

Annual Comprehensive Financial Report

For the years ended
June 30, 2021 and 2020



ENTERPRISE FUND OF THE STATE OF MARYLAND

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Introductory Section

In fiscal year 2021, the Maryland Lottery and Gaming Control Agency (MLGCA) celebrated 49 years of supporting Marylanders. The MLGCA is the fourth largest revenue contributor to the state after individual tax, corporate tax, and sales and use tax.

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Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



Maryland

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 31, 2021

The Honorable Larry Hogan, Governor

Maryland Lottery and Gaming Control Commission

INTRODUCTION

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Maryland Lottery and Gaming Control Agency (MLGCA) for the fiscal years ended June 30, 2021, and June 30, 2020 (FY2021 and FY2020). This report has been prepared by the MLGCA's Accounting Department. 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 are accurate and are 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; slot machines) in the state and subject to the passage of a voters' constitutional referendum. In 2008, voters approved the installation of up to 15,000 VLTs at five casinos 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 slot machines in the state from 15,000 to 16,500; established table games and authorized 24/7 casino operations. The MLGCA's regulatory role is in the process of further expansion after voters' approval to legalize sports wagering in a constitutional referendum on November 3, 2020. On April 12, 2021, the General Assembly passed House Bill 940, which created the framework for the state's sports wagering market and provides for the regulation of sports wagering and fantasy gaming competitions. The legislation was signed into law on May 18, 2021. MLGCA staff have drafted sports wagering operational and licensing regulations and are conducting licensing background investigations of sports wagering applicants. This work is ongoing and will remain a substantial focus of MLGCA staff for the foreseeable future. MLGCA staff have also drafted fantasy gaming competition regulations and have already begun collecting tax revenue for the state.

The MLGCA, in conjunction with the seven-member Maryland Lottery and Gaming Control Commission (MLGCC), serves as regulator of the state’s casino gaming and sports wagering programs while also operating the Lottery. The MLGCA is an enterprise fund of the state and is included in the State’s Annual Comprehensive Financial Report. MLGCA activity is reported as a major enterprise fund type and includes all activity for which the MLGCA is financially accountable.

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. Its primary mission is to generate revenue for the state, both through the sale of traditional lottery products and through the administration of the casino gaming and sports wagering programs. The MLGCA fulfills this mission by offering the sale of both draw games and scratch-off games, as described further on pages 20 through 26. Since its inception in 1973, traditional lottery sales have exceeded \$54.2 billion and have contributed \$18.0 billion in revenue to the state. Most of the revenue from the traditional lottery is contributed to the State’s General Fund, which supports education, public health and safety, and many other state programs and services. 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, from FY2017 to FY2019, \$1 million to the International Racing Fund. In addition, a portion of revenue from the Instant Ticket Lottery Machine (ITLM) program, which is exclusive to veterans organizations, is contributed to the Maryland Veterans Trust Fund. Lotteries across the country have evolved and become more diversified, offering players a variety of choices. Today, 45 states and Washington, D.C., operate lotteries, most selling both draw games and scratch-off games. During FY2021, these lotteries generated \$94.9 billion in sales nationwide. The Maryland Lottery ranked fourth among state lotteries in per capita sales during this time period.

The mission of the casino gaming program is to generate revenue for the State of Maryland and to create good-paying jobs, while maintaining integrity, security, transparency and fair play. From the opening of Maryland’s first casino in September 2010 through the end of FY2021, slot machine revenues generated by the casinos totaled more than \$7.9 billion. Casinos began offering table games in March of 2013, and from that date through FY2021, revenues generated from table games totaled nearly \$3.9 billion. Casino contributions to the state through FY2021 totaled more than \$5.2 billion. The distribution of gaming revenue is directed by statute and described more fully on page 47 of this report.

ECONOMIC OUTLOOK AND MLGCA PRODUCTS

Please see Appendix A on page 16 for Maryland’s Bureau of Revenue Estimates’ economic outlook and Appendix B on page 20 for MLGCA products, both of which are an integral part of the transmittal letter.

HIGHLIGHTS OF FISCAL YEAR 2021

In FY2021, the Maryland Lottery and Gaming Control Agency (MLGCA or Maryland Lottery and Gaming) contributed an all-time record of more than \$1.392 billion to support the State of Maryland’s good causes, including the Maryland Education Trust Fund; public health and safety programs; the state’s horse-racing industry; the communities and jurisdictions where the state’s six casinos are located and veterans’ organizations. Lottery ticket sales contributed \$667.4 million to the state, while casino gaming revenue contributed \$725.3 million — both all-time records.

TRADITIONAL LOTTERY

As FY2020 ended, many entertainment venues remained closed or at limited capacity due to COVID-19, but essential businesses like grocery stores, convenience stores, gas stations and other retailers where Lottery tickets are sold were open. Lottery sales surpassed same-week prior-year totals for the last eight weeks in FY2020, and that trend continued in FY2021.

Even as more entertainment options steadily became available during FY2021, the Lottery's sales continued to surge, setting an all-time record of \$2.6 billion, an increase of \$414 million (18.8%) compared to the previous record set in FY2019. The \$667.4 million in contributions to the state beat the previous record set in FY2019 by \$74.3 million (12.5%).

Players won \$1.7 billion, surpassing the record set in FY2019 by \$295 million (21.7%). The Lottery's retailers, who have faced a challenging environment during the pandemic, earned a record-setting total of \$197.2 million in commissions, beating the previous mark set in FY2019 by \$31.7 million (19.2%). Players won an average of more than \$4.5 million per day, and the average retailer commission totaled more than \$45,000.

The Lottery expanded its retail footprint in January 2021 by launching sales via self-service vending machines located at all Walmart stores in Maryland. We also enabled debit card readers on approximately 2,000 vending machines across the state.

In response to the pandemic, the Lottery's Customer Resource Center (CRC) in Baltimore shifted to an appointment-only schedule-based system in late June of 2020. This system has been continued on a permanent basis and works well for both players who are redeeming tickets and for the CRC staff. Prior to the pandemic, the CRC was open on a walk-in basis. Players with winning tickets can schedule appointments to claim prizes by using the Lottery's website, and those without internet access can schedule appointments by phone. While prizes larger than \$25,000 must be claimed at the CRC, prizes up to and including \$25,000 can be claimed without an appointment at any of Maryland's six licensed casinos. There are over 400 Expanded Cashing Authority Program (XCAP) retailers authorized to cash winning tickets up to \$5,000. All other Lottery retailers are authorized to cash winning tickets up to \$600.

On January 20, 2021, Coney Market in Lonaconing (Allegany County) sold a jackpot-winning Powerball ticket worth an annuity value of \$731.1 million. It was the fourth-largest jackpot in Powerball history and the sixth-largest in U.S. lottery history. The anonymous winners, who dubbed themselves "The Power Pack," claimed the prize in May 2021 and chose the cash option of \$546.8 million.

It was by far the largest prize ever awarded by the Lottery, easily outdistancing the \$218.6 million portion of a \$656 million Mega Millions jackpot that was shared by three anonymous winners in 2012. The win marked the third time that the Powerball jackpot has been hit on a ticket sold in Maryland. The prize generated approximately \$49 million in state tax revenue, and Coney Market received a \$100,000 bonus from the MLGCA for selling the lucky ticket.

VAXCASH PROMOTION

In May 2021, Governor Larry Hogan asked the MLGCA and the Maryland Department of Health (MDH) to collaborate on a program to incentivize Marylanders to receive COVID-19 vaccinations. The two agencies created the \$2 Million VaxCash Promotion, which the Governor announced in a press conference on May 20.

The promotion ran for 41 days, from May 25 through July 4, awarding one winner of \$40,000 each day for the first 40 days and a grand prize winner of \$400,000 in the final drawing on July 4. The MLGCA revealed each

winner's hometown or county at 11 a.m. daily, and media outlets of all sizes across the state routinely published these announcements, along with stories about the winners as they came forward to claim their prizes.

The steady stream of coverage provided excellent publicity for the Lottery, but much more importantly, it elevated a discussion of COVID-19 vaccinations into the public consciousness. As measured by public relations/media analysis firm Cision, the estimated value of VaxCash publicity was more than \$9 million — a 350% return on the investment of \$2.0 million in prizes, which were paid from the Lottery's Marketing Fund. The money had already been allocated to the Lottery for advertising and promotional purposes, and did not diminish Lottery contributions to any state programs or services. More than 245,000 Marylanders received their first COVID-19 shots while VaxCash was in progress, and between May 25 and July 4, the percentage of vaccinated adults in the state increased from 68% to 75%.

