitutional requirements. The General Assembly is required to then enact a balanced budget.

The Agency's official budget, as adopted by the Legislature, is based upon accounting for certain transactions on the basis of cash receipts and disbursements. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as expenditures when the purchase commitment is made, is employed for budgetary purposes. Unliquidated encumbrances are canceled at year-end if it is determined the funds will not be utilized in the future. Unencumbered appropriations lapse at the end of the fiscal year for which they were appropriated. The major differences between the budget basis and the Accounting Principles Generally Accepted in the United States of America (GAAP) basis of accounting are:

- Lottery player prize payments are not budgeted;
- Lottery retailer commissions are not budgeted;
- Casino operator commissions are not budgeted;
- Revenues are recorded when received in cash (budget) as opposed to when earned (GAAP);
- Expenses (including deferred prizes) are recorded when paid or encumbered (budget) as opposed to when the liability is incurred (GAAP);
- The budget basis excludes depreciation and amortization.

The Agency maintains budgetary control by not permitting the total expenditures to exceed appropriations without executive and legislative branch approval.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Maryland Lottery and Gaming Control Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Maryland Lottery and Gaming Control Agency (an agency of the State of Maryland) (Agency), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Maryland Lottery and Gaming Control Agency's basic financial statements, and have issued our report thereon dated September 30, 2015.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Maryland Lottery and Gaming Control Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Maryland Lottery and Gaming Control Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Maryland Lottery and Gaming Control Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

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material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Maryland Lottery and Gaming Control Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stout, Causey & Horning, P.A.*

September 30, 2015

## STATISTICAL SECTION

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SINCE ITS INCEPTION IN 1973, THE MARYLAND LOTTERY HAS CONTRIBUTED MORE THAN \$14.4 BILLION IN REVENUE TO THE STATE OF MARYLAND. MARYLAND'S CASINO PROGRAM, WHICH BEGAN IN SEPTEMBER 2010, HAS GENERATED \$1.51 BILLION IN REVENUE, WITH MORE THAN \$1.15 MILLION SUPPORTING EDUCATION IN THE STATE.

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MARYLAND LOTTERY AND GAMING CONTROL AGENCY,  
AN ENTERPRISE FUND OF THE STATE OF MARYLAND



This section of the Comprehensive Annual Financial Report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the overall financial health of the MLGCA.

## CONTENTS

### **FINANCIAL TRENDS** **77**

These schedules contain trend information to help readers understand how the MLGCA's financial performance and position have changed over time. The information presented includes changes in net position, sales and contribution/transfer data for both the lottery and gaming operations, as well as the lottery industry as a whole.

### **REVENUE CAPACITY** **100**

These schedules contain information to help readers assess the MLGCA's most significant revenue sources. The lottery's statewide retailer network determines the market exposure for the lottery's games. The casinos determine the market exposure for VLTs and table games.

### **DEBT CAPACITY** **111**

This schedule presents information to help readers assess the debt burden and the ability to issue additional debt in the future.

### **DEMOGRAPHIC AND ECONOMIC INFORMATION** **112**

These schedules offer demographic and economic indicators to help readers understand the environment within which the MLGCA operates.

### **OPERATING INFORMATION** **113**

These schedules contain information about the MLGCA's organization and efficiency.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports or the audited financial statements for the relevant year.

MARYLAND LOTTERY AND GAMING CONTROL AGENCY

NET POSITION AND CHANGES IN NET POSITION – FISCAL YEARS 2006 THROUGH 2015

FISCAL YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net investment in capital assets	\$ 292,874	\$ 341,314	\$ 189,292	\$ 29,504	\$ (791,434)	\$ (6,881,872)	\$ (6,982,992)	\$ (7,197,022)	\$ (6,954,587)	\$ 1,041,616
Unrestricted	26,719,381	13,830,745	28,739,711	27,343,816	22,748,793	12,829,364	19,140,536	(1,153,072)	1,806,301	(285,733)
<b>Total net position</b>	<b>\$ 27,012,255</b>	<b>\$ 14,172,059</b>	<b>\$ 28,929,003</b>	<b>\$ 27,373,320</b>	<b>\$ 21,957,359</b>	<b>\$ 5,947,492</b>	<b>\$ 12,157,544</b>	<b>\$ (8,350,094)</b>	<b>\$ (5,148,286)</b>	<b>\$ 755,883</b>

CHANGE IN NET POSITION – FISCAL YEARS 2006 THROUGH 2015

<b>OPERATING REVENUES:</b>										
Numbers games	\$ 534,578,721	\$ 531,992,424	\$ 509,185,489	\$ 525,522,017	\$ 513,618,529	\$ 515,463,163	\$ 520,134,881	\$ 513,323,309	\$ 515,364,423	\$ 517,868,800
Monitor games	436,527,806	462,551,365	460,795,521	483,177,817	491,999,734	496,730,733	521,672,673	493,569,979	466,230,592	457,655,976
Matrix games	174,467,430	151,186,911	184,017,335	182,317,198	210,101,223	208,660,360	246,281,195	263,387,307	262,764,097	235,475,472
Instant games	415,331,827	425,085,365	513,859,583	507,057,024	490,853,089	493,548,322	506,803,706	485,838,672	479,631,463	546,053,764
Raffle games	—	6,495,000	5,180,800	—	—	—	—	—	—	—
ITLMs	—	—	—	—	—	—	—	—	—	3,812,016
<b>Total net sales</b>	<b>1,560,905,784</b>	<b>1,577,311,065</b>	<b>1,673,038,728</b>	<b>1,698,074,056</b>	<b>1,706,572,575</b>	<b>1,714,402,578</b>	<b>1,794,892,455</b>	<b>1,756,119,267</b>	<b>1,723,990,568</b>	<b>1,760,866,028</b>
Gaming Revenue — Gross Terminal Revenue	—	—	—	—	103,132,793	195,093,073	560,679,031	579,133,667	681,822,742	66,263,057
Gaming Revenue — State Grant	—	—	—	185,724	1,120,566	9,605,152	28,959,177	73,690,820	81,648,408	356,401,074
Gaming Revenue — Table Games	—	—	—	—	—	—	—	48,037,794	254,869,582	2,812,897
Gaming Revenue — Facility Applicants	—	—	—	896,234	3,591,922	1,341,779	1,791,260	3,282,340	3,035,800	3,967,980
Gaming Machine Assessment	—	—	—	—	—	—	1,708,825	2,964,174	—	1,587,896
ITLM Lease Revenue	—	—	—	—	—	—	—	—	—	—
<b>Total operating revenues</b>	<b>1,560,905,784</b>	<b>1,577,311,065</b>	<b>1,673,038,728</b>	<b>1,699,156,014</b>	<b>1,711,285,063</b>	<b>1,828,482,502</b>	<b>2,022,444,790</b>	<b>2,444,195,075</b>	<b>2,645,960,365</b>	<b>2,873,721,674</b>
<b>COST OF SALES:</b>										
Prize expense	904,077,713	927,009,794	956,887,051	1,025,901,163	1,034,157,126	1,029,040,616	1,065,653,665	1,038,475,788	1,022,033,738	1,051,485,747
Retailer commissions	102,704,705	112,187,831	117,824,367	121,888,107	113,130,686	113,687,526	118,305,427	119,788,227	122,109,073	128,596,268
Casino commissions	—	—	—	—	—	34,033,822	64,380,714	223,930,473	406,227,926	538,999,870
Gaming vendor and data processing fees	15,638,778	14,778,613	15,615,384	15,975,142	16,201,910	19,360,974	20,077,153	21,368,102	20,772,228	23,522,186
Instant ticket printing and delivery	6,199,964	5,261,387	6,910,073	6,621,144	6,784,297	6,275,995	6,206,543	6,435,341	7,940,317	6,167,461
<b>Total cost of sales</b>	<b>1,028,621,160</b>	<b>1,059,237,625</b>	<b>1,097,236,875</b>	<b>1,170,385,556</b>	<b>1,170,274,019</b>	<b>1,202,398,933</b>	<b>1,274,623,502</b>	<b>1,409,997,931</b>	<b>1,579,083,282</b>	<b>1,748,771,532</b>
<b>OPERATING EXPENSES:</b>										
Salaries, wages, and benefits	11,402,287	12,355,212	12,224,124	12,981,499	13,044,796	14,498,108	15,662,232	16,929,270	20,205,985	23,198,757
Advertising and promotions	15,859,308	18,332,963	19,805,039	19,036,583	13,767,713	13,811,939	12,592,589	13,297,155	11,593,907	12,369,906
Other general and administrative expenses	4,807,627	3,447,049	3,663,424	4,101,836	6,859,044	16,008,540	17,293,017	59,032,711	74,392,476	50,011,479
Depreciation and amortization	560,257	657,431	627,947	649,441	1,308,073	7,256,951	10,817,070	25,403,648	13,300,598	9,827,449
<b>Total operating expenses</b>	<b>32,629,479</b>	<b>34,792,655</b>	<b>36,320,534</b>	<b>36,769,359</b>	<b>34,979,626</b>	<b>51,575,598</b>	<b>56,364,908</b>	<b>114,662,784</b>	<b>119,492,966</b>	<b>95,407,591</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>										
Unrealized gains (losses) on investments	(16,973,874)	(1,966,256)	4,709,628	(334,042)	(782,726)	(3,785,475)	811,093	(4,231,655)	(1,876,860)	(1,016,538)
Interest income (expense)	(44,066)	(35,452)	(30,449)	(16,480)	(56,021)	(113,167)	(911,404)	(719,832)	(567,607)	(641,187)
Payments to State of Maryland	(500,970,617)	(494,119,273)	(529,403,554)	(493,206,260)	(510,608,632)	(519,393,853)	(556,264,804)	(545,225,121)	(521,106,646)	(526,526,916)
Payments to other Government Funds/Agencies — Gaming	—	—	—	—	—	(67,225,143)	(128,881,213)	(376,536,947)	(420,631,196)	(499,677,022)
Gain on Sale of VLTs	—	—	—	—	—	—	—	—	—	4,206,207
Voluntary Exclusion Program	—	—	—	—	—	—	—	—	—	17,047
<b>Total non-operating revenues (expenses)</b>	<b>(517,988,557)</b>	<b>(496,120,981)</b>	<b>(524,724,375)</b>	<b>(493,556,782)</b>	<b>(511,447,379)</b>	<b>(590,517,638)</b>	<b>(685,246,328)</b>	<b>(926,713,555)</b>	<b>(944,182,309)</b>	<b>(1,023,638,409)</b>
<b>CHANGES IN NET POSITION:</b>	<b>(18,333,412)</b>	<b>(12,940,196)</b>	<b>14,756,944</b>	<b>(1,555,683)</b>	<b>(5,415,961)</b>	<b>(16,009,867)</b>	<b>6,210,052</b>	<b>(7,179,195)</b>	<b>3,201,808</b>	<b>5,904,169</b>
<b>TOTAL NET POSITION, BEGINNING OF YEAR:</b>	<b>45,345,667</b>	<b>27,012,255</b>	<b>14,172,059</b>	<b>28,929,003</b>	<b>27,373,320</b>	<b>21,957,359</b>	<b>5,947,492</b>	<b>(1,170,899)</b>	<b>(6,350,094)</b>	<b>(5,148,286)</b>
<b>TOTAL NET POSITION, END OF YEAR:</b>	<b>\$ 27,012,255</b>	<b>\$ 14,172,059</b>	<b>\$ 28,929,003</b>	<b>\$ 27,373,320</b>	<b>\$ 21,957,359</b>	<b>\$ 5,947,492</b>	<b>\$ 12,157,544</b>	<b>\$ (8,350,094)</b>	<b>\$ (5,148,286)</b>	<b>\$ 755,883</b>



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**SALES – FISCAL YEARS 2006 THROUGH 2015**

**SALES BY CATEGORY AND GAME**

FISCAL YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>NUMBERS:</b>										
Pick 3	\$ 298,075,249	\$ 291,917,229	\$ 274,291,763	\$ 276,347,705	\$ 266,948,839	\$ 260,815,333	\$ 254,590,816	\$ 245,523,090	\$ 244,538,835	\$ 240,910,861
Pick 4	236,503,472	240,075,195	234,893,726	249,174,312	246,669,690	254,647,830	265,544,065	267,800,219	270,825,588	276,957,939
Numbers Total	534,578,721	531,992,424	509,185,489	525,522,017	513,618,529	515,463,163	520,134,881	513,323,309	515,364,423	517,868,800
<b>MONITOR:</b>										
Keno	287,249,705	268,132,183	248,684,056	247,910,424	206,957,090	202,589,646	203,853,846	181,166,747	162,018,268	159,309,484
Keno Bonus <sup>®</sup>	149,009,769	144,546,887	137,893,276	134,381,213	48,713,189	45,186,127	43,746,000	38,373,084	32,940,922	31,940,922
Keno Super Bonus <sup>™</sup>	–	–	–	11,910,933	136,129,031	132,789,271	139,808,393	125,262,206	113,145,777	113,328,742
Racetraz <sup>®</sup>	268,332	49,844,937	72,876,083	88,511,360	90,826,725	102,471,436	117,329,306	129,391,042	137,795,943	134,880,805
Racetraz <sup>®</sup> Bonus	–	–	–	–	9,373,699	13,694,253	16,935,128	19,376,900	20,329,682	19,787,552
Maryland Hold 'Em <sup>™</sup>	–	27,358	1,342,106	463,887	–	–	–	–	–	–
Monitor Total	436,527,806	462,551,365	460,795,521	483,177,817	491,999,734	496,730,733	521,672,673	493,569,979	466,230,592	457,655,976
<b>MATRIX:</b>										
Mega Millions <sup>®</sup>	116,249,659	98,191,153	129,402,134	125,960,400	125,262,563	98,654,558	105,655,325	66,734,374	94,213,017	75,774,728
Megaplier <sup>®</sup>	–	–	–	–	–	2,959,179	5,191,647	4,285,050	6,280,278	6,245,909
Lotto	19,975,438	–	–	–	–	–	–	–	–	–
Multi-Match <sup>®</sup>	15,816,995	30,116,058	31,200,692	32,896,776	35,226,810	27,949,729	30,709,705	28,755,909	26,699,000	34,499,811
Bonus Match 5	22,425,338	22,879,700	23,414,509	23,460,022	20,761,956	21,389,572	21,867,458	21,078,755	21,444,445	21,320,570
Powerball <sup>®</sup>	–	–	–	–	26,512,016	52,734,546	78,014,723	126,245,964	100,804,309	84,760,845
Power Play <sup>®</sup>	–	–	–	–	2,337,878	4,972,776	4,842,337	5,097,998	4,957,936	4,746,751
5 Card Cash	–	–	–	–	–	–	–	11,189,257	8,365,105	6,534,023
Monopoly Millionaires' Club	–	–	–	–	–	–	–	–	–	1,592,835
Matrix Total	174,467,430	151,186,911	184,017,335	182,317,198	210,101,223	208,660,360	246,281,195	263,387,307	262,764,090	235,475,472
<b>INSTANT:</b>	415,331,827	425,085,365	513,859,583	507,057,024	490,853,089	493,548,322	506,803,706	485,838,672	479,631,463	546,053,764
<b>RAFFLE:</b>	–	6,495,000	5,180,800	–	–	–	–	–	–	–
<b>ITLM:</b>	–	–	–	–	–	–	–	–	–	3,812,016
<b>TOTAL SALES:</b>	\$ 1,560,905,784	\$ 1,577,311,065	\$ 1,673,038,728	\$ 1,698,074,056	\$ 1,706,572,575	\$ 1,714,402,578	\$ 1,794,892,455	\$ 1,756,119,267	\$ 1,723,990,568	\$ 1,760,866,028