While VaxCash winners had the option to remain anonymous, 13 of the 41 winners consented to full publicity, allowing the Lottery to publish their names and photos and tell their stories. This supported the Governor's goal of emphasizing the importance of getting vaccinated. The winners represented a broad cross section of Marylanders in terms of race, age, gender and ethnicity, and included people from a wide range of professions: a teacher, a nurse, a custodian, a construction worker, a daycare worker, an eldercare worker, a grocery store deli worker, an Air Force veteran who recovered from COVID-19 — even a COVID-19 testing center coordinator.

The Lottery's Executive team, Communications, Marketing, Claims and IT departments had day-to-day roles in operating the VaxCash Promotion, with substantial assistance from the Office of the Attorney General and creative agency GKV.

CASINO GAMING

Maryland's casino partners began FY2021 having just reopened after being closed from mid-March until late June of 2020 due to COVID-19. All six casinos operated with a state-mandated 50% capacity restriction from June 2020 until March 2021. Local jurisdiction orders limited the three largest casinos — MGM National Harbor, Live! Casino & Hotel and Horseshoe Casino — to 25% capacity for part of FY2021. Predictably, revenues were impacted by reduced capacity.

With increased vaccination rates, pandemic restrictions were eased and revenues bounced back strongly as customers were eager for entertainment options that hadn't been available for months. The state's 50% capacity limit for large venues was lifted in March 2021, though MGM National Harbor and Horseshoe Casino remained limited to 50% until May under local jurisdiction orders.

In March and May, the casinos set single-month revenue records of \$169.2 million and \$172.4 million, respectively. Those figures were then surpassed in the first month of FY2022, when the casinos set a new mark with \$180.1 million in revenue during July 2021.

The six casinos generated \$1.746 billion in gaming revenue during FY2021, down just 0.9% from the all-time record set in FY2019 despite more than eight months of capacity limitations. The \$725.3 million in contributions to the state went to the following beneficiaries:

- **Education Trust Fund:** \$531.4 million
- **Local Aid:** \$92.2 million (including local impact grants and local jurisdiction contributions)
- **Maryland's Horse Racing Industry:** \$78.8 million (including contributions to the Racetrack Facility Renewal Account and the Horse Racing Purse Dedication Account)
- **Maryland's Small, Minority and Women-owned Business Fund:** \$17.0 million
- **Responsible Gaming Programs:** \$4.1 million

RESPONSIBLE GAMING

Maryland Lottery and Gaming has substantially deepened its organization-wide commitment to emphasizing the importance of responsible play.

In FY2019, the Maryland Lottery achieved Level 3 certification from the World Lottery Association (WLA), a global organization comprising approximately 150 lotteries. The WLA maintains a set of responsible gaming and social responsibility principles that provide the framework for four levels of certification. The WLA's evaluation standards place an emphasis on continual enhancement and evaluation of responsible gaming programs. To facilitate meaningful improvements, lotteries have a three-year window to apply for each new level of certification.

The Lottery has spent the past three years expanding its responsible gaming program and is planning to submit its application for WLA Level 4 status in the spring of 2022. The application requires a detailed presentation and evaluation of the work that has been completed. Many initiatives have been developed in pursuit of WLA Level 4 certification. Here is a partial list of those efforts:

- Maryland Lottery and Gaming formed a responsible gaming work group that includes members of the executive team and department heads. The group is responsible for enhancing existing programs and creating new initiatives that are necessary to meet the WLA's Level 4 criteria.
- Maryland Lottery and Gaming's Responsible Gambling Program Director substantially enhanced the Agency's responsible gambling training resources, including the addition of insight from a peer counselor with the Maryland Center of Excellence on Problem Gambling in a training webinar that all employees are required to complete. The webinar also incorporated pre- and post-tests so that employees' knowledge of responsible gaming principles can be tracked and used to determine areas where staff need more training.
- The Sales Division created a responsible gaming checklist that District Managers use in their regular visits to all Lottery retailers to ensure that the proper messaging is on display and available to customers.
- The Product Development staff purchased and implemented the Gamgard tool, which evaluates games and promotions for their potential risk factors. The insight gained from this tool is helping to guide the Lottery's use of certain messaging and the frequency of certain promotions.
- The Product Development staff implemented a set of three responsible gaming/social responsibility checklists that are used during the development of all new games to assess the risks to problem gamblers or vulnerable populations. The checklists are particularly useful in guiding the Lottery away from launching certain scratch-off games with logos or imagery that might appeal to minors or over-promise results.
- The Marketing team implemented a Positive Play survey, which gauged reaction to messaging that reinforces positive player behaviors. Information gained from the survey is being used in the development of marketing and advertising campaigns and player education efforts.
- In March 2021, the Marketing team opted to conduct a paid advertising campaign for Problem Gambling Awareness Month for the first time, rather than relying on the placement of public service announcements provided by a third party. The "Play Responsibly" campaign represented a decisive shift in strategy, as it emphasized Positive Play messaging and replaced public service announcements that had been used previously. A similar paid ad campaign is planned for Problem Gambling Awareness Month in March 2022.
- As part of the "Play Responsibly" campaign, the responsible play page on mdlottery.com was refreshed with new photos and graphics and new information on the warning signs of problem gambling, the MLGCA's voluntary exclusion program, and links to problem gambling resources.

In addition to observing Problem Gambling Awareness Month, the Lottery is also an annual participant in the National Council on Problem Gambling's Gift Responsibly campaign, which reinforces the message that Lottery tickets are not an appropriate gift for anyone under the age of 18. Gift Responsibly was previously known as the annual Holiday Campaign and was focused on gift-giving during the holiday season. The rebranding makes the program relevant throughout the year.

Maryland Lottery and Gaming also has continued its leadership role in the Maryland Alliance for Responsible Gambling (MARG), which brings together the state's gambling stakeholders and the problem gambling treatment community in a collaborative forum to enhance and develop resources. Agency staff have also increased collaboration with the Maryland Center of Excellence on Problem Gambling. In addition to offering input for the MLGCA's employee training webinar, staff from the Center of Excellence are also providing guidance on responsible gaming content for the Retailer Report quarterly newsletter, a vital source of information for the Lottery's 4,440 retail partners.

FINANCIAL INFORMATION

ACCOUNTING SYSTEMS AND POLICIES

The MLGCA operates enterprise activities, which include sales of scratch-off and draw game tickets; the Instant Ticket Lottery Machine (ITLM) program available exclusively to veterans' organizations; the oversight of gaming operations and the related support functions: personnel, finance, administration, sales, 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. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

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 Lottery and to oversee casino 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; commissions paid to the casino operators is funded from slot machine 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 departments within the MLGCA. These departments are responsible for monitoring expenditures within their department 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 departments, 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, annuity and lifetime winners and employee-related payables. The payments due to winners are fully funded by amounts invested primarily in United States Government Agency Obligations (coupon bonds). Some investments are also held in annuity contracts.

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 MLGCC.

Since the MLGCA manages scratch-off and draw game tickets, controls the disbursement of Lottery prizes and is responsible for the oversight of the casinos, the following steps have been taken to ensure that operations remain secure and meet the highest ethical standards:

- employing specialized compliance staff who are present at the casinos 24 hours a day, 7 days a week;
- 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;
- reprocessing daily transactional data of all online lottery vendor activity by MLGCA personnel using internal control system programs and reconciling transactions to reports generated by the online lottery vendor;
- comparing, on a daily basis, gross slot machine revenue recorded on the MLGCA's central monitoring 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 318 employees, including contractual employees. The drawing studio is located at the broadcast facility of a television station located in Baltimore, which produces various live daily televised drawings. Keno and Racetrax drawings are conducted by random number generators and are maintained at a secure, multi-tenant data center located in Nevada. Mega Millions and Powerball drawings are held in Georgia and Florida, respectively. Cash4Life drawings are held in New Jersey.

FUTURE PROJECTS

In FY2022, Maryland Lottery and Gaming aims to continue generating record levels of contributions to the state, and is intensely focused on the implementation of Maryland's sports wagering law.

TRADITIONAL LOTTERY

While the Lottery set an all-time sales record in FY2021, it set the stage for a promising FY2022 by finishing the first quarter of the fiscal year 7.6% ahead of last year's record-setting pace.

The Lottery's twice-daily drawings of Pick 3 and Pick 4 have enjoyed decades of enduring popularity, and we will add to the lineup of daily games with the projected launch of Pick 5 on February 7, 2022. The game's rules and operation will be similar to Pick 3 and Pick 4, and drawings will be televised, both middays and evenings. The Lottery plans to retire 5 Card Cash when Pick 5 launches.

Maryland's first oversized scratch-off ticket will launch during FY2022. The \$10 ticket features an 8-inch x 8-inch expanded play area. Oversized tickets have been successful in numerous other states.

Staff will spend time in 2022 planning the Lottery's 50th anniversary celebration, which will begin in January 2023. The Lottery commenced operations on January 2, 1973, sold its first ticket on May 15, 1973, and held its first drawing on May 24, 1973. Numerous events, activities and promotions are being planned for the Lottery's 50th anniversary.

CASINO GAMING

Maryland's casino operators have reconfigured their gaming areas, both to enable COVID-19 social distancing and to make space for sports wagering operations. The casinos slowly restarted their marketing and entertainment programs during the latter part of 2021, and a more robust schedule of events is anticipated in 2022, with the aim of drawing new customers to the six properties.

After starting FY2022 with a single-month revenue record in July 2021, casino gaming revenue was 18.7% ahead of the FY2021 pace through the first quarter of the fiscal year.

SPORTS WAGERING AND FANTASY COMPETITIONS

As FY2022 began, MLGCA staff were diligently working to implement the state's sports wagering and fantasy competitions law, which was signed by Governor Hogan in May 2021. Effective immediately, the MLGCA was responsible for the collection of tax revenue on all fantasy competitions operating in the state. Gaming and Licensing staff members and staff from the Office of the Attorney General spent much of the first half of 2021 drafting sports wagering operational and licensing regulations, which went into effect on an emergency basis on August 5.

On September 14, 2021, the MLGCA opened its eLicensing online application portal to the 17 entities that were named in the sports wagering law. The Licensing staff is conducting criminal and financial background investigations of the 17 designated entities. As these investigations are completed and the MLGCA approves each facility, the applications will be forwarded to the Sports Wagering Application Review Commission (SWARC), which formally awards the licenses following verification of operational and control capabilities. The MLGCC then issues a license allowing wagering to begin. MLGCA staff are also responsible for investigating and licensing the operator partners, contractors and employees who work at the state's sports wagering facilities. These investigations are also ongoing, and the pace and volume of this work will increase substantially during 2022.

Aside from the 17 named locations, the sports wagering law allows the SWARC to award licenses to up to 30 additional locations and up to 60 mobile operators through a competitive process. The SWARC is expected to create the application process for these licenses in the coming year. MLGCA staff will be responsible for conducting criminal and financial background investigations of these businesses and their operator partners, contractors and employees.

Respectfully Submitted,

MARYLAND LOTTERY AND GAMING CONTROL AGENCY



Paula Yocum
Managing Director and Chief Financial Officer



James Nielsen
Deputy Director and Chief Operating Officer

APPENDIX A: MARYLAND AND FEDERAL ECONOMIC OUTLOOK

The COVID-19 pandemic (the pandemic) continues to cause disruption amid a rapid but uneven economic recovery. Following a steep decline in output, economic stimulus offset the collapse in demand. As a result, income continued growing through the pandemic. At the same time, the pandemic continues to disrupt supply, which cannot shift as quickly as demand. The result of supply constraints in the context of the recovery in demand is a rise in prices. We expect the recovery to continue but slow as the economy gets back to its long-term trend rate of growth.

Because total income and spending continued to grow through the pandemic, the economic fallout was more limited to directly affected industries, such as hospitality and recreation. Job losses were disproportionately in lower-wage service industries. The resulting loss in wage income was largely offset by expanded unemployment benefits. As a result, tax revenue collections outperformed what we would typically expect from recent labor market conditions.

COVID-19 PANDEMIC

At the time of writing, Johns Hopkins University records over 790,000 deaths in the U.S. due to COVID infection. The Maryland Department of Health reports over 11,000 deaths in the state. Another winter wave appears to be underway. Using a seven-day moving average, new cases were declining from an early fall peak and spiked upwards about a week after Thanksgiving. The ultimate trajectory of the pandemic is uncertain, though we generally expect it to worsen over winter and improve in spring. It is too soon to tell whether the new Omicron variant will substantially change this picture.

The worse the pandemic gets, the more it will disrupt continued growth. As consumers and investors, people typically react to perceptions of increased risk by pulling back on consumption and increasing their savings. Furthermore, pandemic-related supply constraints are causing price increases, leading to the highest measured inflation in decades.

ECONOMIC CONDITIONS

The recovery to date has been quick but uneven. As of the third quarter of calendar year 2021, nominal output, the dollar value of output, has reattained its pre-COVID growth trend. As of November, the unemployment rate is 4.2% nationally. Taken together, these two statistics suggest the recovery is complete. Following the Great Recession, it took until 2016 for the unemployment rate to get below 5.0%.

Monetary and fiscal stimulus boosted aggregate demand, keeping spending circulating. Maintaining spending prevented a worse recession and accelerated the recovery. Consistent with consensus economic policy, these tools were used at a scale necessary to bring aggregate demand back to its pre-crisis trend. This outcome was not predestined. In the early days of the pandemic, short-term real interest rates spiked, while asset prices and inflation expectations plunged—early warning signs of a financial crisis that was ultimately avoided.

Though the unemployment rate is low, total employment remains millions of jobs below its prior peak, pointing to a decline in labor participation. After falling 5.1% from January to April 2020, labor participation recovered only some of its loss by July 2020 and has been essentially flat ever since. The labor participation rate of workers over 55 remains near its pandemic low. Despite record openings, elevated wage growth and expired unemployment benefits, potential workers have not been brought back into the labor force in significant numbers.

Total wage income fell 10.3% from February to April 2020, but is now 6.8% above its pre-pandemic peak. In real inflation-adjusted terms, aggregate wages are only 3.2% higher than their pre-pandemic peak. The real

average wage, defined here as wage income per employee, has grown 8.4% since 2020 Q1, but practically all that wage growth occurred in 2020 Q2, the result of job losses concentrated in lower wage sectors. Since then, the real average wage has fallen 1.1%. It appears that recent nominal wage gains have generally kept up with inflation.

Because of supply disruptions, prices have risen above their pre-pandemic trend as demand recovered. Negative supply shocks reduce output and therefore increase prices, all else equal. But there are elements of the COVID Recession that do not fit neatly into the binary of supply or demand. Demand for services fell. But this reflects a disruption in the ability of producers to safely supply services in-person. Supply of goods has been constrained, but this partially reflects ongoing adjustment to increased demand for goods.

Declines in spending in directly affected industries like hospitality, and accommodations have been offset by increased spending elsewhere, such as on durable goods. Spending shifted from higher risk to lower risk consumption and from services to goods. The sectors that are growing have higher average wages than the sectors that shed jobs. This shift in labor composition boosts the average wage and helps support tax withholding due to Maryland's relatively progressive state income tax structure.

The preceding analysis speaks to the macroeconomy on average. But this average is not necessarily representative of the experience of any one sector, region, group, person, or business. Losses and gains have been experienced unequally. Job losses were concentrated among lower income workers, particularly in services, while employment in higher income jobs recovered. Larger businesses have better access to government subsidies and the financial system, so can sustain themselves for longer during a crisis. Small businesses run by Black and/or Latino owners closed, whether temporarily or permanently, at higher-than-average rates over the pandemic. In short, the pandemic worsened existing social inequalities.

INFLATION

The causes of inflation can be put into two categories: monetary and real. Monetary causes are an increase in the money supply or a decrease in money demand (how much wealth people prefer to hold in the form of money). In the long run, an increase in the money supply only influences nominal, or dollar, prices. The unit of measurement (the dollar) is smaller, but real prices are unchanged. In the short run, nominal prices are sticky—they take time to adjust. During this adjustment period, expansionary policy boosts aggregate demand. Eventually increased demand bids nominal prices up to the unchanged equilibrium real price.

The real causes of inflation, which result in real price increases, are an increase in aggregate demand or decrease in aggregate supply. Supply, based on real productive capability, is inflexible in the short run. If supply falls, it will take time to recover; if demand rises, supply will take time to expand. The result of constrained supply during this period of adjustment is higher real prices and lower output than would otherwise be the case. The pandemic caused a negative supply shock and shifted demand towards goods. At the same time, economic stimulus caused a rapid recovery in aggregate demand. The result is elevated inflation in the short run. How long the short run is depends on how long it takes aggregate supply to adjust, which in turn depends partially on the length and severity of the pandemic.