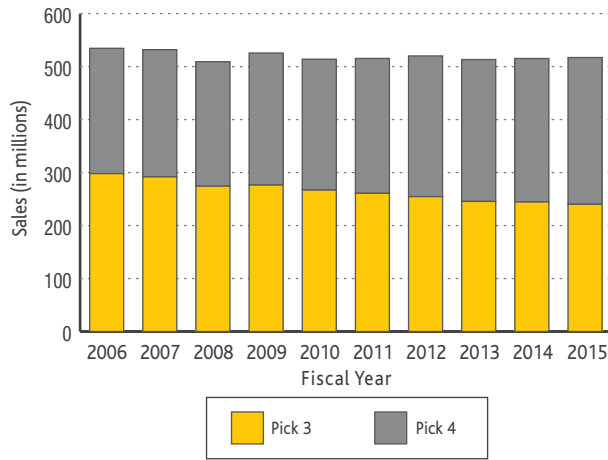
**PRODUCT MIX BY CATEGORY**

FISCAL YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Numbers Games	34.25%	33.73%	30.44%	30.95%	30.10%	30.07%	28.98%	29.23%	29.89%	29.41%
Monitor Games	27.96%	29.33%	27.54%	28.45%	28.83%	28.97%	29.06%	28.11%	27.04%	25.99%
Matrix Games	11.18%	9.58%	11.00%	10.74%	12.31%	12.17%	13.72%	15.00%	15.24%	13.37%
Instant Games	26.61%	26.95%	30.71%	29.86%	28.76%	28.79%	28.24%	27.67%	27.82%	31.01%
Raffle Games	–%	0.41%	0.31%	–%	–%	–%	–%	–%	–%	–%
ITLMs	–%	–%	–%	–%	–%	–%	–%	–%	–%	0.22%

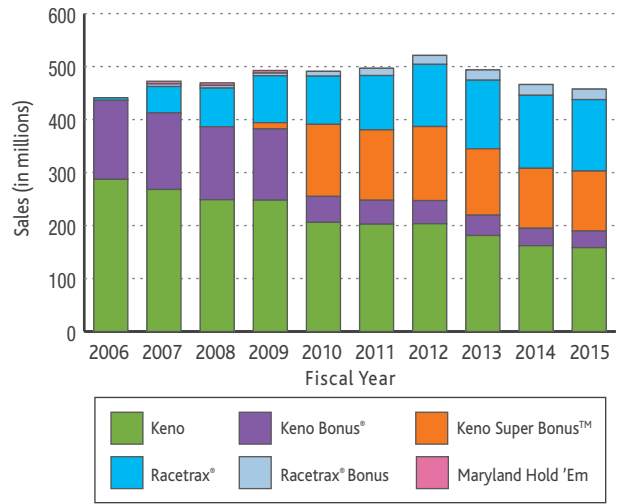


# MARYLAND LOTTERY AND GAMING CONTROL AGENCY SALES – FISCAL YEARS 2006 THROUGH 2015 (CONTINUED)

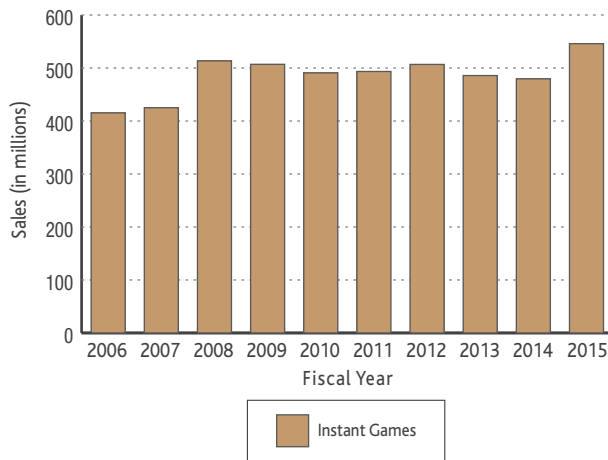
## NUMBERS GAMES



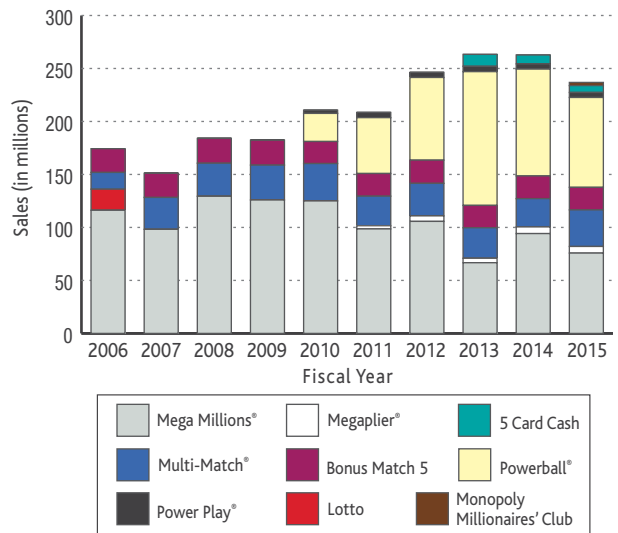
## MONITOR GAMES



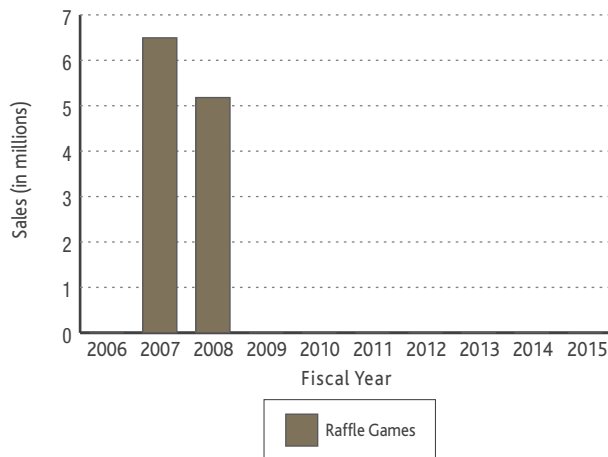
## INSTANT GAMES



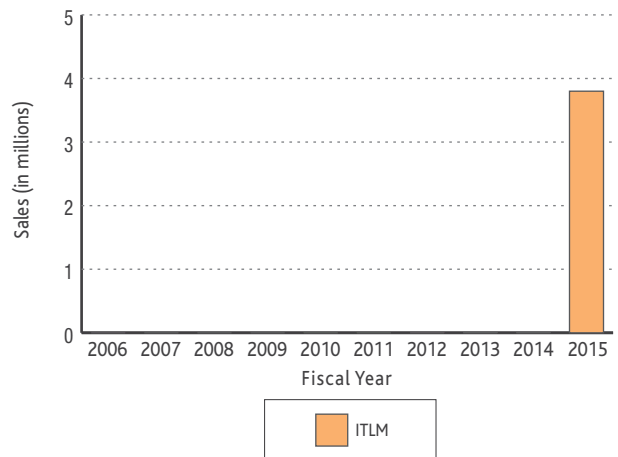
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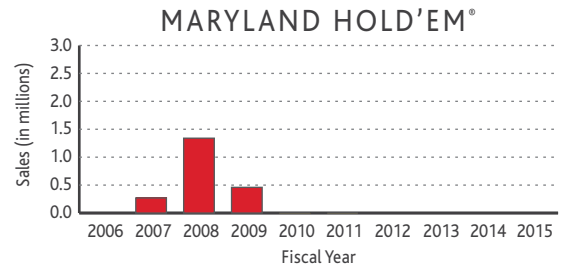
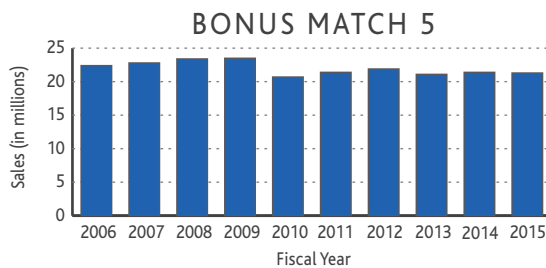
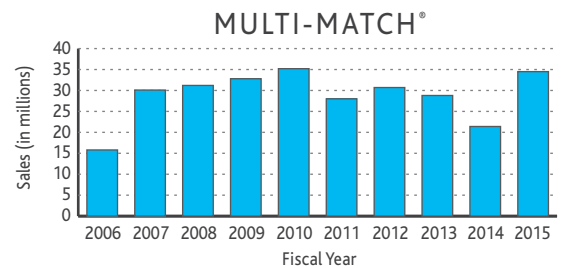
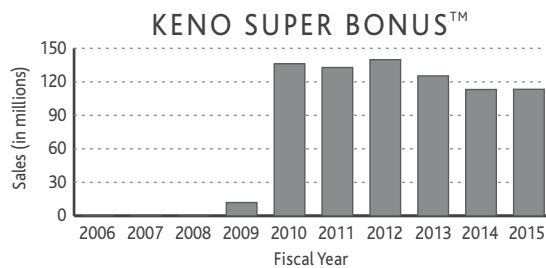
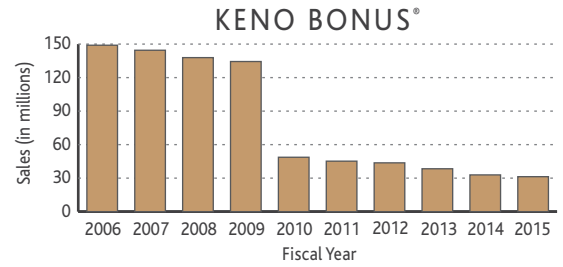
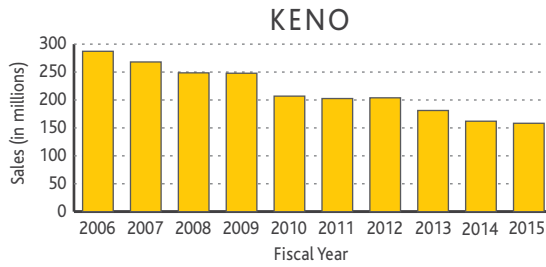
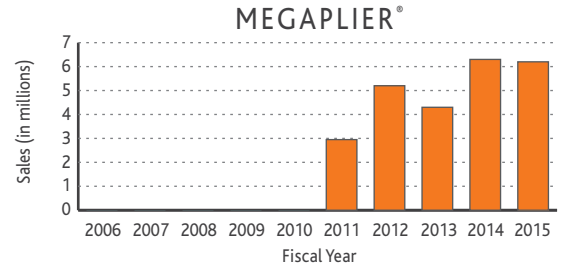
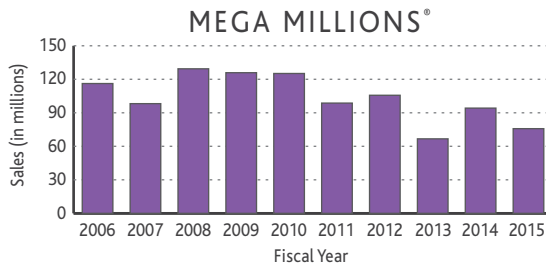
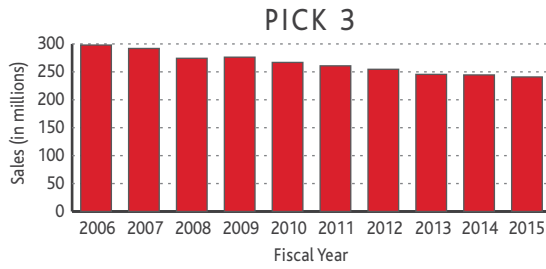
## RAFFLE GAMES



## ITLM



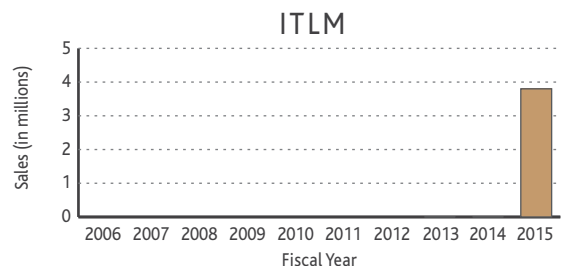
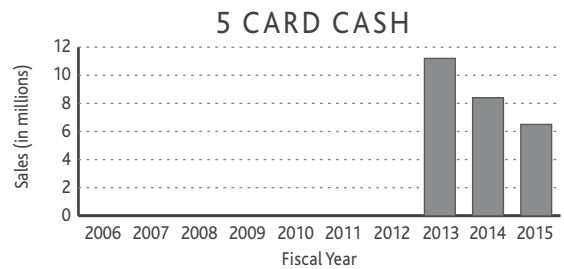
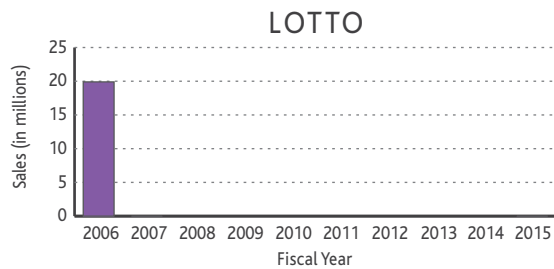
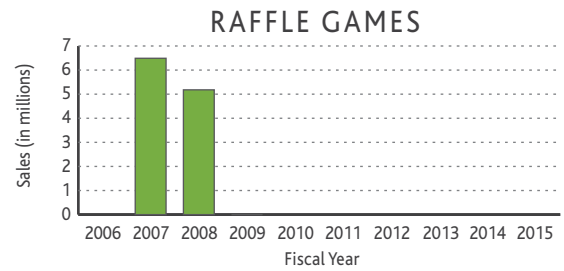
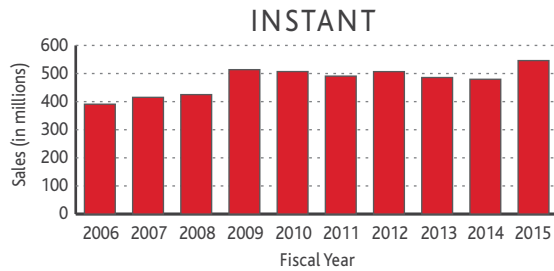
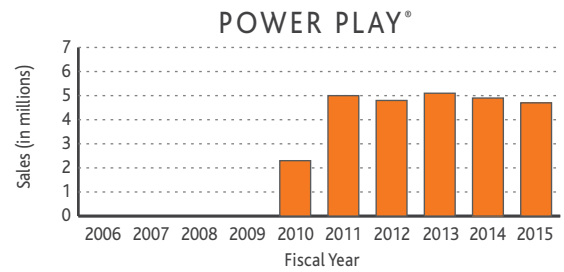
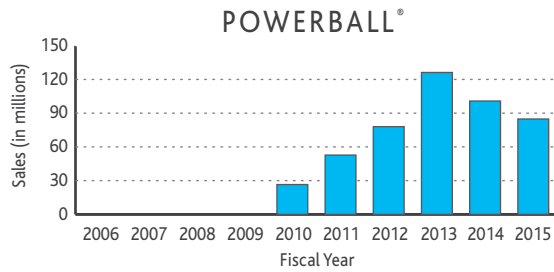
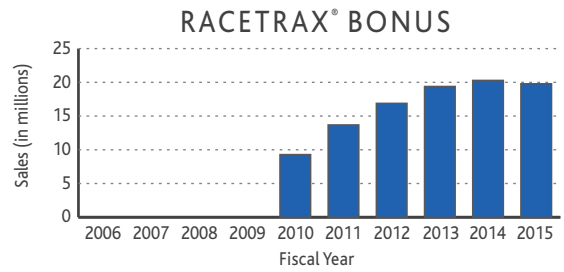
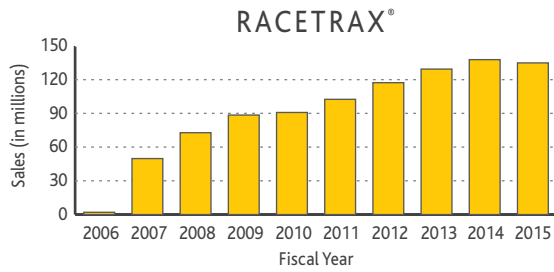
MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**SALES – FISCAL YEARS 2006 THROUGH 2015 (CONTINUED)**