Inflation that persists into the long run is achieved through monetary causes. Whether elevated inflation will be persistent therefore depends primarily on monetary policy. Nominal Gross Domestic Product (GDP) has recovered its pre-pandemic trend; unemployment is low, and inflation elevated. These are signals that the Federal Reserve (the Fed) should move to tighten policy to prevent persistent inflation; they recently announced their intention to do just that.

MARYLAND

Maryland's economy has structural factors in its favor. Typically, the State's economy and employment contracts less than the nation in a recession. This is partly due to high education and skill levels of the labor force and the presence of the federal government, a stable source of well-paying jobs. That said, employment in Maryland has not performed noticeably better than the nation. Maryland employment reached its peak in January 2020 and fell by 400,700 (14.4%) to a low in April 2020. As of October 2021, employment remains 91,800 (3.3%) below the prior peak. However, the State is slightly outperforming the nation in terms of wage growth. In 2021 Q2, the most recent data at the state level, total wages grew 13.3% year-over-year in Maryland compared to 12.3% for the nation.

As a percent of the total population, Maryland has the eighth highest vaccination rate in the nation. As a result of vaccinations and social distancing measures, the State's COVID case and death rates are typically lower than the nation's. This speaks to less disruption to income and demand of state residents. But supply is global, and disruptions to it raise prices everywhere. More recently, cases and deaths are trending up as they did last winter.

OUTLOOK

This is an especially challenging time to forecast economic and revenue conditions with a useful degree of accuracy. Revenue collection heavily depends on the course of the pandemic, its impact on the economy and the federal economic policy response. Recent data shows that the recovery is slowing, particularly in the labor market. At the same time, new infections and daily deaths are rising. Given the recovery in GDP and elevated inflation, the Fed is likely to begin withdrawing stimulus in the near term while the political appetite for fiscal stimulus is likely waning.

Our outlook calls for growth in employment and aggregate wages to slow but continue over the winter months. At the same time, there are factors supporting an outlook of continued growth. High savings will boost investment and can be drawn down to sustain consumption in the event of a decline in income. Record amounts of job openings are available, and quits are occurring as employment shifts away from the directly affected sectors. Historically, job switching leads to wage gains for employees.

Beyond this winter, we expect the recovery to accelerate as the pandemic wanes. Real growth through 2022 is forecast to accelerate as supply adjusts and settles into longer run trends in 2022. Employment is not expected to regain its prior peak until early 2023. The table below shows the recent history and forecast growth rates for key economic variables.

Outlook for Key Maryland Economic Variables

Calendar Year	Employment Growth	Personal Income	Aggregate Wages	Average Wage
2019	0.6%	2.5%	3.7%	3.0%
2020	-6.8%	6.1%	1.7%	9.3%
2021E	2.8%	6.2%	9.0%	5.9%
2022E	3.5%	1.0%	5.0%	1.5%
2023E	1.6%	4.4%	4.3%	2.7%
2024E	0.9%	4.5%	4.2%	3.3%
2025E	0.5%	4.5%	3.9%	3.4%

Source: Bureau of Revenue Estimates

RISKS

The most significant risks to the current forecast are the future course of the pandemic and of monetary policy. The course of the pandemic, and when COVID becomes simply endemic, will depend on when the global population is widely vaccinated. It appears that increasing the vaccination rate will be a prolonged effort dependent on increasing trust among a population that is skeptical and/or has lower access to healthcare systems. Meanwhile, the virus continues to evolve. The new Omicron variant has caused concern, though it is too early to tell what its impact will be. A return to widespread business closures and other restrictive social distancing orders is unlikely. But again, the worse the pandemic gets, the worse the economic disruption will be. So far, the pandemic has led to an economic policy response that boosted income, resulting in elevated revenue growth. However, this relationship may not hold as the appetite for more stimulus wanes.

Monetary policy is at an inflection point. The nominal recovery is complete, which means the Fed must tighten the right amount at the right time to prevent persistent inflation while avoiding hitting the brakes too hard. It is a delicate balance that is easy to miscalculate in normal times. If the Fed does too little too late, inflation could become a serious issue. If the Fed does too much too soon, it will reduce economic growth and prolong the labor market recovery.

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

APPENDIX B: MARYLAND LOTTERY PRODUCTS

The Lottery 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 scratch-off games. Draw games allow players to pick their numbers or utilize random computer-generated plays. Customers receive a ticket and then wait for the drawing to determine if they have won. The Lottery offers two types of instant-win games that allow players to immediately determine if they've won by matching numbers or symbols. Fast Play games, which were launched during Fiscal Year 2020, are printed at the time of purchase by Lottery retailer terminals and self-service vending machines. Scratch-off 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. The Instant Ticket Lottery Machine (ITLM) program, available exclusively to veterans' organizations, gives players an entertaining animated display of a predetermined prize amount.

Lottery games offered during Fiscal Year 2021 included the following:



FISCAL YEAR 2021 STATISTICS — POWERBALL®:

\$93.2 million in net sales

3.6% of total net sales

\$22.8 million increase from Fiscal Year 2020 Powerball net sales

POWERBALL® is a multi-state jackpot game, with drawings conducted each Monday, Wednesday and Saturday evening. The game expanded from two nights per week to three with the addition of Monday night drawings starting Aug. 23, 2021. The Maryland Lottery began selling Powerball® tickets in January 2010, and tickets for the game are available in 48 U.S. states and jurisdictions. Tickets cost \$2, and the starting jackpot is determined by game sales. Players choose or request the computer to generate a total of six numbers from two different fields: five numbers from a range of 1 to 69 and one Powerball® number from a range of 1 to 26. Players matching all six numbers 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 292 million. There are also eight other prize tiers ranging from \$4 to \$1 million. Power Play® is an optional feature of Powerball® that allows winners to multiply their prizes. By adding the Power Play® option to their tickets for an additional \$1, players can multiply any prizes they win except for the jackpot. Double Play is another optional feature that was launched along with the Monday drawings on Aug. 23, 2021. Players can add the Double Play for an additional \$1, making their ticket eligible to win prizes in both the Powerball® drawing and a separate Double Play drawing, which is held 30 minutes after each Powerball® drawing. Double Play offers a fixed \$10 million jackpot and eight other prize tiers.



FISCAL YEAR 2021 STATISTICS — MEGA MILLIONS:

\$107.9 million in net sales

4.1% of total net sales

\$29.4 million increase from Fiscal Year 2020 Mega Millions net sales

MEGA MILLIONS® is a multi-state jackpot game, with drawings conducted each Tuesday and Friday evening. The Maryland Lottery began selling Mega Millions tickets in September 1996, and tickets for the game are sold in 47 U.S. states and jurisdictions. Tickets cost \$2, and the starting jackpot is determined by game sales. Players choose or request the computer to generate a total of six numbers from two fields: five numbers from a range of 1 to 70 and one Mega Ball number from a range of 1 to 25. Players matching all six numbers 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 302 million. There are also eight other prize tiers ranging from \$2 to \$1 million. Megaplier is an optional feature of Mega Millions that allows winners to multiply their prizes. By adding the Megaplier option to their tickets for an additional \$1, players can multiply any prizes they win except for the jackpot.



FISCAL YEAR 2021 STATISTICS — MULTI-MATCH®:

\$33.7 million in net sales

1.3% of total net sales

\$4.7 million increase from Fiscal Year 2020 Multi-Match net sales

MULTI-MATCH® is a jackpot game that was introduced in February 2006, replacing Lotto, the Maryland Lottery's original in-state jackpot game. Drawings are held each Monday and Thursday evening. Players receive three lines of six numbers. Players choose or request the computer to generate the first line of numbers from a range of 1 to 43. The computer then generates the remaining two lines of numbers from that same range. Players matching all six winning numbers on a single line, in any order, win the jackpot, which typically starts at \$500,000 and increases after each drawing that does not produce a jackpot winner. If there are multiple winners, the jackpot is divided by the number of winners. Players can also win fixed prizes ranging from \$2 to \$2,000 by matching three or more numbers on a single line or five or more numbers on all three lines combined.



FISCAL YEAR 2021 STATISTICS — CASH4LIFE:

\$20.9 million in net sales

0.8% of total net sales

\$280.4 thousand increase from Fiscal Year 2020 Cash4Life net sales

CASH4LIFE® is a multi-state game with nightly drawings. The Maryland Lottery began selling Cash4Life tickets in January 2016, and tickets for the game are available in 10 states. For \$2, players pick five numbers from a range of 1 to 60 and one Cash Ball from a range of 1 to 4. Players matching all five winning numbers and the Cash Ball number win the top prize of \$1,000 a day for life, and players who match the five winning numbers but do not match the Cash Ball number win \$1,000 a week for life. Multiple winners share the top prize or second prize. There are nine different ways to win varying levels of cash prizes. The probability of winning any prize is roughly 1 in 8.



FISCAL YEAR 2021 STATISTICS — PICK 3:

\$290.8 million in net sales

11.1% of total net sales

\$39.1 million increase from Fiscal Year 2020 Pick 3 net sales

PICK 3 was the Maryland Lottery's first draw game, introduced in July 1976. Drawings are held twice daily, seven days a week. Players choose three numbers from a range of 0 to 9 for the chance to win prizes ranging from \$25 to \$250 for a 50¢ bet.



FISCAL YEAR 2021 STATISTICS — PICK 4:

\$395.7 million in net sales

15.2% of total net sales

\$61.9 million increase from Fiscal Year 2020 Pick 4 net sales

PICK 4 was introduced in April 1983. Drawings are held twice daily, seven days a week. Players choose four numbers from a range of 0 to 9 for the chance to win prizes ranging from \$100 to \$2500 for a 50¢ bet.



FISCAL YEAR 2021 STATISTICS — BONUS MATCH 5:

\$20.5 million in net sales

0.8% of total net sales

\$2.0 million increase from Fiscal Year 2020 Bonus Match 5 net sales

BONUS MATCH 5 is a draw game that was originally introduced in September 1995. Drawings are held nightly, and players can purchase one line of numbers for \$1; three lines of numbers for \$2; four lines of numbers for \$3; six lines of numbers for \$4; seven lines of numbers for \$5 or nine lines of numbers for \$6. For each line, players select or request the computer to generate five numbers from a range of 1 to 39. Five winning numbers are drawn from that range, followed by a Bonus Ball number drawn from the remaining 34 numbers. Players matching all five winning numbers on a single line win the top prize of \$50,000. The Bonus Ball provides additional chances to win prizes ranging from \$2 to \$600. In the event that there are more than 12 top-prize \$50,000 winners in one drawing, each winner receives an equal share of a \$600,000 prize pool.



FISCAL YEAR 2021 STATISTICS — 5 CARD CASH:

\$5.8 million in net sales

0.2% of total net sales

\$233.8 thousand decrease from Fiscal Year 2020 5 Card Cash net sales

5 CARD CASH launched in November 2012 and includes both a nightly draw game and an instant-win component. On each \$2 ticket, players receive five randomly selected cards from a standard deck of 52 playing cards. Players can win \$3 to \$10,000 or a free 5 Card Cash ticket instantly if their cards show a poker hand of a pair of jacks or better. The nightly drawings allow players to win \$3 to \$100,000 by matching two, three, four or all five of the winning cards.



FISCAL YEAR 2021 STATISTICS — KENO:

\$273.5 million in net sales
10.5% of total net sales
\$14.3 million increase from Fiscal Year 2020 Keno net sales

KENO is a draw game that is predominantly played in a social setting, and drawings are held every three and a half minutes. Keno was introduced in January 1993. In each Keno game drawing, a computer generates random sets of 20 numbers from a range of 1 to 80. The numbers are displayed on video monitors at Maryland Lottery retail locations. Players select one to 10 numbers from a range of 1 to 80 and win prizes ranging from \$2 to \$100,000 by matching anywhere from zero numbers to 10 numbers.

KENO BONUS® is an optional feature that was introduced in April 1999 and is sold in conjunction with Keno. By doubling their base Keno wager, players have an opportunity to multiply their winnings by three, four, five or 10. The Keno Bonus® multiplier is determined by a computer-generated random draw immediately prior to each Keno game drawing. The maximum prize that can be won per game on any Keno ticket with the Keno Bonus® option is \$1 million.

KENO SUPER BONUS™ is an optional feature 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 base Keno wager, giving players an opportunity to multiply their winnings by two, three, four, five, six, 10, 12 or 20. The Keno Super Bonus™ multiplier is determined by a computer-generated random draw immediately prior to each Keno game drawing. The maximum prize that can be won on any Keno ticket with the Keno Super Bonus™ option is \$2 million.



FISCAL YEAR 2021 STATISTICS — RACETRAX®:

\$298.7 million in net sales
11.4% of total net sales
\$68.4 million increase from Fiscal Year 2020 Racetrax net sales

RACETRAX® is a draw game that launched in August 2006 and is predominantly played in a social setting. Computer-generated drawings are held approximately every four and a half minutes. Racetrax® is a computer-animated virtual game that offers the thrill of horse racing with advanced 3-D graphics that are displayed on monitors at Maryland Lottery retail locations. The game offers 13 different types of bets, with players selecting from a range of horses numbered one to 12, with prizes ranging from \$1.20 to \$650,248, depending on the bet type.

RACETRAX® BONUS is an optional feature that launched in August 2009 and is sold in conjunction with Racetrax®. By doubling their base Racetrax® wager, players have an opportunity to multiply their winnings by three, four, five or 10. The multiplier is determined by a computer-generated random draw immediately prior to the start of each race. The maximum prize that can be won per game on any Racetrax® ticket with the Racetrax® Bonus option is \$6,502,480.



FISCAL YEAR 2021 STATISTICS — SCRATCH-OFFS:

\$993.4 million in net sales
38.0% of total net sales
\$140.7 million increase from Fiscal Year 2020 scratch-off net sales

SCRATCH-OFF games were first introduced in 1976. Players reveal their prizes by scratching a latex play area. From 1976 to 1985, a limited number of scratch-off games were launched. The Maryland Lottery began launching scratch-offs on a more frequent basis in 1986, and in recent years new tickets have been launched monthly. During Fiscal Year 2021, the Maryland Lottery launched 52 new scratch-off games, with price points of \$1, \$2, \$3, \$5, \$10, \$20 and \$30. Each scratch-off game has multiple prize tiers, with prizes starting at \$1 and ranging up to \$2 million.



FISCAL YEAR 2021 STATISTICS – FAST PLAY:

\$66.5 million in net sales
2.6% of total net sales
\$35.3 million increase from Fiscal Year 2020 Fast Play net sales

FAST PLAY games were introduced on February 10, 2020. The games are printed by Lottery retailer terminals and self-service vending machines at the time of purchase, and players find out immediately if they've won by looking to see if their numbers or symbols match the winning numbers or symbols. Like scratch-offs, Fast Play tickets feature a variety of themes and play styles and multiple prize tiers, with price points ranging from \$1 to \$20. Some of the games have a set top prize, while others have progressive jackpot top prizes, which grow with the purchase of each ticket until a jackpot-winning ticket is sold. During Fiscal Year 2021, the Maryland Lottery launched 15 new Fast Play games.



FISCAL YEAR 2021 STATISTICS — INSTANT TICKET LOTTERY MACHINES:

10.5 million in net sales
0.4% of total net sales
\$2.7 million increase from Fiscal Year 2020 ITLM 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 to display an entertaining animated display of the predetermined prize. 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.

MARYLAND CASINOS

Maryland casinos offered the following during Fiscal Year 2021:



FISCAL YEAR 2021 STATISTICS — VIDEO LOTTERY TERMINALS:

\$1.2 billion in gross terminal revenue
8943 slot machines as of June 30, 2021
\$330.9 million increase from Fiscal Year 2020 gross terminal revenue

SLOT MACHINES (VIDEO LOTTERY TERMINALS) were approved during the 2007 special session of the Maryland General Assembly, and Maryland's six casinos opened between September 2010 and December 2016. As of June 30, 2021, the six casinos had 8,943 video lottery terminals in operation.