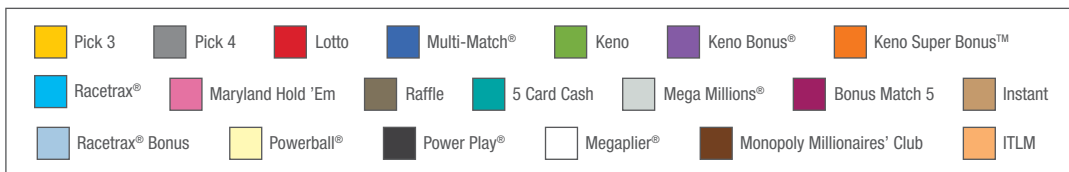
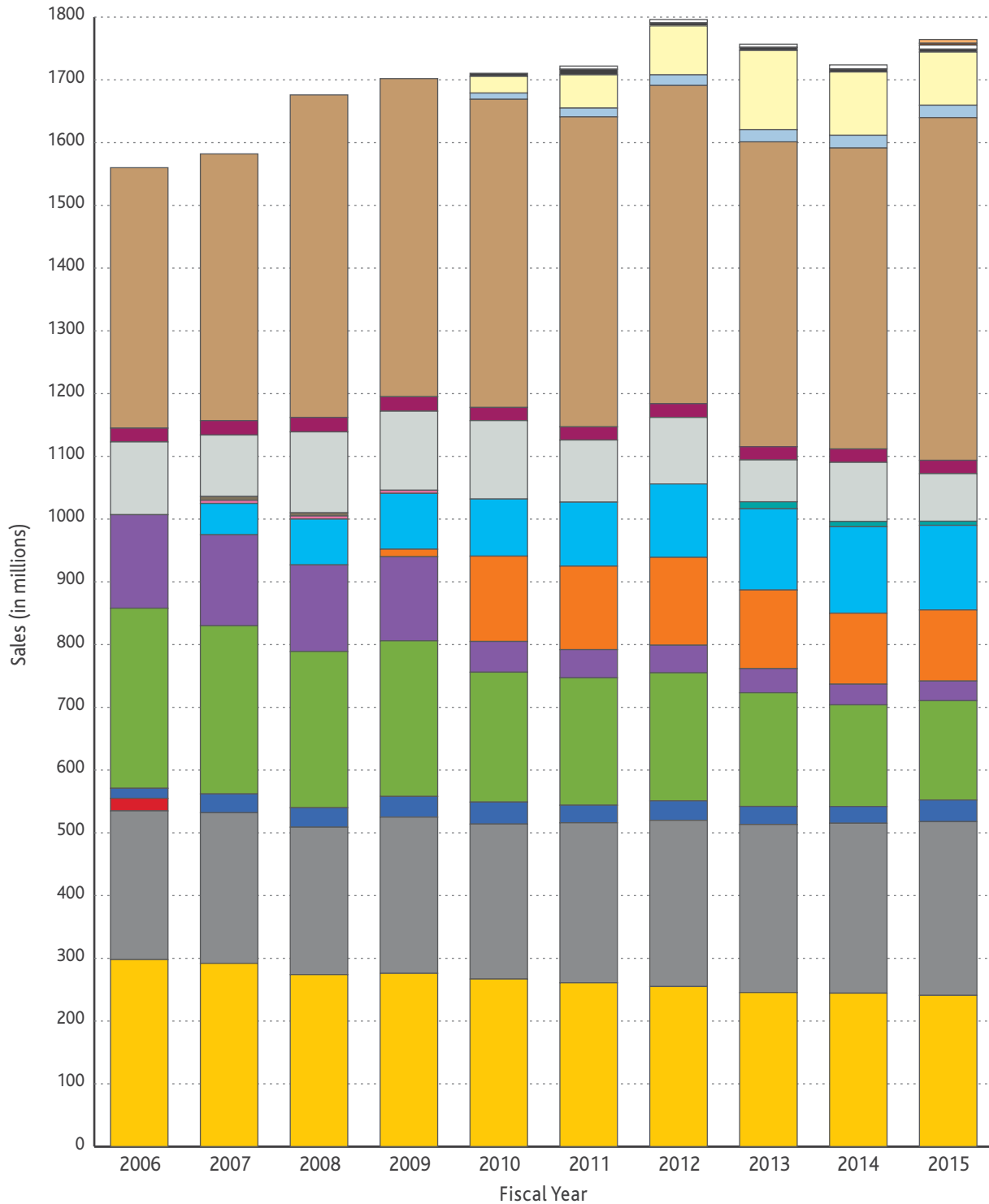


# MARYLAND LOTTERY AND GAMING CONTROL AGENCY

## SALES – FISCAL YEARS 2006 THROUGH 2015 (CONTINUED)



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**SALES – FISCAL YEARS 2006 THROUGH 2015 (CONTINUED)**





MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**U.S. LOTTERIES PER CAPITA SALES – FISCAL YEAR 2015**

Rank	State	Population (M)	Total Sales (\$M)	Per Capita*
1	Massachusetts	6.7	\$ 4,990.9	740
2	Georgia	10.1	4,195.2	415
3	New York	19.7	7,251.0	367
4	New Jersey	8.9	3,013.6	337
5	Washington, D.C.	0.7	211.0	321
6	Connecticut	3.6	1,144.0	318
7	Pennsylvania	12.8	3,819.6	299
8	<b>MARYLAND</b>	<b>6.0</b>	<b>1,757.1**</b>	<b>294</b>
9	South Carolina	4.8	1,401.7	290
10	Florida	19.9	5,583.3	281
11	Michigan	9.9	2,758.2	278
12	Ohio	11.6	2,890.9	249
13	Rhode Island	1.1	243.1	230
14	Tennessee	6.5	1,475.0	225
15	Virginia	8.3	1,843.9	221
16	Illinois	12.9	2,837.3	220
17	New Hampshire	1.3	279.6	211
18	Kentucky	4.4	896.4	203
19	North Carolina	9.9	1,972.2	198
20	Maine	1.3	253.1	190
21	Missouri	6.1	1,098.3	181
22	Vermont	0.6	111.8	179
23	Texas (EST)	27.0	4,524.5	168
24	Delaware	0.9	150.5	161
25	Indiana	6.6	1,041.3	158
26	California	38.8	5,524.9	142
27	Arkansas	3.0	408.7	138
28	Idaho	1.6	210.2	129
29	Arizona	6.7	750.0	111
30	Iowa	3.1	324.8	105
31	Colorado	5.4	538.0	100
32	Minnesota	5.5	546.9	100
33	Wisconsin	5.8	574.5	100
34	Louisiana	4.6	452.5	97
35	West Virginia	1.9	180.0	97
36	Kansas	2.9	265.0	91
37	Nebraska	1.9	160.0	85
38	Washington	7.1	599.7	85
39	Oregon	4.0	318.4	80
40	New Mexico	2.1	137.0	66
41	South Dakota	0.9	51.8	61
42	Montana	1.0	52.5	51
43	Oklahoma	3.9	171.6	44
44	North Dakota	0.7	27.0	37
45	Wyoming	0.6	17.8	31
<b>Total</b>		<b>303.1</b>	<b>\$ 67,054.8</b>	<b>221</b>

Source: *La Fleur's Magazine*, September/October 2015 Edition

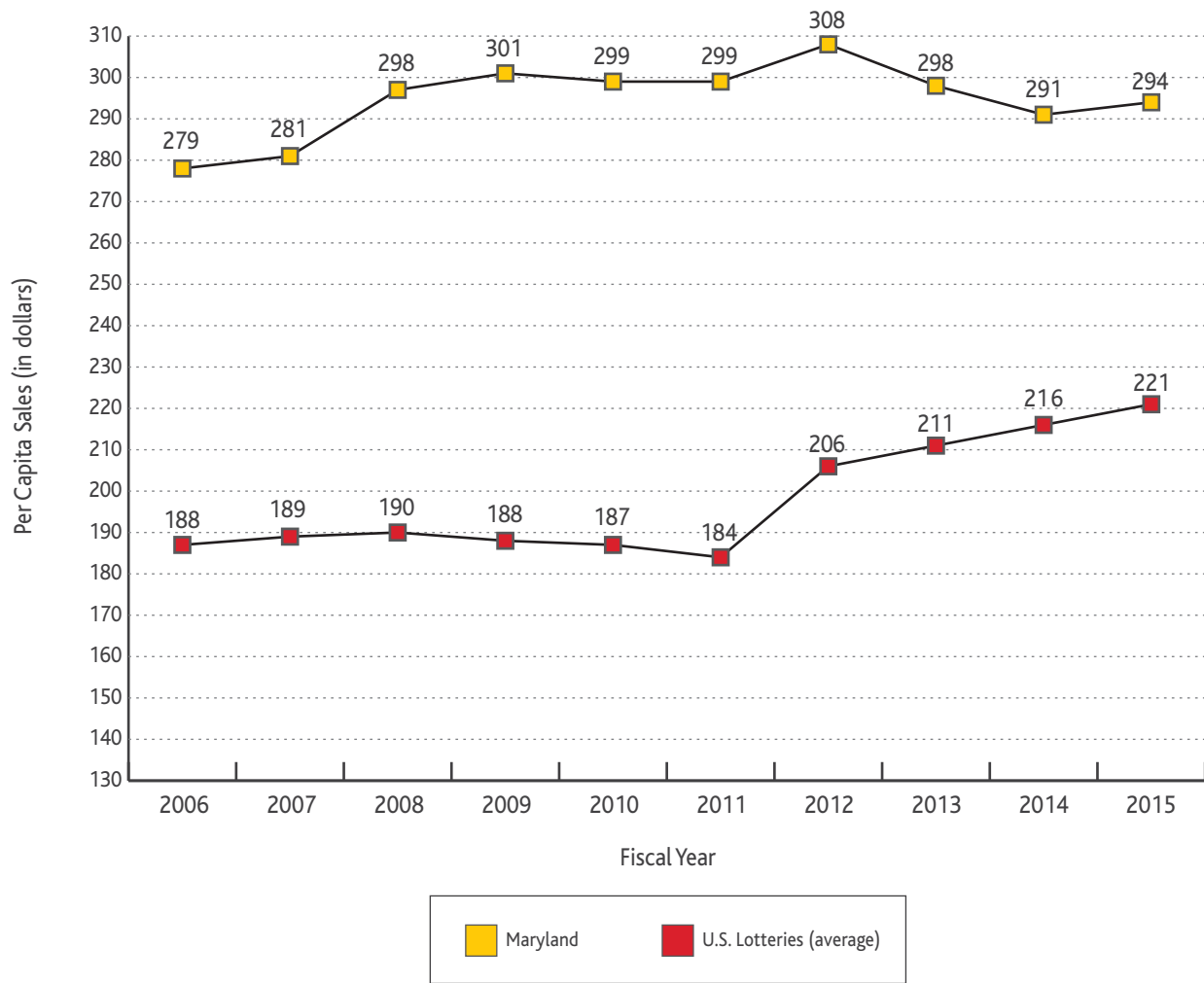
\* Subject to rounding.

\*\*Does not include ITLM sales.

Fiscal year ends June 30 except New York (March 31), Texas (August 31) and Michigan (September 30).

The following Lotteries were excluded: Puerto Rico and the U.S. Virgin Islands.

# U.S. LOTTERIES PER CAPITA SALES – FISCAL YEARS 2006 THROUGH 2015

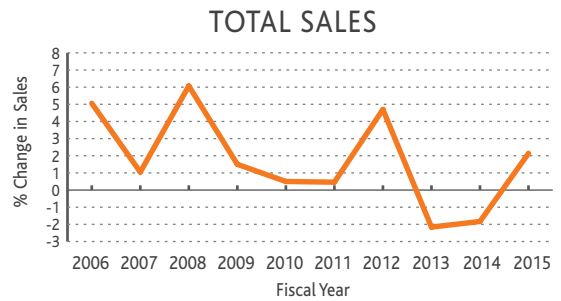
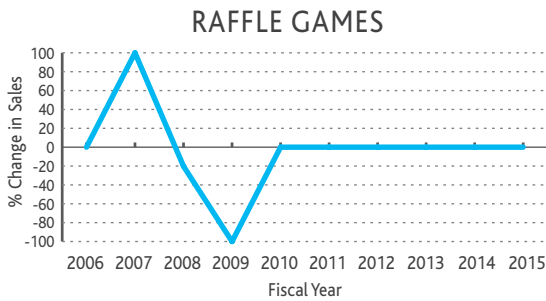
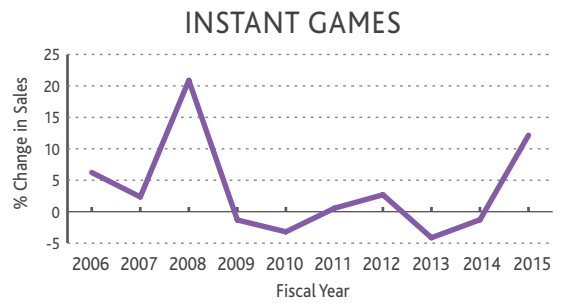
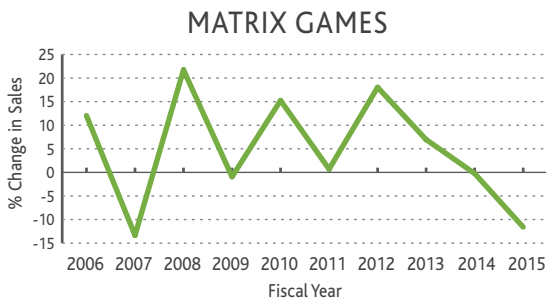
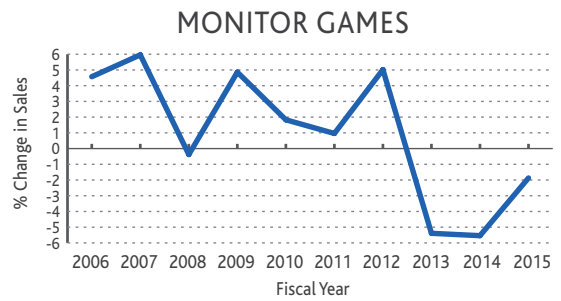
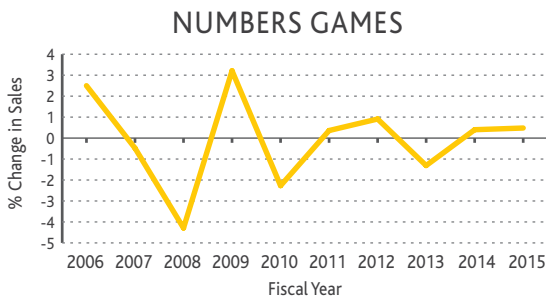


Sources: *La Fleur's Magazine*, September/October 2014 Edition



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**PERCENTAGE CHANGE IN SALES – FISCAL YEARS  
 2006 THROUGH 2015**

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Numbers Games	2.50%	-0.48%	-4.29%	3.21%	-2.27%	0.36%	0.91%	-1.31%	0.40%	0.48%
Monitor Games	4.57%	5.96%	-0.38%	4.86%	1.83%	0.96%	5.02%	-5.39%	-5.54%	-1.87%
Matrix Games	12.02%	-13.34%	21.72%	-0.92%	15.24%	0.69%	18.03%	6.95%	-0.24%	-11.59%
Instant Games	6.23%	2.35%	20.88%	-1.32%	-3.20%	0.55%	2.69%	-4.14%	-1.28%	12.16%
Raffle Games	–%	100.00%	-20.23%	-100.00%	–%	–%	–%	–%	–%	–%
ITLM	–%	–%	–%	–%	–%	–%	–%	–%	–%	n/a
<b>Total Sales</b>	<b>5.06%</b>	<b>1.05%</b>	<b>6.07%</b>	<b>1.50%</b>	<b>0.50%</b>	<b>0.46%</b>	<b>4.70%</b>	<b>-2.16%</b>	<b>-1.83%</b>	<b>2.14%</b>



Note: ITLMs were not included as it was the first year of operation.