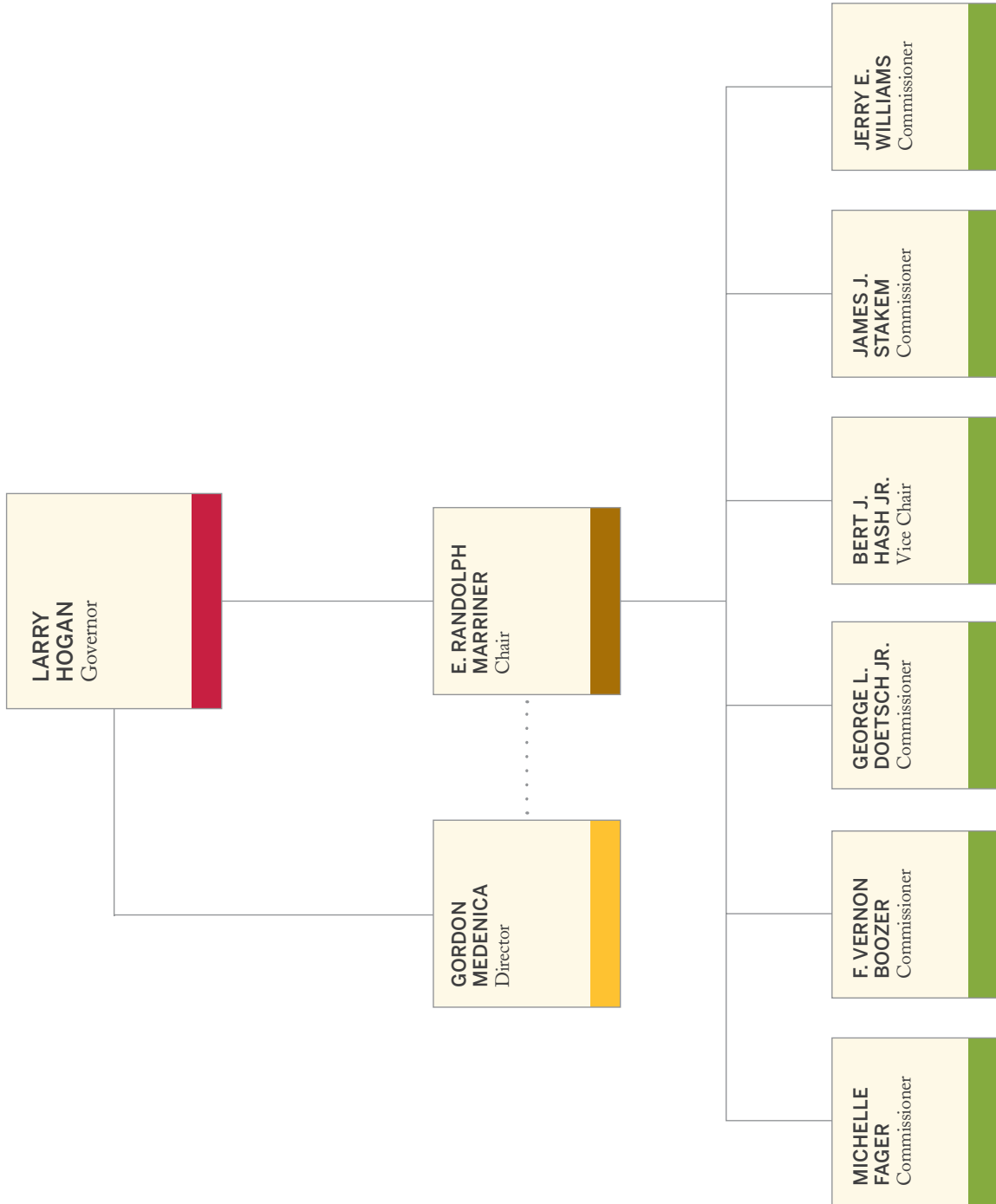


FISCAL YEAR 2021 STATISTICS — TABLE GAMES:

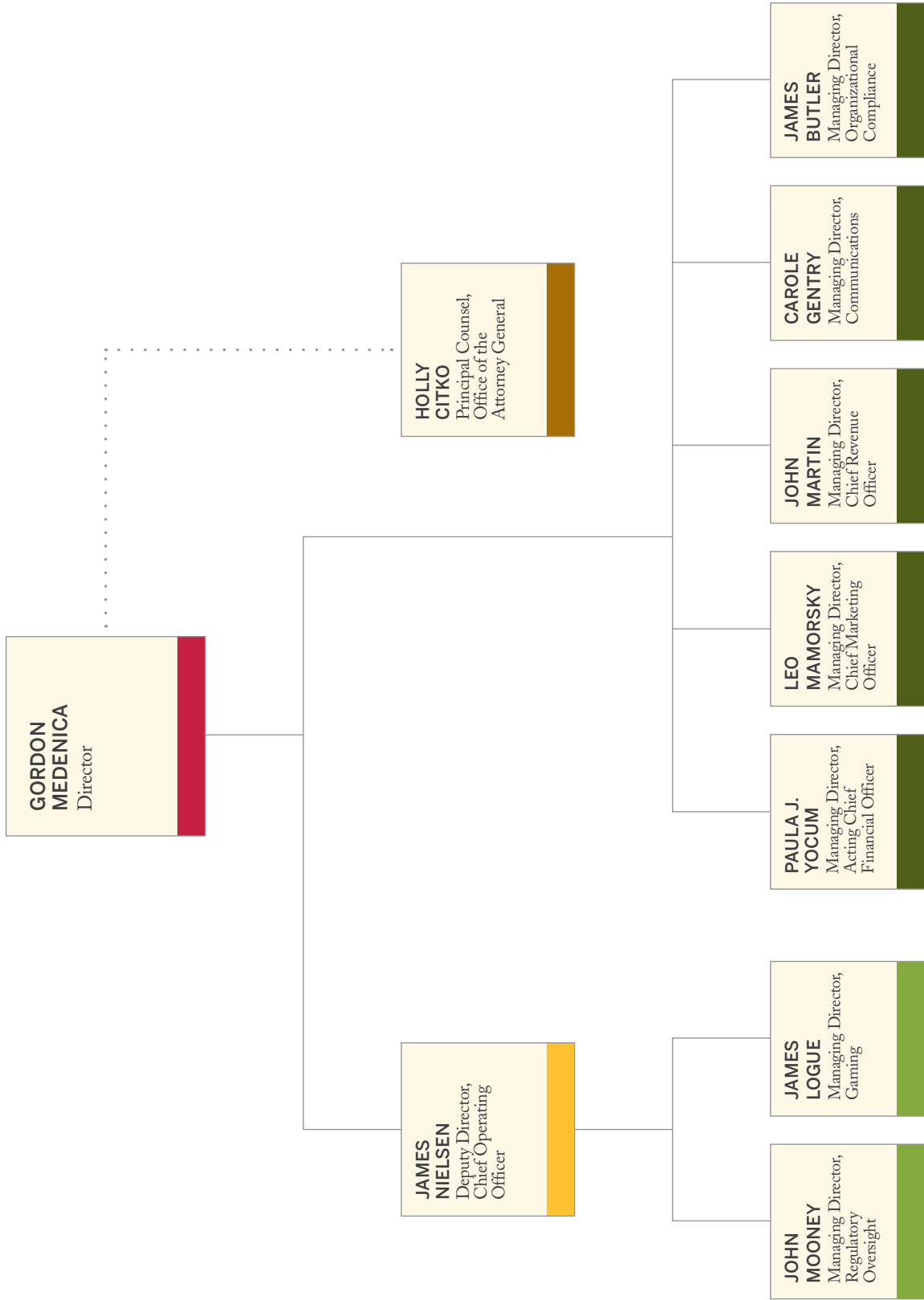
\$585.3 million in revenue
575 total table games as of June 30, 2021
\$134.6 million increase from Fiscal Year 2020 table game revenue

TABLE GAMES were approved for all six Maryland casinos after voters approved a gaming expansion referendum in the November 2012 General Election. Casinos began launching table game operations during Fiscal Year 2013. As of June 30, 2021, the six casinos had 575 table games in operation.

Commission Organization as of June 30, 2021



Executive Organization Chart



Financial Section

In fiscal year 2021, the MLGCA contributed \$1.4 billion to the State of Maryland. \$667.4 million from the Lottery and \$725.3 million from casino gaming.

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INDEPENDENT AUDITORS' REPORT

To the Maryland Lottery and Gaming Control Agency:

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying 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 years ended June 30, 2021 and 2020, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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.

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Maryland Lottery and Gaming Control Agency as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements of the Agency are intended to present the financial position and the changes in financial position and cash flows of the Agency. They do not purport to, and do not, present fairly the financial position of the State of Maryland as of June 30, 2021 and 2020, and the changes in its financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

OTHER MATTER

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis and budgetary comparison and changes in net pension liability contributions and related ratios information on pages 33 through 48 and 77 through 81, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 audit 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 REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, 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.