## U.S. LOTTERIES PERCENTAGE CHANGE IN SALES – FISCAL YEAR 2015



Rank	State	Total Sales (\$M)	% Change
1	South Carolina	\$ 1,401.7	11%
2	Maine	253.4	10
3	California	5,524.9	10
4	Vermont	111.8	9
5	North Carolina	1,972.2	7
6	Michigan	2,758.2	6
7	Ohio	2,890.9	5
8	Kentucky	897.3	5
9	Georgia	4,195.2	4
10	Florida	5,583.3	4
11	New Jersey	3,013.6	4
12	Arizona	750.0	4
13	Iowa	324.8	3
14	Texas	4,524.5	3
15	Minnesota	546.9	3
16	Massachusetts	4,990.9	3
17	Connecticut	1,144.0	3
18	Oregon	318.4	3
19	Kansas	265.0	3
20	Indiana	1,041.3	2
21	New Hampshire	279.6	2
22	<b>MARYLAND</b>	<b>1,757.1*</b>	<b>2</b>
23	Virginia	1,843.9	2
24	Delaware	150.5	2
25	Nebraska	160.0	1
26	Illinois	2,837.3	1
27	Wisconsin	574.5	1
28	Louisiana	452.5	1
29	Washington	599.7	1
30	New Mexico	137.0	1
31	Idaho	210.2	1
32	Pennsylvania	3,819.6	1
33	North Dakota	27.0	0
34	Rhode Island	243.1	0
35	Arkansas	408.7	0
36	New York	7,251.0	-1
37	Colorado	538.0	-1
38	Montana	52.5	-1
39	Missouri	1,099.1	-4
40	South Dakota	51.8	-4
41	West Virginia	180.0	-5
42	Washington, D.C.	211.0	-5
43	Oklahoma	171.6	-10
<b>Total</b>		<b>\$ 65,564.0</b>	

Source: *La Fleur's Magazine*, September/October 2015 Edition

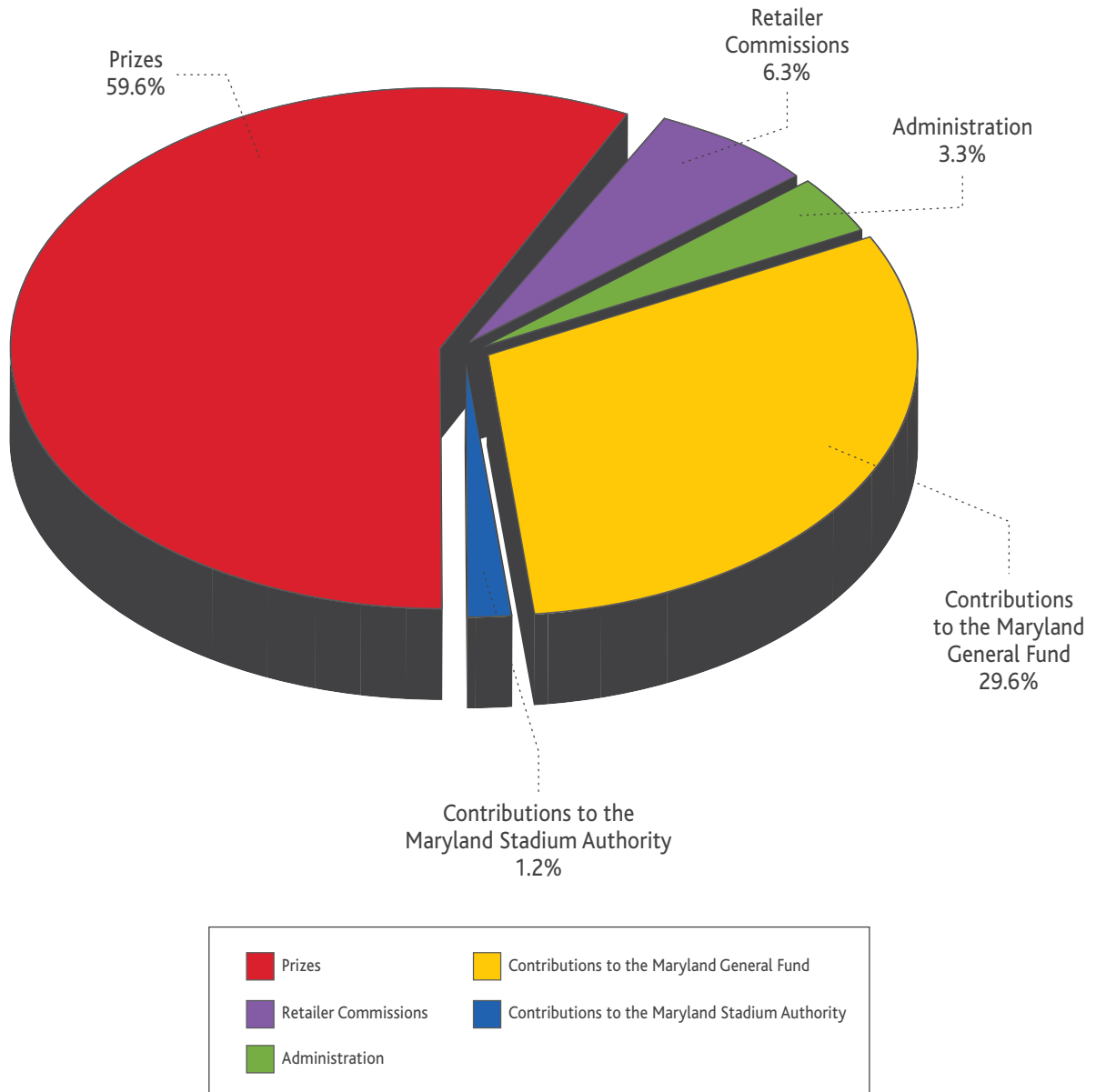
\* Does not include ITLM sales.

U.S. lotteries ranked % chg. FY14 total (in US\$). Excludes VLT revenue.

The following Lotteries were excluded: Tennessee, Puerto Rico and the U.S. Virgin Islands.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
EXPENSES AND CONTRIBUTIONS – CUMULATIVE  
FOR FISCAL YEARS 2006 THROUGH 2015



Note: Contributions to the Veterans Trust Fund for fiscal year 2015 were less than 1% and were therefore not included in this graph.

## CONTRIBUTIONS TO THE STATE OF MARYLAND AND VETERAN'S TRUST FUND – INCEPTION TO DATE



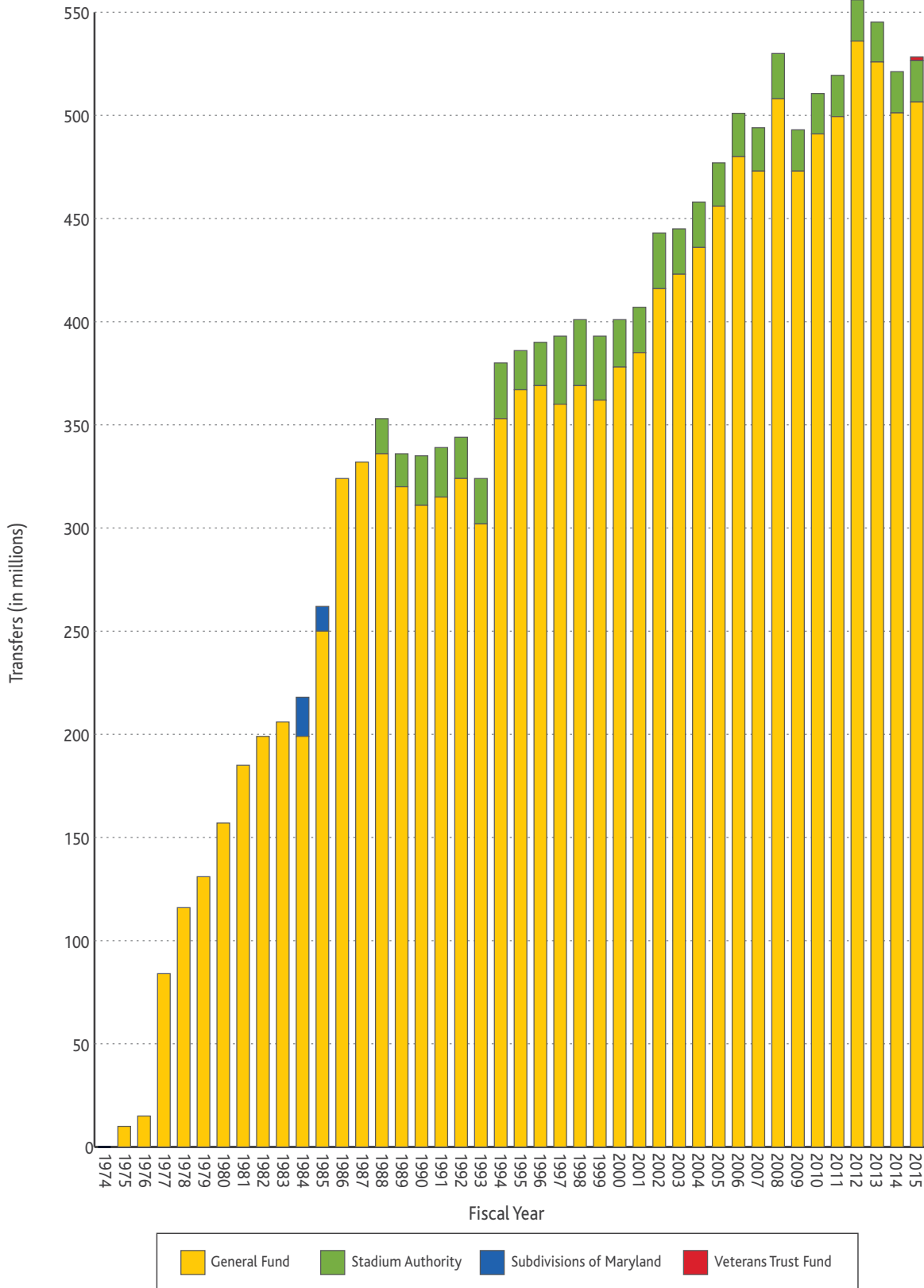
Fiscal Year	The State of Maryland General Fund	The Maryland Stadium Authority	Subdivisions of Maryland	Veterans Trust Fund	Total Contributions
1975*	\$ 10,025,000	\$ -	\$ -	\$ -	\$ 10,025,000
1976	15,374,000	-	-	-	15,374,000
1977	83,928,000	-	-	-	83,928,000
1978	116,182,000	-	-	-	116,182,000
1979	131,271,000	-	-	-	131,271,000
1980	156,768,000	-	-	-	156,768,000
1981	185,224,000	-	-	-	185,224,000
1982	199,080,000	-	-	-	199,080,000
1983	206,236,000	-	-	-	206,236,000
1984	199,194,000	-	19,095,000	-	218,289,000
1985	250,123,000	-	12,158,000	-	262,281,000
1986	323,423,000	-	-	-	323,423,000
1987	332,366,000	-	-	-	332,366,000
1988	335,928,000	16,750,000	-	-	352,678,000
1989	319,605,000	16,221,000	-	-	335,826,000
1990	311,254,000	24,040,000	-	-	335,294,000
1991	315,247,000	24,004,000	-	-	339,251,000
1992	323,814,000	19,752,000	-	-	343,566,000
1993	301,563,000	21,612,000	-	-	323,175,000
1994	353,308,000	26,743,000	-	-	380,051,000
1995	366,577,000	19,077,000	-	-	385,654,000
1996	369,161,000	20,749,000	-	-	389,910,000
1997	359,835,000	32,818,000	-	-	392,653,000
1998	368,501,000	31,625,000	-	-	400,126,000
1999	362,145,000	31,076,000	-	-	393,221,000
2000	377,763,000	23,250,000	-	-	401,013,000
2001	385,045,000	22,000,000	-	-	407,045,000
2002	416,274,000	27,230,000	-	-	443,504,000
2003	422,948,000	21,949,000	-	-	444,897,000
2004	436,373,000	22,000,000	-	-	458,373,000
2005	455,863,000	21,235,000	-	-	477,098,000
2006	480,471,000	20,500,000	-	-	500,971,000
2007	473,119,000	21,000,000	-	-	494,119,000
2008	507,904,000	21,500,000	-	-	529,404,000
2009	473,206,260	20,000,000	-	-	493,206,260
2010	491,008,632	19,600,000	-	-	510,608,632
2011	499,393,853	20,000,000	-	-	519,393,853
2012	536,264,804	20,000,000	-	-	556,264,804
2013	525,960,121	19,265,000	-	-	545,225,121
2014	501,106,646	20,000,000	-	-	521,106,646
2015	506,492,648	20,000,000	-	34,267	526,526,915
<b>Total</b>	<b>\$ 13,785,324,964</b>	<b>\$ 623,996,000</b>	<b>\$ 31,253,000</b>	<b>\$ 34,267</b>	<b>\$ 14,440,608,231</b>
<b>TOTAL LIFETIME CONTRIBUTIONS</b>					<b>\$ 14,440,608,231</b>

\*Revenues generated from the inception of the MLGCA were not transferred to the State of Maryland until fiscal year 1975.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**LOTTERY CONTRIBUTIONS TO THE STATE OF MARYLAND AND  
 VETERANS TRUST FUND – INCEPTION TO DATE (CONTINUED)**

**TOTAL LIFETIME CONTRIBUTIONS: \$14,440,608,231**



## GROSS TERMINAL REVENUE DISTRIBUTIONS – FISCAL YEARS 2011 THROUGH 2015\*



	Fiscal Year 2015					
	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	Horseshoe Casino	Total
Education Trust Fund	\$ 32,132,350	\$ 21,339,142	\$ 188,614,536	\$ 15,990,426	\$ 58,418,945	\$ 316,495,398
Casino	22,874,704	22,869,694	137,642,186	19,036,222	51,456,205	253,879,011
Horse Racing	5,377,867	4,335,568	31,897,607	951,811	10,556,257	53,119,111
Local Impact Grants	3,639,165	2,925,193	21,585,264	1,046,992	7,256,644	36,453,259
MLGCA	1,150,047	917,958	6,832,861	761,448	2,271,851	11,934,165
Small, Minority, Woman Business	992,499	797,780	5,886,890	285,543	1,979,085	9,941,798
<b>Total</b>	<b>\$ 66,166,633</b>	<b>\$ 53,185,336</b>	<b>\$392,459,345</b>	<b>\$ 38,072,442</b>	<b>\$131,938,986</b>	<b>\$681,822,742</b>

	Fiscal Year 2014					
	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	Horseshoe Casino	Total
Education Trust Fund	\$ 35,512,839	\$ 20,427,271	\$ 206,655,949	\$ 14,858,393	\$ –	\$ 277,454,452
Casino	23,795,405	22,378,315	138,469,975	17,688,565	–	202,332,260
Horse Racing	6,309,388	4,553,786	36,715,524	884,428	–	48,463,126
Local Impact Grants	3,965,901	2,862,380	23,078,329	972,871	–	30,879,481
MLGCA	1,442,146	1,040,865	8,392,120	707,542	–	11,582,673
Small, Minority, Woman Business	1,081,609	780,648	6,294,090	265,328	–	8,421,675
<b>Total</b>	<b>\$ 72,107,288</b>	<b>\$ 52,043,265</b>	<b>\$419,605,987</b>	<b>\$ 35,377,127</b>	<b>\$ –</b>	<b>\$579,133,667</b>