SC + H Attest Services, P.C.

December 22, 2021

Management's Discussion and Analysis

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, 2021 and 2020. As you read the MD&A, 2021 refers to the fiscal year ended June 30, 2021, 2020 refers to the fiscal year ended June 30, 2020, and 2019 refers to the fiscal year ended June 30, 2019. 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 49.

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a Public Health Emergency of International Concern. In March 2020, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restrictions mandated by U.S. Federal and State government, included the temporary closure of the casinos, bars and restaurants, and the veteran organizations in the State of Maryland in an effort to prevent COVID-19 from spreading more rapidly. These restrictions negatively impacted the revenues associated with the casinos, the ITLM program and the traditional lottery products. The casinos were closed from March 15, 2020 through June 19, 2020, at which time the casinos began reopening in line with individual county guidelines including limiting capacity to no greater than 50%. As of June 30, 2020, all six casinos had reopened at reduced capacity. As of June 30, 2021, all six casinos had reopened with no capacity restrictions. As of July 1, 2021, the State of Maryland lifted the remaining restrictions on the casinos, bars and restaurants, and the veteran organizations (Note 13).

FINANCIAL HIGHLIGHTS

- Net lottery sales were \$2.61 billion in 2021, an increase of \$421.38 million or 19.24% as compared to \$2.19 billion in 2020, which decreased by \$7.14 million or 0.33% compared to 2019.
- Gross video lottery terminal (VLT) revenue was \$1.16 billion in 2021, an increase of \$331.11 million or 39.93%, as compared to \$829.28 million in 2020, a decrease of \$295.93 million or 26.30%, as compared to \$1.13 billion in 2019. The decrease in 2020 was primarily due to the casinos being closed and subsequently reopened at reduced occupancy levels as a result of COVID-19.
- Table game revenue (TGR) was \$585.33 million in 2021, an increase of \$134.64 million or an increase of 29.87% as compared to \$450.69 million in 2020, a decrease of \$184.49 million or 29.04%, as compared to \$635.19 million in 2019. The decrease in 2020 was primarily due to the casinos being closed and subsequently reopened at reduced occupancy levels as a result of COVID-19.
- Transfers from lottery proceeds to the State of Maryland, the Stadium Authority and the Veterans Trust Fund in 2021 were \$667.44 million, an increase of \$78.77 million or 11.79% as compared to \$588.67 million in 2020, a decrease of \$3.78 million or 0.64% as compared to 2019.
- Transfers to Other Governmental Funds/Agencies - Gaming proceeds totaled \$725.31 million in 2021, an increase of \$201.67 million or 38.51% compared to \$523.65 million in 2020, a decrease of \$197.02 million or 27.34% compared to 2019. The decrease in 2020 was primarily due to the casinos being closed and subsequently reopened at reduced occupancy levels as a result of COVID-19. The increase in 2021 was due to the casinos being reopened and having no capacity restrictions as of June 30, 2021.

Management's Discussion and Analysis

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, 2021, there were six casinos operating in the State with 8,943 VLTs and 575 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 53 to 75 of this report.

Management's Discussion and Analysis

FINANCIAL ANALYSIS

Table 1 is a summarized version of the statements of net position as of June 30, 2021, 2020 and 2019. 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 and right-of-use 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 and other government agencies. Most liabilities represent prize awards payables, annuities payable, amounts due to the State of Maryland, amounts due to other government agencies, lease liabilities and pension obligations.

TABLE 1 — NET POSITION (IN THOUSANDS)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets	\$ 206,889	\$ 263,102	\$ 246,694
Other Non-Current Assets	33,659	33,134	32,623
Capital and Right-of-Use Assets, net	7,031	9,518	12,008
Total Assets	<u>\$ 247,579</u>	<u>\$ 305,754</u>	<u>\$ 291,325</u>
Deferred Outflows of Resources	\$ 11,529	\$ 12,640	\$ 16,212
Total Assets and Deferred Outflows	<u>\$ 259,108</u>	<u>\$ 318,394</u>	<u>\$ 307,537</u>
Current Liabilities	\$ 204,810	\$ 263,745	\$ 238,423
Non-Current Liabilities	37,494	36,326	40,085
Net Pension Liability	33,400	30,537	32,034
Total Liabilities	<u>\$ 275,704</u>	<u>\$ 330,608</u>	<u>\$ 310,542</u>
Deferred Inflows of Resources	\$ 3,539	\$ 4,768	\$ 3,606
Total Liabilities and Deferred Inflows	<u>\$ 279,243</u>	<u>\$ 335,376</u>	<u>\$ 314,148</u>
Net Position			
Net Investment in Capital Assets	\$ —	\$ —	\$ 100
Unrestricted	(20,135)	(16,982)	(6,711)
Total Net Position	<u>\$ (20,135)</u>	<u>\$ (16,982)</u>	<u>\$ (6,611)</u>

CURRENT ASSETS

The Agency's current assets decreased by \$56.21 million or 21.37% in 2021 as compared to 2020, which increased by \$16.41 million or 6.65% in 2020 compared to 2019.

Cash held with the State Treasury decreased by \$55.31 million or 29.63% in 2021 compared to 2020, which increased by \$17.51 million or 10.35% in 2020 compared to 2019. At the end of 2021 there were four months of lottery income waiting to be transferred, whereas at the end of 2020 there were three months of lottery income waiting to be transferred to the General Fund.

Management's Discussion and Analysis

CURRENT ASSETS (continued)

Accounts receivable decreased by \$2.23 million or 3.55% in 2021 compared to 2020, which decreased by \$5.16 million or 7.61% in 2020 compared to 2019. 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 by \$1.97 million or 3.78% in 2021 compared to 2020, which decreased by \$2.75 million or 5.02% in 2020 compared to 2019. On a weekly basis, amounts due from retailers are collected electronically from the lottery retailers' bank accounts. In 2021, three days of sales activity had not yet been collected. In 2020, two days of sales activity had not yet been collected compared to seven days' in 2019.

Accounts receivable from casino operators increased by \$809,977 or 14.35% in 2021 compared to 2020, which decreased by \$7.52 million or 57.12% in 2020 compared to 2019. 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 are a function of the change in gaming revenue for the last days of the fiscal year and timing of when the revenue is received.

Accounts receivable from a vendor was fully collected in 2021 compared to 2020, which increased by \$5.01 million in 2020 compared to 2019 and represents the amount due from the vendor for compensation of prize expense loss provisions of excess prizes paid.

NON-CURRENT ASSETS

The Agency's non-current assets consist of investments for annuity payments, net of current portion and capital and right-of-use assets, net of depreciation and amortization. Non-current assets decreased by \$1.96 million or 4.60% in 2021 compared to 2020, which decreased by \$1.98 million or 4.44% compared to 2019.

Capital assets, net of depreciation, were fully depreciated in 2020, decreasing by \$191,290 or 100% compared to 2019. The reduction in 2020 and 2019 was the depreciation. During the year ended June 30, 2020, the Agency disposed of \$6,924,851 of equipment, resulting in a loss on disposal totaling \$104,340.

Right-of-use assets, net of amortization, decreased by \$2.49 million or 26.13% in 2021 compared to 2020, which decreased by \$2.3 million or 19.46% compared to 2019. The decrease in 2021 and 2020 was the result of amortization.

The Agency's investments for annuity payments, net of current portion, increased by \$525,885 or 1.59% in 2021 compared to 2020, which increased by \$510,784 or 1.57% in 2020 compared to 2019. The increase in 2021 and 2020 resulted from more jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that have expired.

Management's Discussion and Analysis

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows represent the Agency's contributions subsequent to the measurement date and the changes in the Agency's proportionate share of the State Retirement and Pension Funds total pension liability and the changes in actuarial assumptions as described in Note 10 to the financial statements. Deferred outflows decreased by \$1.11 million or 8.79% in 2021 compared to 2020, which decreased by \$3.57 million or 22.03% compared to 2019. The decrease in 2021 and 2020 resulted from amortization of the deferred outflows.