	Fiscal Year 2013					
	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	Horseshoe Casino	Total
Education Trust Fund	\$ 37,296,321	\$ 24,718,054	\$ 211,723,265	\$ 1,176,388	\$ –	\$ 274,914,028
Casino	25,087,932	16,644,463	142,367,381	1,400,462	–	185,500,238
Horse Racing	6,797,622	4,535,851	38,498,191	70,023	–	49,901,687
Local Impact Grants	4,181,322	2,774,077	23,727,897	77,025	–	30,760,321
MLGCA	1,520,481	1,008,755	8,628,327	56,018	–	11,213,581
Small, Minority, Woman Business	1,140,360	756,566	6,471,243	21,007	–	8,389,176
<b>Total</b>	<b>\$ 76,024,038</b>	<b>\$ 50,437,766</b>	<b>\$431,416,304</b>	<b>\$ 2,800,923</b>	<b>\$ –</b>	<b>\$560,679,031</b>

\* Fiscal year 2011 was the first year for gross terminal revenue.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**GROSS TERMINAL REVENUE DISTRIBUTIONS –  
 FISCAL YEARS 2011 THROUGH 2015\* (CONTINUED)**

	<b>Fiscal Year 2012</b>					
	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	Horseshoe Casino	Total
Education Trust Fund	\$ 57,275,940	\$ 23,286,167	\$ 14,058,033	\$ –	\$ –	\$ 94,620,140
Casino	38,971,258	15,844,197	9,565,259	–	–	64,380,714
Horse Racing	11,218,999	4,561,208	2,753,635	–	–	18,533,842
Local Impact Grants	6,495,210	2,640,699	1,594,210	–	–	10,730,119
MLGCA	2,361,894	960,255	579,713	–	–	3,901,862
Small, Minority, Woman Business	1,771,421	720,190	434,785	–	–	2,926,396
<b>Total</b>	<b>\$ 118,094,722</b>	<b>\$ 48,012,716</b>	<b>\$ 28,985,635</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 195,093,073</b>

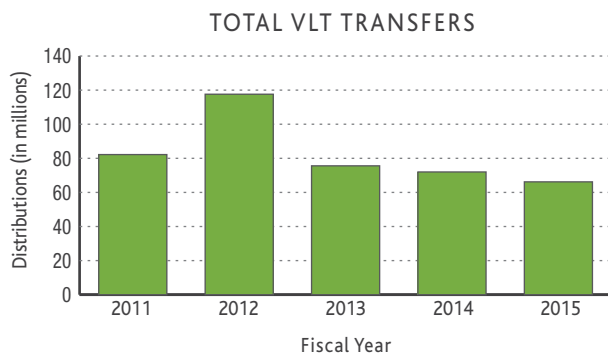
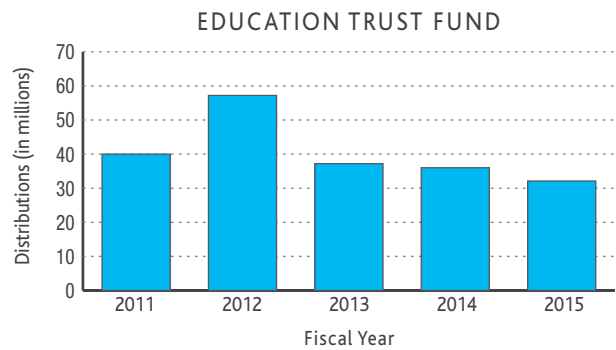
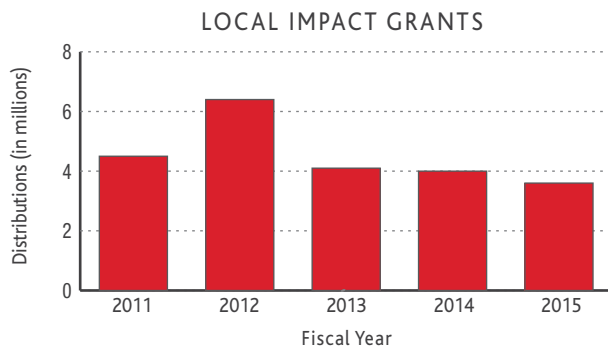
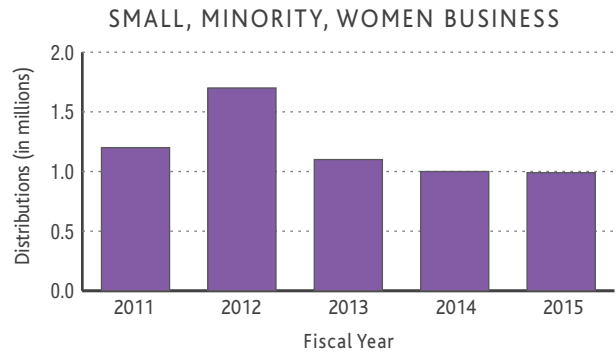
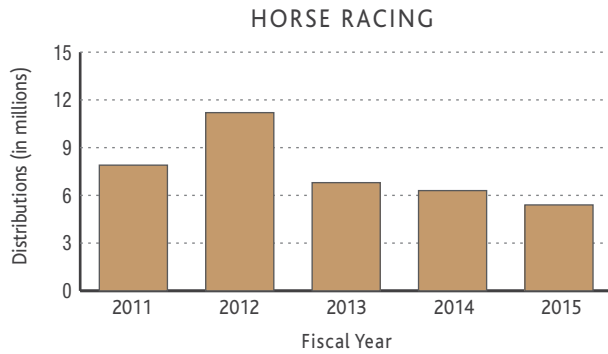
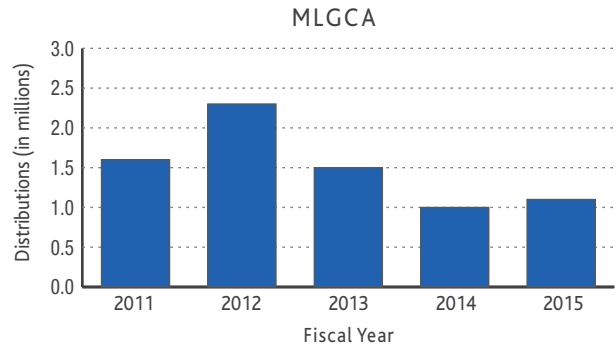
	<b>Fiscal Year 2011</b>					
	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	Horseshoe Casino	Total
Education Trust Fund	\$ 40,108,178	\$ 9,911,227	\$ –	\$ –	\$ –	\$ 50,019,405
Casino	27,290,101	6,743,721	–	–	–	34,033,822
Horse Racing	7,856,241	1,941,374	–	–	–	9,797,616
Local Impact Grants	4,548,350	1,123,954	–	–	–	5,672,304
MLGCA	1,653,975	408,710	–	–	–	2,062,686
Small, Minority, Woman Business	1,240,459	306,533	–	–	–	1,546,992
<b>Total</b>	<b>\$ 82,697,304</b>	<b>\$ 20,435,520</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 103,132,824</b>

\* Fiscal year 2011 was the first year for gross terminal revenue.

MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**GROSS TERMINAL REVENUE DISTRIBUTIONS –  
 FISCAL YEARS 2011 THROUGH 2015\* (CONTINUED)**



**HOLLYWOOD CASINO — PERRYVILLE**

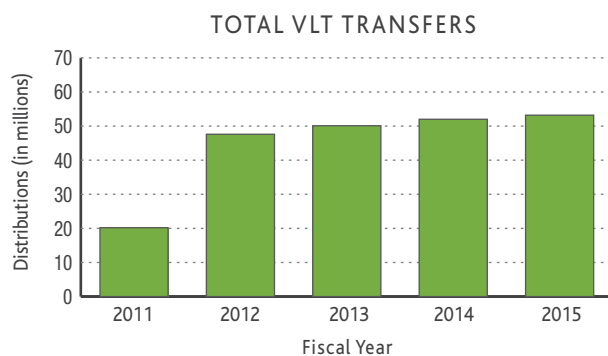
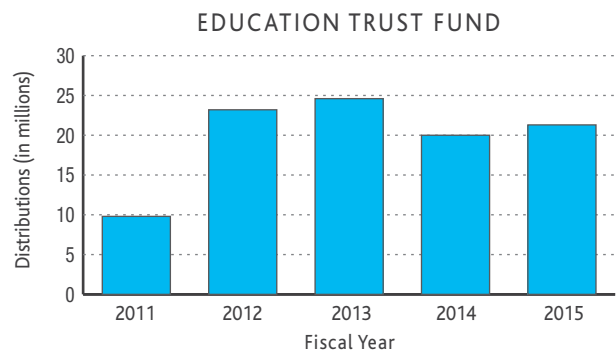
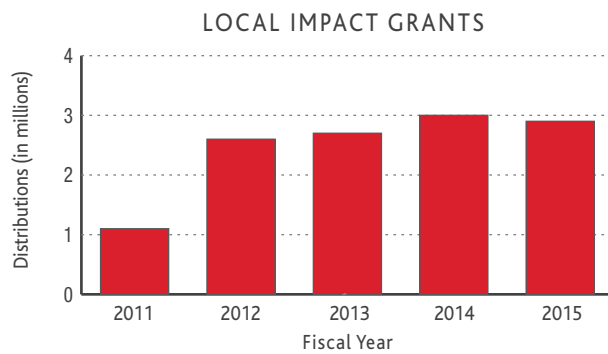
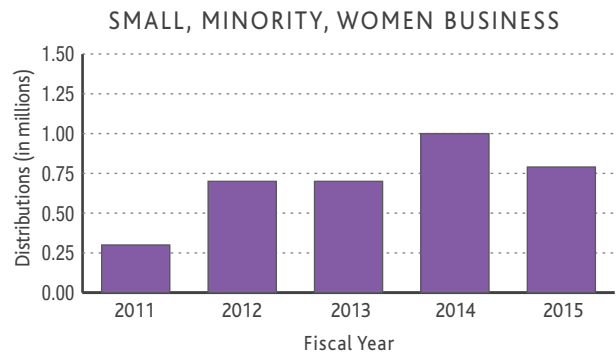
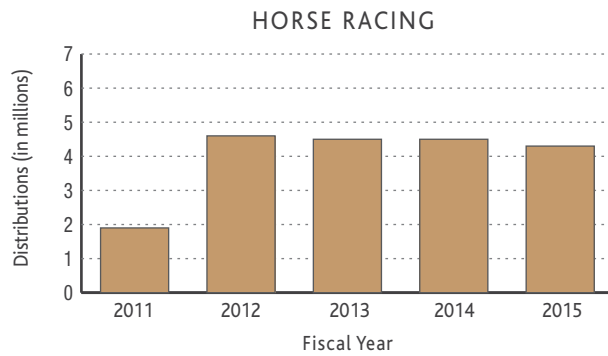
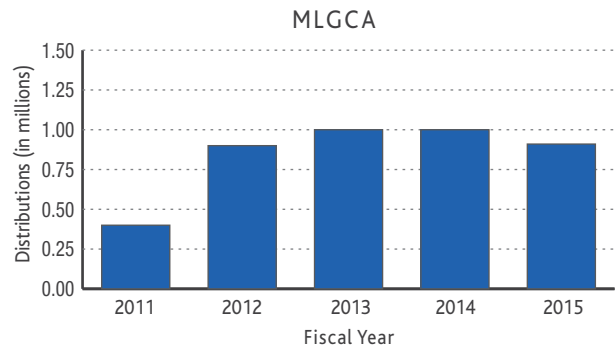


\* Fiscal year 2011 was the first year for gross terminal revenue.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**GROSS TERMINAL REVENUE DISTRIBUTIONS –  
 FISCAL YEARS 2011 THROUGH 2015\* (CONTINUED)**

**CASINO AT OCEAN DOWNS**

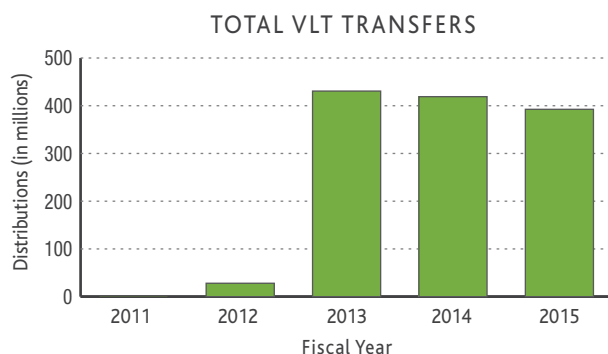
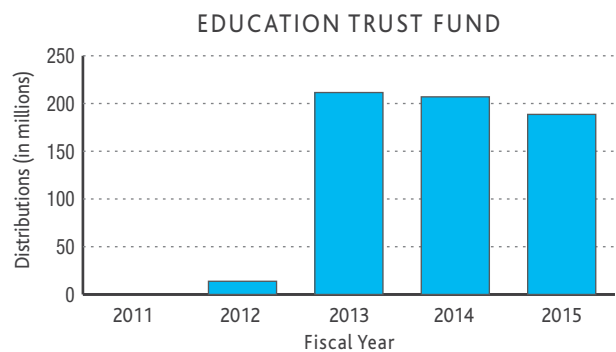
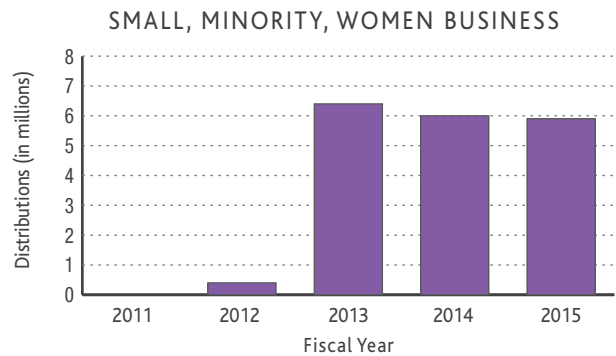
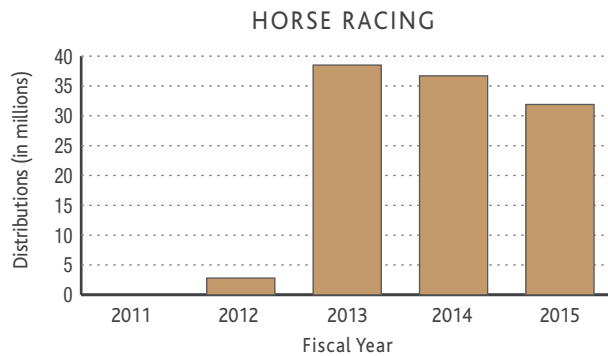
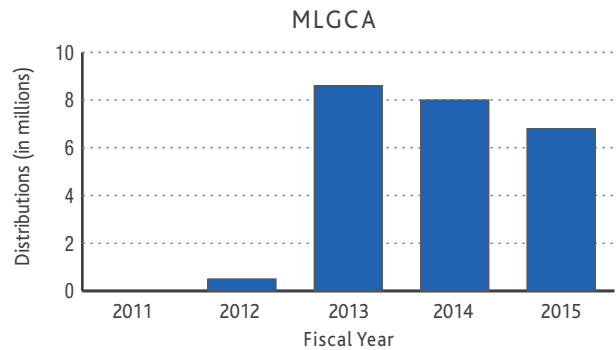
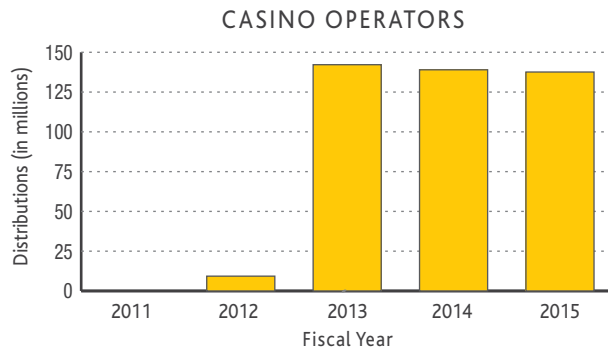


\* Fiscal year 2011 was the first year for gross terminal revenue.

MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**GROSS TERMINAL REVENUE DISTRIBUTIONS –  
 FISCAL YEARS 2011 THROUGH 2015\* (CONTINUED)**



**MARYLAND LIVE! CASINO**

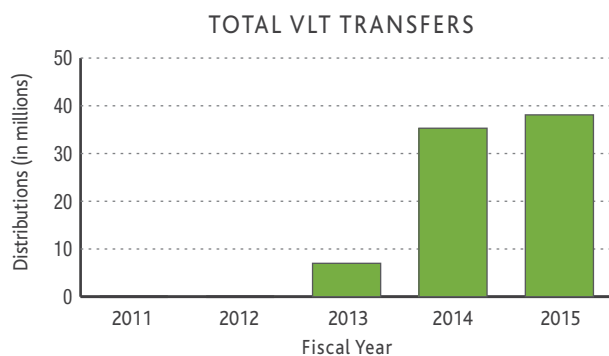
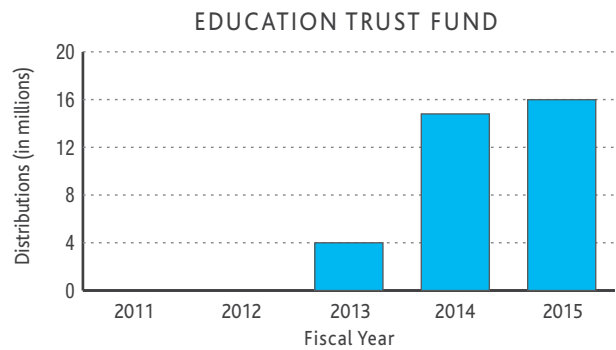
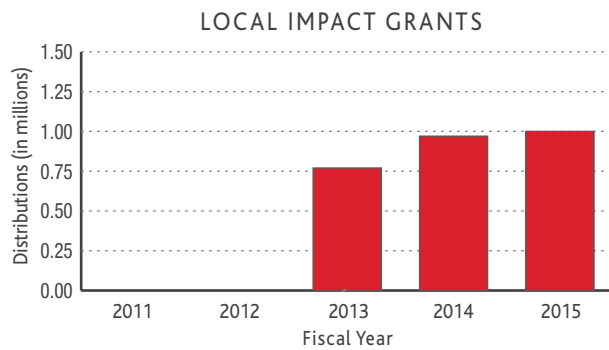
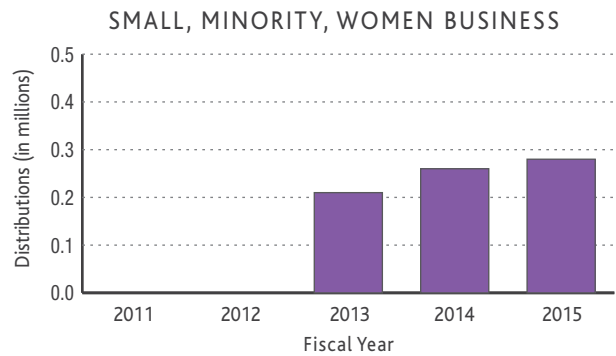
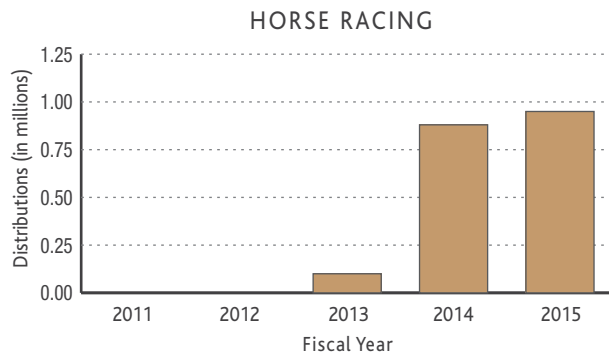
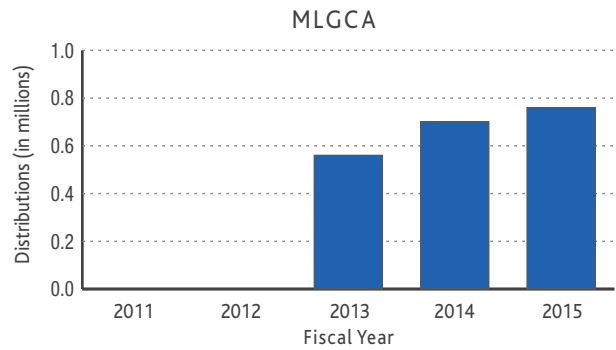
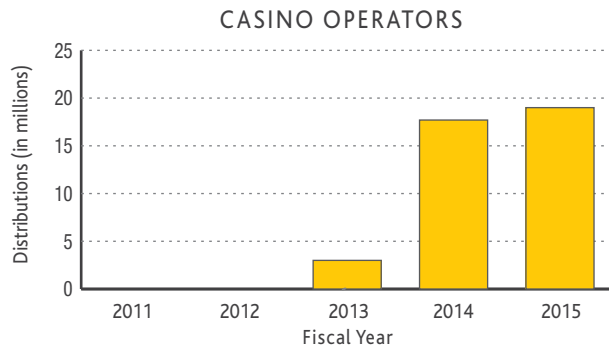


\* Maryland Live! Casino began operation in June 2012.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**GROSS TERMINAL REVENUE DISTRIBUTIONS –  
 FISCAL YEARS 2011 THROUGH 2015\* (CONTINUED)**

**ROCKY GAP CASINO RESORT**

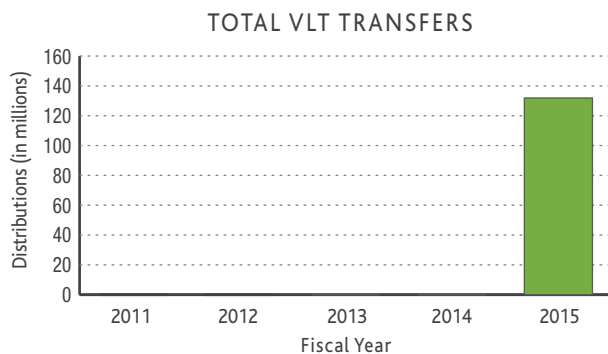
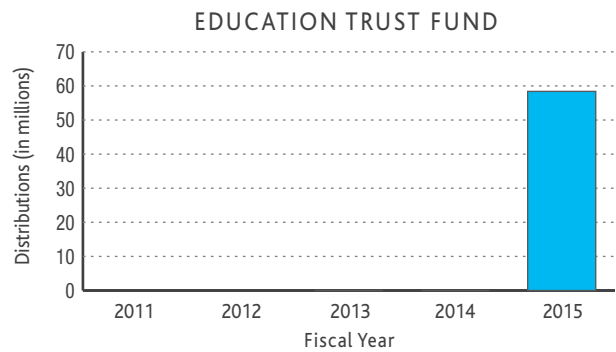
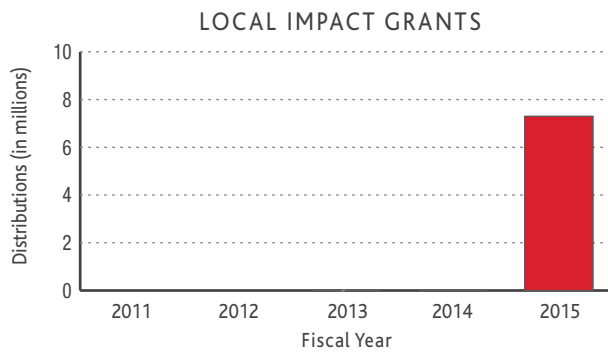
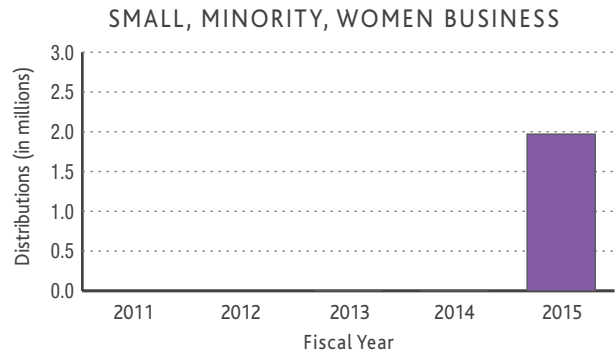
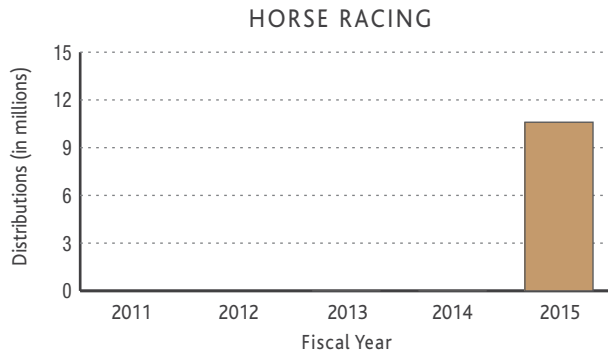
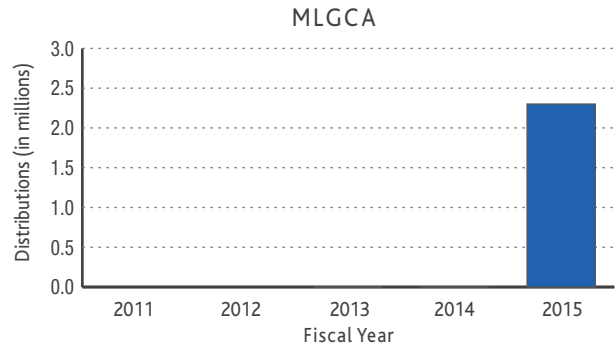
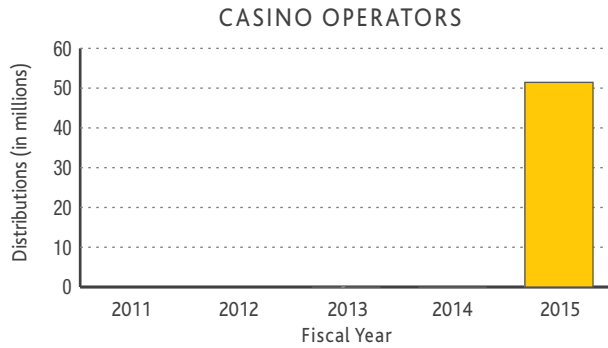


\* Rocky Gap Casino Resort began operation in May 2013.

MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**GROSS TERMINAL REVENUE DISTRIBUTIONS –  
 FISCAL YEARS 2011 THROUGH 2015\* (CONTINUED)**



**HORSESHOE CASINO**

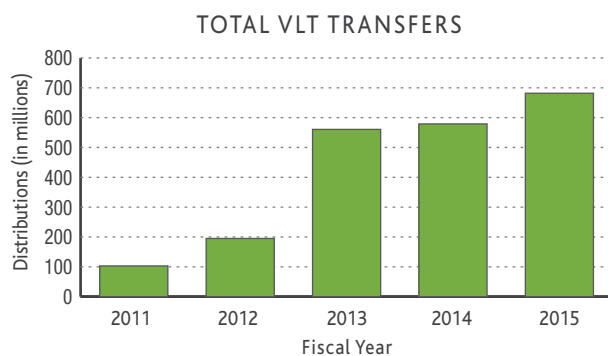
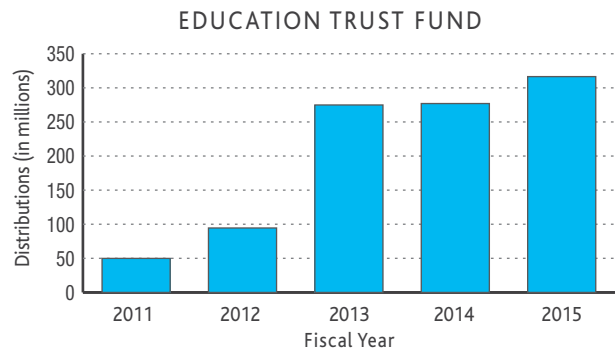
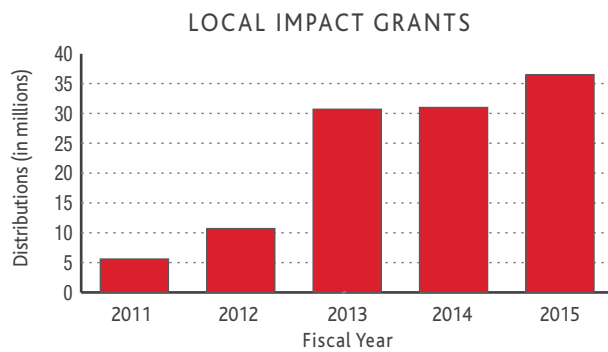
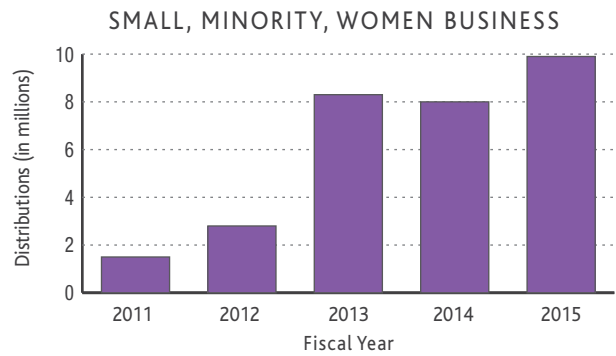
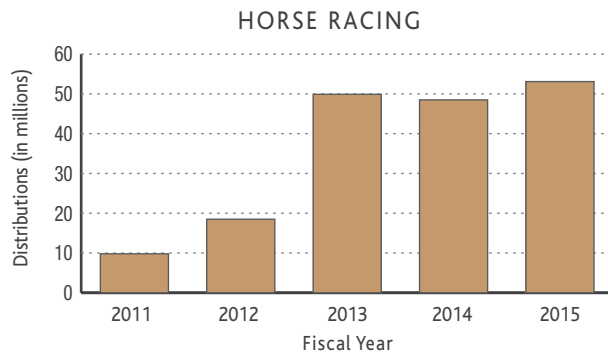
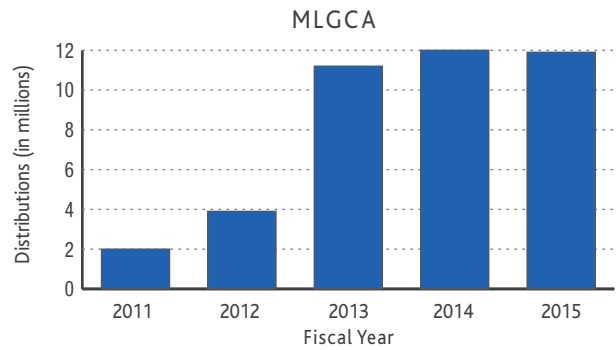
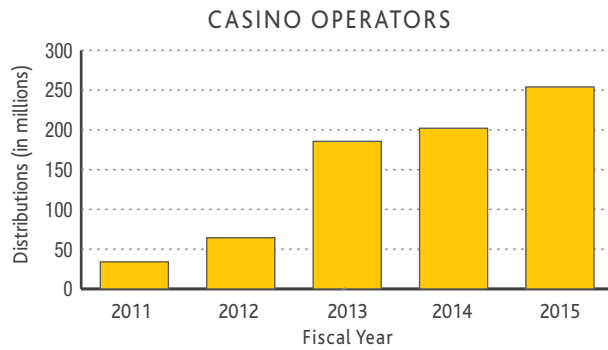


\* Horseshoe Casino began operation in August 2014.



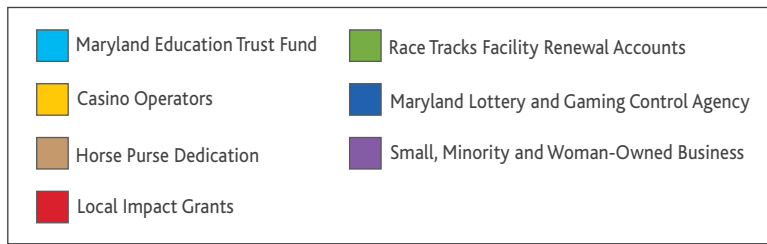
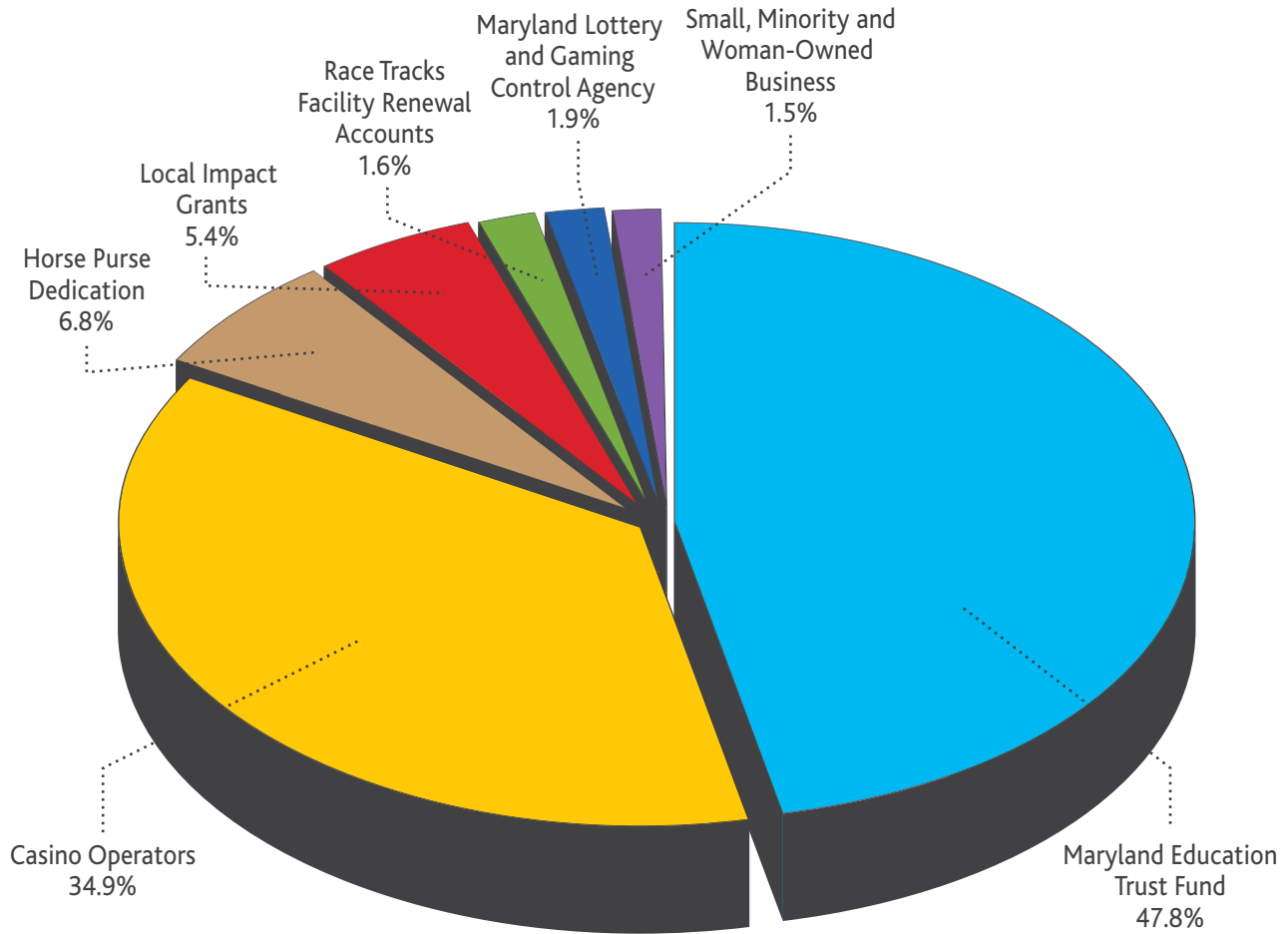
MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**GROSS TERMINAL REVENUE DISTRIBUTIONS –  
 FISCAL YEARS 2011 THROUGH 2015\* (CONTINUED)**

**ALL CASINOS COMBINED**



\* Fiscal year 2011 was the first year for gross terminal revenue.

MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**GROSS TERMINAL REVENUE DISTRIBUTIONS –  
 FISCAL YEARS 2011 THROUGH 2015\* (CONTINUED)**





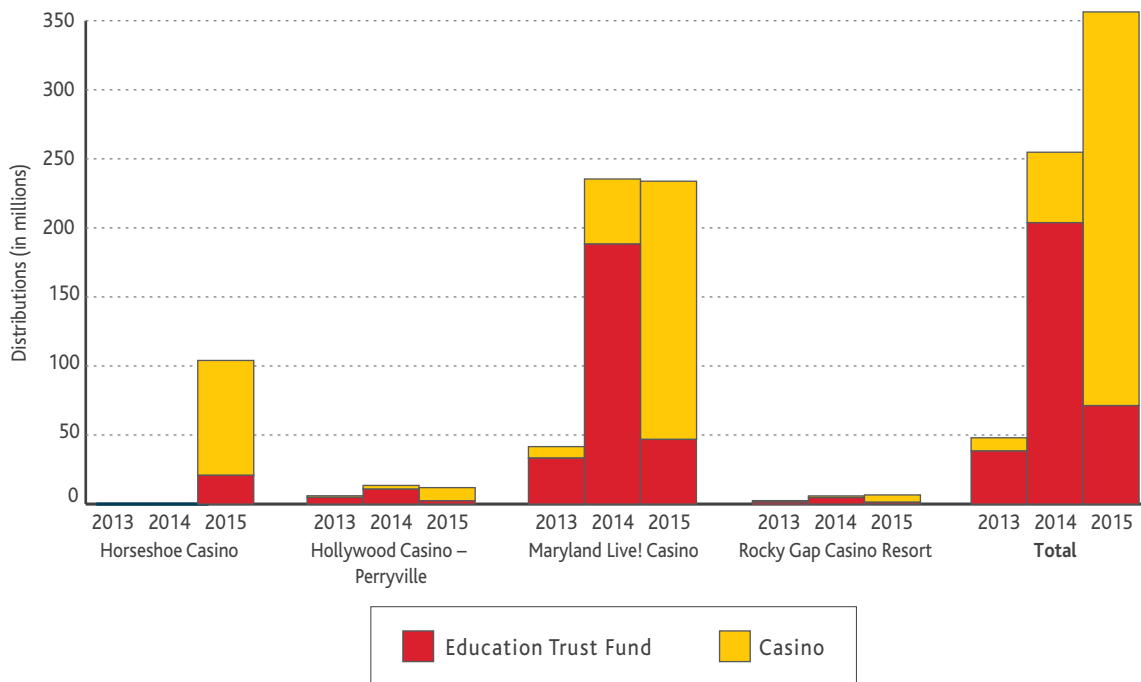
MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**TABLE GAME REVENUE DISTRIBUTION –  
 FISCAL YEARS 2013 THROUGH 2015\***

Fiscal Year 2015					
	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	Total
Education Trust Fund	\$ 20,809,553	\$ 2,387,304	\$ 46,760,192	\$ 1,323,165	\$ 71,280,215
Casino	83,238,214	9,549,216	187,040,768	5,292,661	285,120,859
<b>Total</b>	<b>\$ 104,047,767</b>	<b>\$ 11,936,520</b>	<b>\$ 233,800,960</b>	<b>\$ 6,615,826</b>	<b>\$356,401,074</b>

Fiscal Year 2014					
	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	Total
Education Trust Fund	\$ –	\$ 2,713,278	\$ 47,078,737	\$ 1,181,901	\$ 50,973,916
Casino	–	10,853,113	188,314,949	4,727,604	203,895,666
<b>Total</b>	<b>\$ –</b>	<b>\$ 13,566,391</b>	<b>\$ 235,393,687</b>	<b>\$ 5,909,505</b>	<b>\$254,869,582</b>

Fiscal Year 2013					
	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	Total
Education Trust Fund	\$ –	\$ 1,191,443	\$ 8,323,862	\$ 92,254	\$ 9,607,559
Casino	–	4,765,772	33,295,447	369,016	38,430,235
<b>Total</b>	<b>\$ –</b>	<b>\$ 5,957,215</b>	<b>\$ 41,619,309</b>	<b>\$ 461,270</b>	<b>\$ 48,037,794</b>

TABLE GAME REVENUE DISTRIBUTIONS



\* Fiscal year 2013 was the first year for table game revenue.

– As of June 30, 2015, the Casino at Ocean Downs had not implemented table games.

MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**RETAILERS, POPULATION AND SALES BY REGION**



**Fiscal Year 2015**

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	63	481	765	72	31	139	97	156
% of Total Retailers	1.29%	9.83%	15.63%	1.47%	0.63%	2.84%	1.98%	3.19%
Population	72,952	560,133	826,925	90,613	32,538	167,830	102,383	154,747
% of Total Population	1.22%	9.37%	13.84%	1.52%	0.54%	2.81%	1.71%	2.59%
% of Sales	0.57%	9.59%	16.14%	1.43%	0.39%	2.06%	1.18%	3.83%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	35	162	28	206	168	18	475	645
% of Total Retailers	0.72%	3.31%	0.57%	4.21%	3.43%	0.37%	9.70%	13.18%
Population	32,578	243,675	29,679	250,105	309,284	19,820	1,030,447	904,430
% of Total Population	0.55%	4.08%	0.50%	4.18%	5.18%	0.33%	17.24%	15.13%
% of Sales	0.52%	2.30%	0.19%	3.57%	2.73%	0.24%	10.52%	21.14%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	57	110	20	37	119	87	117	807
% of Total Retailers	1.16%	2.25%	0.41%	0.76%	2.43%	1.78%	2.39%	16.49%
Population	48,804	110,382	25,859	37,643	149,573	101,539	51,675	622,793
% of Total Population	0.82%	1.85%	0.43%	0.63%	2.50%	1.70%	0.86%	10.42%
% of Sales	0.68%	2.17%	0.35%	0.46%	1.52%	1.26%	1.23%	15.92%



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)**

**Fiscal Year 2014**

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	60	468	752	69	31	134	91	148
% of Total Retailers	1.27%	9.91%	15.93%	1.46%	0.66%	2.84%	1.93%	3.13%
Population	73,521	555,743	823,015	90,484	32,693	167,564	101,913	152,864
% of Total Population	1.24%	9.37%	13.88%	1.53%	1.64%	8.39%	1.72%	2.58%
% of Sales	0.59%	9.56%	16.21%	1.45%	0.40%	2.07%	1.12%	3.58%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	33	155	36	186	167	17	435	616
% of Total Retailers	0.70%	3.28%	0.76%	3.94%	3.54%	0.36%	9.21%	13.05%
Population	32,660	241,409	29,889	249,215	304,580	19,944	1,016,677	890,081
% of Total Population	0.55%	4.07%	0.50%	4.20%	5.14%	0.34%	17.15%	15.01%
% of Sales	0.50%	2.30%	0.19%	3.48%	2.83%	0.25%	10.28%	21.20%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	57	100	21	34	126	81	107	797
% of Total Retailers	1.21%	2.12%	0.44%	0.72%	2.67%	1.72%	2.27%	16.88%
Population	48,517	109,633	26,273	37,931	149,588	100,896	51,620	622,104
% of Total Population	0.82%	1.85%	0.44%	0.64%	2.52%	1.70%	0.87%	10.49%
% of Sales	0.66%	2.15%	0.31%	0.47%	1.51%	1.21%	1.19%	16.47%

**RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)**



**Fiscal Year 2013**

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	59	433	706	65	29	131	88	136
% of Total Retailers	1.32%	9.67%	15.77%	1.45%	0.65%	2.93%	1.97%	3.04%
Population	74,489	544,818	812,401	89,264	32,954	167,313	101,628	149,242
% of Total Population	1.28%	9.33%	13.91%	1.53%	1.67%	8.48%	1.74%	2.56%
% of Sales	0.60%	9.74%	16.05%	1.45%	0.42%	2.03%	1.17%	3.46%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	28	155	31	175	160	16	411	580
% of Total Retailers	0.63%	3.46%	0.69%	3.91%	3.57%	0.36%	9.18%	12.96%
Population	32,703	237,309	30,097	246,651	293,879	20,265	991,645	874,045
% of Total Population	0.56%	4.06%	0.52%	4.22%	5.03%	0.35%	16.98%	14.97%
% of Sales	0.48%	2.32%	0.19%	3.48%	2.85%	0.26%	10.22%	21.07%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	54	97	19	34	118	79	110	763
% of Total Retailers	1.21%	2.17%	0.42%	0.76%	2.64%	1.76%	2.46%	17.04%
Population	48,400	107,681	26,370	37,974	148,817	99,965	51,446	620,216
% of Total Population	0.83%	1.84%	0.45%	0.65%	2.55%	1.71%	0.88%	10.62%
% of Sales	0.67%	2.14%	0.35%	0.49%	1.62%	1.15%	1.23%	16.58%



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)**

**Fiscal Year 2012**

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	64	462	749	72	32	142	96	143
% of Total Retailers	1.36%	9.8%	15.9%	1.53%	0.68%	3.02%	2.04%	3.03%
Population	75,087	537,656	805,029	88,737	33,066	167,134	101,108	146,551
% of Total Population	1.30%	9.31%	13.94%	1.54%	1.69%	8.55%	1.75%	2.54%
% of Sales	0.61%	10.16%	15.99%	1.39%	0.38%	1.98%	1.14%	3.39%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	34	168	30	191	178	16	429	611
% of Total Retailers	0.72%	3.57%	0.64%	4.05%	3.78%	0.34%	9.10%	12.97%
Population	32,618	233,385	30,097	244,826	287,085	20,197	971,777	863,420
% of Total Population	0.56%	4.04%	0.52%	4.24%	4.97%	0.35%	16.83%	14.95%
% of Sales	0.50%	2.23%	0.19%	3.52%	2.94%	0.23%	10.15%	20.86%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	52	100	22	34	123	79	108	777
% of Total Retailers	1.10%	2.12%	0.47%	0.72%	2.61%	1.68%	2.29%	16.49%
Population	47,798	105,151	26,470	37,782	147,430	98,733	51,454	620,961
% of Total Population	0.83%	1.82%	0.46%	0.65%	2.55%	1.71%	0.89%	10.76%
% of Sales	0.68%	2.14%	0.35%	0.49%	1.56%	1.16%	1.22%	16.74%

**RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)**



**Fiscal Year 2011**

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	55	411	682	70	29	129	87	127
% of Total Retailers	1.30%	9.73%	16.14%	1.66%	0.69%	3.05%	2.06%	3.01%
Population	75,087	537,656	805,029	88,737	33,066	167,134	101,108	146,551
% of Total Population	1.30%	9.31%	13.94%	1.54%	1.69%	8.55%	1.75%	2.54%
% of Sales	0.66%	10.27%	16.23%	1.42%	0.39%	2.01%	1.15%	3.36%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	32	146	27	169	151	14	390	560
% of Total Retailers	0.76%	3.45%	0.64%	4.00%	3.57%	0.33%	9.23%	13.25%
Population	32,618	233,385	30,097	244,826	287,085	20,197	971,777	863,420
% of Total Population	0.56%	4.04%	0.52%	4.24%	4.97%	0.35%	16.83%	14.95%
% of Sales	0.50%	2.12%	0.20%	3.40%	2.79%	0.25%	9.88%	20.59%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	49	91	18	30	116	74	100	669
% of Total Retailers	1.16%	2.15%	0.43%	0.71%	2.74%	1.75%	2.37%	15.83%
Population	47,798	105,151	26,470	37,782	147,430	98,733	51,454	620,961
% of Total Population	0.83%	1.82%	0.46%	0.65%	2.55%	1.71%	0.89%	10.76%
% of Sales	0.68%	2.06%	0.34%	0.48%	1.51%	1.28%	1.37%	17.05%



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)**

**Fiscal Year 2010**

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	57	454	711	73	29	141	94	142
% of Total Retailers	1.24%	9.90%	15.51%	1.59%	0.63%	3.08%	2.05%	3.10%
Population	72,532	521,209	789,814	89,212	33,367	170,089	100,796	142,226
% of Total Population	1.27%	9.14%	13.86%	1.56%	0.59%	2.98%	1.77%	2.49%
% of Sales	0.63%	10.20%	16.34%	1.37%	0.42%	2.01%	1.25%	3.21%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	34	159	28	179	165	16	429	599
% of Total Retailers	0.74%	3.47%	0.61%	3.90%	3.60%	0.35%	9.36%	13.07%
Population	32,043	227,980	29,555	242,514	281,884	20,247	971,600	834,560
% of Total Population	0.56%	4.00%	0.52%	4.26%	4.95%	0.36%	17.05%	14.64%
% of Sales	0.50%	2.11%	0.19%	3.54%	2.74%	0.25%	9.74%	20.10%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	53	103	21	33	121	78	112	753
% of Total Retailers	1.16%	2.25%	0.46%	0.72%	2.64%	1.70%	2.44%	16.43%
Population	47,958	102,999	25,959	36,262	145,910	94,222	49,122	637,418
% of Total Population	0.84%	1.81%	0.46%	0.64%	2.56%	1.65%	0.86%	11.18%
% of Sales	0.66%	2.10%	0.37%	0.50%	1.51%	1.19%	1.45%	17.62%

**RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)**



**Fiscal Year 2009**

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	57	440	715	73	30	133	93	142
% of Total Retailers	1.26%	9.72%	15.79%	1.61%	0.66%	2.94%	2.05%	3.14%
Population	72,661	510,824	786,547	87,539	32,240	168,195	98,358	139,008
% of Total Population	1.33%	9.32%	14.35%	1.60%	0.59%	3.07%	1.79%	2.54%
% of Sales	0.59%	10.20%	16.07%	1.40%	0.44%	1.97%	1.17%	3.20%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	38	154	26	175	159	16	421	590
% of Total Retailers	0.84%	3.40%	0.57%	3.87%	3.51%	0.35%	9.30%	13.03%
Population	31,468	222,034	29,649	238,960	270,651	19,197	873,341	801,515
% of Total Population	0.57%	4.05%	0.54%	4.36%	4.94%	0.35%	15.93%	14.62%
% of Sales	0.47%	1.97%	0.18%	3.41%	2.55%	0.25%	9.64%	20.48%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	50	102	20	36	124	81	103	749
% of Total Retailers	1.10%	2.25%	0.44%	0.80%	2.74%	1.79%	2.28%	16.55%
Population	40,563	86,211	24,747	33,812	131,923	84,644	46,543	651,154
% of Total Population	1.10%	2.25%	0.44%	0.80%	2.74%	1.79%	2.28%	16.55%
% of Sales	0.61%	2.19%	0.37%	0.50%	1.45%	1.22%	1.43%	18.22%



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)**

**Fiscal Year 2008**

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	53	378	600	59	27	116	83	116
% of Total Retailers	1.4%	9.7%	15.4%	1.5%	0.7%	3.0%	2.1%	3.0%
Population	72,594	512,154	788,994	88,223	32,910	169,220	99,695	140,444
% of Total Population	1.3%	9.1%	14.0%	1.6%	0.6%	3.0%	1.8%	2.5%
% of Sales	0.6%	10.4%	15.8%	1.4%	0.5%	2.0%	1.1%	3.3%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	32	133	23	157	127	16	357	528
% of Total Retailers	0.8%	3.4%	0.6%	4.0%	3.3%	0.4%	9.2%	13.5%
Population	31,846	224,705	29,627	239,993	273,669	19,987	930,813	828,770
% of Total Population	0.6%	4.0%	0.5%	4.3%	4.9%	0.4%	16.6%	14.8%
% of Sales	0.5%	2.1%	0.2%	3.4%	2.4%	0.3%	9.6%	20.3%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	43	94	17	31	111	69	89	639
% of Total Retailers	1.1%	2.4%	0.4%	0.8%	2.8%	1.8%	2.3%	16.4%
Population	46,571	100,378	26,016	36,193	145,113	93,600	49,374	637,455
% of Total Population	0.8%	1.8%	0.5%	0.6%	2.6%	1.7%	0.9%	11.3%
% of Sales	0.6%	2.2%	0.4%	0.5%	1.6%	1.3%	1.6%	18.1%



Fiscal Year 2007

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	52	360	586	52	26	114	81	114
% of Total Retailers	1.3%	9.2%	15.0%	1.3%	0.7%	2.9%	2.1%	2.9%
Population	72,831	509,300	787,384	88,804	32,617	170,260	99,506	140,416
% of Total Population	1.3%	9.1%	14.0%	1.6%	0.6%	3.0%	1.8%	2.5%
% of Sales	0.7%	10.5%	15.4%	1.4%	0.5%	1.9%	1.0%	3.5%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	32	131	22	154	127	16	340	516
% of Total Retailers	0.8%	3.4%	0.6%	4.0%	3.3%	0.4%	8.7%	13.2%
Population	31,631	222,938	29,859	241,402	272,452	19,983	932,131	841,315
% of Total Population	0.6%	4.0%	0.5%	4.3%	4.8%	0.4%	16.6%	15.0%
% of Sales	0.5%	2.1%	0.2%	3.4%	2.3%	0.3%	9.1%	20.4%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	38	87	19	29	104	70	83	614
% of Total Retailers	1.0%	2.2%	0.5%	0.7%	2.7%	1.8%	2.1%	15.8%
Population	46,241	98,854	25,774	36,062	143,748	91,987	48,866	631,366
% of Total Population	0.8%	1.8%	0.5%	0.6%	2.6%	1.6%	0.9%	11.2%
% of Sales	0.6%	2.4%	0.4%	0.5%	1.6%	1.3%	1.7%	18.6%



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)**

**Fiscal Year 2006**

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	50	355	571	51	25	106	77	108
% of Total Retailers	1.40%	9.60%	15.50%	1.40%	0.70%	2.90%	2.10%	2.90%
Population	73,245	509,397	783,405	87,622	31,805	168,397	97,474	138,106
% of Total Population	1.30%	9.10%	14.00%	1.60%	0.60%	3.00%	1.70%	2.50%
% of Sales	0.70%	10.40%	15.30%	1.50%	0.40%	1.90%	1.10%	3.30%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	28	133	21	156	122	15	343	507
% of Total Retailers	0.80%	3.60%	0.60%	4.20%	3.30%	0.40%	9.30%	13.80%
Population	31,351	220,409	29,863	238,850	269,174	19,908	927,405	842,764
% of Total Population	0.60%	3.90%	0.50%	4.30%	4.80%	0.40%	16.50%	15.00%
% of Sales	0.50%	2.20%	0.20%	3.40%	2.30%	0.30%	9.30%	20.40%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	37	79	18	28	102	71	81	600
% of Total Retailers	1.00%	2.10%	0.50%	0.80%	2.80%	1.90%	2.20%	16.30%
Population	45,469	96,868	25,666	35,630	141,563	90,252	48,599	636,377
% of Total Population	0.80%	1.70%	0.50%	0.60%	2.50%	1.60%	0.90%	11.30%
% of Sales	0.60%	2.20%	0.40%	0.50%	1.70%	1.20%	1.70%	18.60%

**MARYLAND'S LARGEST PRIVATE EMPLOYERS**



**2015  
Employer (listed alphabetically)**

BAE Systems, Inc.  
Exelon Corporation  
Giant Food, LLC  
H & R Block, Inc.  
Johns Hopkins University  
Lockheed Martin Corporation  
McDonald's Corporation  
Northrop Grumman Corporation  
Safeway, Inc.  
Walmart

**2014 and 2013  
Employer (listed alphabetically)**

Giant Food, LLC  
Helix Health System, Inc.  
Home Depot  
Johns Hopkins Hospital  
Johns Hopkins University  
Northrop Grumman Corporation  
Safeway, Inc.  
Target  
University of Maryland Medical Systems  
Walmart

**2012 and 2011  
Employer (listed alphabetically)**

Giant Food, LLC  
Helix Health System, Inc.  
Home Depot  
Johns Hopkins Hospital  
Johns Hopkins University  
Northrop Grumman Corporation  
Safeway, Inc.  
Target  
University of Maryland Medical Systems  
Walmart

**2010 and 2009  
Employer (listed alphabetically)**

Adventist Health Care  
Giant Food, LLC  
Helix Health System, Inc.  
Johns Hopkins Hospital  
Johns Hopkins University  
Northrop Grumman Corporation  
Safeway, Inc.  
Target  
University of Maryland Medical Systems  
Walmart

**2008 and 2007  
Employer (listed alphabetically)**

Giant Food, LLC  
Helix Health System, Inc.  
Home Depot USA, Inc.  
Johns Hopkins Hospital  
Johns Hopkins University  
Macy's  
Northrop Grumman Corporation  
Safeway, Inc.  
Target Corporation  
University of Maryland Medical Systems  
United Parcel Service  
Walmart

**2006 and 2005  
Employer (listed alphabetically)**

Giant Food, LLC  
Helix Health System, Inc.  
Home Depot USA, Inc.  
Johns Hopkins Hospital  
Johns Hopkins University  
Northrop Grumman Corporation  
Safeway, Inc.  
Target  
United Parcel Service  
Walmart

Source: For 2015 Department of Labor, Licensing and Regulation - Info Group. For prior years Department of Labor, Licensing and Regulation; Division of Workforce Development and Adult Learning. Information reported on a calendar basis. The number of employees is not available. Data may not be comparable due to a change in sources.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**RATIO OF OUTSTANDING DEBT BY TYPE –  
 FISCAL YEARS 2006 THROUGH 2015**

Fiscal Year	Capital Leases	Percentage of Annual Lottery Sales
2006	\$ 1,255,713	0.08%
2007	1,123,995	0.07%
2008	648,070	0.04%
2009	5,748,257	0.34%
2010	5,261,122	0.31%
2011	4,094,609	0.24%
2012	2,933,939	0.16%
2013	1,780,253	0.10%
2014	600,149	0.00%
2015	–	0.00%

Fiscal Year	VLT Capital Leases	Percentage of Gross Terminal Revenue
2006	\$ –	–%
2007	–	–%
2008	–	–%
2009	–	–%
2010	–	–%
2011	40,791,831	39.60%
2012	53,278,861	27.30%
2013	29,242,927	5.22%
2014	16,880,000	2.91%
2015	60,714,472	8.90%

Fiscal year 2011 was the first year for VLT Capital Leases and annual gross terminal revenue.

In the future, the MLGCA is only authorized to issue additional debt associated with the acquisition of capital assets.

MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**DEMOGRAPHIC AND ECONOMIC STATISTICS –  
 FISCAL YEARS 2006 THROUGH 2015**



Fiscal Year	Statewide Population <sup>(1)</sup>	Statewide Personal Income <sup>(2)</sup> (expressed in thousands)	Statewide Per Capita Personal Income	Unemployment Rate <sup>(3)</sup>
2006	5,600,388	\$ 235,195,668	\$ 41,996	3.80%
2007	5,615,727	247,525,909	44,077	3.90%
2008	5,618,344	262,071,799	46,646	3.70%
2009	5,633,597	270,923,822	48,091	5.90%
2010	5,699,478	275,143,448	48,275	7.40%
2011	5,773,552	283,919,505	49,070	7.00%
2012	5,828,289	295,235,516	50,656	6.80%
2013	5,884,563	316,681,620	53,816	6.80%
2014	5,773,552	323,543,299	56,038	6.00%
2015	5,976,407	323,778,035	54,176	5.10% <sup>(3)</sup>

Sources:

- (1) U.S. Department of Commerce, Bureau of Census — “ Annual Population Estimates by State”
- (2) U.S. Department of Commerce, Bureau of Economic Analysis. Data provided is as of December 2014.
- (3) State Department of Labor, Licensing and Regulation. Data provided is as of October 2015.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**LOTTERY EMPLOYEES – FISCAL YEARS 2006 THROUGH 2015**

	Number of Employees (includes contractual)									
As of June 30,	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agent Administration	6	6	5	5	7	7	7	5	5	5
Commissioners*	–	–	–	–	–	–	–	7	7	7
Communications	19	21	25	24	24	22	22	25	24	23
Customer Service	13	13	12	12	12	9	9	10	10	10
Executive	5	6	6	6	8	6	6	9	9	9
Facilities	5	5	5	5	5	4	4	4	4	5
Finance, Budget & Procurement and Special Projects	16	15	15	15	14	16	16	23	24	22
Information Technology	24	24	24	24	24	27	27	18	21	21
Instant Ticket Warehouse	7	7	7	7	7	7	7	7	6	7
Legal Services	6	6	6	7	7	7	7	8	8	8
Personnel	4	4	4	4	4	3	3	4	4	3
Product Development & Creative Services	9	9	8	10	9	8	8	12	13	15
Sales	60	61	63	61	60	61	61	60	61	56
Security	5	5	5	5	5	5	5	8	8	8
Gaming	–	–	–	1	3	36	36	94	124	128
<b>Total</b>	<b>179</b>	<b>182</b>	<b>185</b>	<b>186</b>	<b>189</b>	<b>218</b>	<b>218</b>	<b>294</b>	<b>328</b>	<b>327</b>

\*Effective with the Gaming Expansion Act, the MLGCA Commissioners became positioned employees.



Percentage of Lottery Administrative Expenses to Sales

Fiscal Year	Sales	Administrative Expenses	Percentage of Administrative Expenses to Sales
2006	\$ 1,560,905,784	\$ 54,468,221	3.49%
2007	1,577,311,065	54,832,655	3.48%
2008	1,673,038,728	58,845,991	3.52%
2009	1,698,074,056	59,365,645	3.50%
2010	1,706,572,575	57,965,833	3.40%
2011	1,714,402,578	53,221,207	3.10%
2012	1,794,892,455	53,856,627	3.00%
2013	1,756,119,267	54,699,834	3.10%
2014	1,723,990,568	56,552,165	3.28%
2015	1,760,866,028	57,441,563	3.26%

Administrative expenses includes operating expenses, lottery vendor and data processing fees, and instant ticket printing and delivery.



MARYLAND LOTTERY AND GAMING CONTROL AGENCY  
**CAPITAL ASSETS, NET INFORMATION –  
 FISCAL YEARS 2006 THROUGH 2015**

	Lottery Equipment	Data Processing Equipment	Office Equipment	Leasehold Improvements	VLTs	Total Capital Assets
2006	\$ 974,544	\$ 81,970	\$ 98,578	\$ 393,495	\$ –	\$ 1,548,587
2007	574,116	281,518	277,504	332,171	–	1,465,309
2008	173,689	202,273	190,553	270,847	–	837,362
2009	5,310,349	132,433	125,456	209,523	–	5,777,761
2010	4,192,381	65,926	63,182	148,199	–	4,469,688
2011	3,074,412	9,418	4,860	86,875	35,258,146	38,433,711
2012	1,956,444	–	–	25,551	47,247,813	49,229,808
2013	838,476	–	–	–	22,987,684	23,826,160
2014	–	–	–	–	10,525,562	10,525,562
2015	1,026,010	–	–	–	60,730,078	61,756,088

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**MARYLAND LOTTERY AND  
GAMING CONTROL AGENCY**

1800 Washington Blvd., Suite 330  
Baltimore, Maryland 21230  
Tel: 410-230-8800  
[mdlottery.com](http://mdlottery.com)