CURRENT LIABILITIES

Current liabilities decreased by \$58.94 million or 22.35% in 2021 compared to 2020, which increased by \$25.32 million or 10.62% in 2020 compared to 2019. The change between years is related to decreases in the amount of lottery income due to the General Fund at year-end, increases in the amount due to local jurisdictions and an increase in prize awards payable. Amounts due to the General Fund decreased by \$117.71 million or 75.00% in 2021 compared to 2020, which increased by \$54.34 million or 52.96% in 2020 compared to 2019. The decrease in the amounts due to the General Fund was a result of one month's revenue being due as of June 30, 2021, versus three months being due as of June 30, 2020. Prize awards payable increased by \$1.52 million or 39.84% in 2021 compared to 2020, which increased by \$18.51 million or 37.08% in 2020 compared to 2019. The increases in 2021 and 2020 are related to overall higher sales. As sales increase, prizes won increases. These increases were offset by a decrease in amounts due Other Governmental Agencies – Gaming. Due to the COVID-19 pandemic, casinos were closed for three months of the year during 2020 and were only partially opened in June of 2020. As of June 30, 2021, the casinos were opened with no capacity restrictions. Amounts due to Other Governmental Agencies – Gaming increased by \$47.64 million or 313.28% in 2021 compared to 2020, which decreased by \$42.64 million or 73.71% compared to 2019. The increase in the amounts due to Other Governmental Agencies – Gaming was a result of overall increase in gaming terminal revenue and table games revenue.

NON-CURRENT LIABILITIES

Non-current liabilities increased by \$4.03 million or 6.03% in 2021 compared to 2020, which decreased by \$5.25 million or 7.29% in 2020 compared to 2019. Net pension liability increased by \$2.86 million or 9.37% in 2021 compared to 2020, which decreased by \$1.50 million or 4.67% compared to 2019. The net pension liability represents the Agency's proportionate share of the State of Maryland's total net pension liability. The changes between the years is primarily the result of the changes in the Agency's proportionate share of the State Retirement and Pension Funds overall pension liability. In addition, the annuity prizes payable liability increased by \$3.28 million or 11.77% due to an increase in annuity investments purchased. The non-current portion of lease liability decreased by \$2.57 million or 37.55% compared to 2020, which decreased by \$2.12 million or 23.62% in 2020 compared to 2019 due to lease payments made in line with the lease agreements.

Management's Discussion and Analysis

DEFERRED INFLOWS OF RESOURCES

Deferred inflows decreased by \$1.22 million or 25.77% in 2021 compared to 2020, which increased by \$1.16 million or 32.20% compared to 2019. Deferred pension inflows represent the Agency's contributions subsequent to the measurement date and the change in actuarial assumptions as described in Note 10 to the financial statements.

NET POSITION

Net position decreased by \$3.15 million or 18.56% in 2021 compared to 2020, which decreased by \$10.37 million or 156.86% compared to 2019. 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.

Management's Discussion and Analysis

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, 2021, 2020 and 2019.

TABLE 2 — REVENUES, EXPENSES, AND CHANGES IN NET POSITION (IN THOUSANDS)

	2021	2020	2019
Revenue			
Draw games	\$ 1,607,218	\$ 1,329,164	\$ 1,374,831
Scratch-off games	993,407	852,739	812,426
ITLMs	10,525	7,865	9,651
Total sales	2,611,150	2,189,768	2,196,908
Gaming revenue — gross terminal revenue	1,160,393	829,281	1,125,215
Gaming revenue — state grant	4,943	6,461	6,716
Gaming revenue — table games	585,329	450,693	635,194
Gaming revenue — facility applicants	1,535	1,471	2,056
Gaming revenue — machine assessments	4,132	3,779	5,296
ITLM lease revenue	3,158	2,362	4,028
MDH Revenue	—	96	—
Total revenue	4,370,640	3,483,911	3,975,413
Cost of sales	2,924,405	2,330,243	2,606,785
Gross profit	1,446,235	1,153,668	1,368,628
Operating expenses	54,016	55,546	52,714
Income from operations	1,392,219	1,098,122	1,315,914
Non-operating revenues (expenses)			
Gain (loss) on investments for annuity payments and amortization of discount for annuity prize liabilities	(2,741)	3,700	1,258
Voluntary exclusion program	124	123	108
Payments to State of Maryland General Fund, Stadium Authority and Veterans Trust Fund	(667,440)	(588,669)	(593,453)
Payments to other government funds/agencies — gaming	(725,315)	(523,647)	(720,663)
Total non-operating expenses	(1,395,372)	(1,108,493)	(1,312,750)
Change in net position	(3,153)	(10,371)	\$3,164
Total net position — beginning of year	(16,982)	(6,611)	(9,775)
Total net position — end of year	\$ (20,135)	\$ (16,982)	\$ (6,611)

Management's Discussion and Analysis

SALES

Net lottery sales were \$2.61 billion in 2021 compared to \$2.19 billion in 2020, an increase of \$421.38 million or 19.24% compared to 2020, which decreased by \$7.14 million or 0.33% compared to 2019.

Lottery sales are categorized as jackpot games, draw games, monitor games, scratch-off games and instant ticket lottery machine sales (ITLM).

TABLE 3 — NET SALES (IN THOUSANDS)

	2021	2020	2019
Jackpot	\$ 255,740	\$ 198,537	\$ 293,177
Draw	779,284	641,145	583,596
Monitor	572,194	489,483	498,058
Scratch-off	993,407	852,739	812,426
ITLM	10,525	7,864	9,651
Total	\$ 2,611,150	\$ 2,189,768	\$ 2,196,908

Sales for Jackpot games, which includes Mega Millions, Powerball, Multi-Match and Cash4Life increased by \$57.20 million or 28.81% compared to 2020, which had decreased by \$94.64 million or 32.28% in 2020 compared to 2019. The decrease in 2020 is attributed to lower jackpots in both Mega Millions and Powerball. Lower jackpots result in lower sales. In 2021, Mega Millions sales increased by \$27.54 million or 37.40% while the game offered one jackpot that exceeded \$1 billion.

Sales for Draw games, which are Pick 3, Pick 4, Bonus Match 5, 5 Card Cash and Fast Play, increased by \$138.14 million or 21.55% compared to 2020, which had increased by \$57.55 million or 9.86% compared to 2019. In fiscal year 2021, Pick 4 sales increased by \$61.94 million or 18.56% over 2020. Pick 4 sales have continuously increased over the past several years as it offers an attractive top prize of \$5,000 for a \$1.00 play. Further, Fast Play increased by \$35.33 million or 113.22% compared to its launch in 2020.

Pick 3 sales increased \$39.12 million or 15.55% compared to 2020. Pick 3 sales have continuously increased over the past several years.

Sales for Bonus Match 5 declined between 2018 and 2020, but in 2021 it increased by \$1.98 million or 10.71% compared to 2020. In 2021, 5 Card Cash sales decreased by \$233,845 or 3.88% compared to 2020, which had decreased by \$191,000 or 3.07% compared to 2019.

Sales for the Monitor games, which includes Racetrax® and Keno, increased by \$82.71 million or 16.90% compared to 2020, which had decreased by \$8.58 million or 1.72% compared to 2019. Racetrax® sales increased by \$68.37 million or 29.69% compared to 2020, which had increased by 19.10 million or 9.04% compared to 2019. Racetrax® continues to grow as players find the HD graphics appealing.

Management's Discussion and Analysis

SALES (continued)

Keno 2021 sales increased by \$14.34 million or 5.53% compared to 2020. Keno sales decreased by \$27.67 million or 9.65% in 2020 compared to 2019. The decrease in Keno sales in 2020 relates to the COVID-19 pandemic reduced capacity and temporary closure of restaurants and bars in the last three months of the year.

Scratch-off games continue to be a growth product for the Agency. Scratch-off game sales increased by \$140.67 million or 16.50% in 2021 compared to 2020, which had increased by \$40.31 million or 4.96% compared to 2019. Scratch-off sales represent 38.04% of the net lottery sales.

TABLE 4 — NET SALES OF SCRATCH-OFFS BY PRICE POINT (IN THOUSANDS)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
\$1	\$ 23,814	\$ 26,151	\$ 29,420
\$2	38,701	40,397	44,742
\$3	39,413	39,279	31,911
\$5	251,434	245,211	249,561
\$10	309,356	270,601	256,280
\$20	172,170	126,748	105,857
\$30	158,519	104,352	94,655
Total	\$ 993,407	\$ 852,739	\$ 812,426

Scratch-off sales growth in 2021 and 2020 was fueled by the continued growth of the \$10, \$20 and \$30 tickets. Players gravitate towards higher price point tickets, as the payouts are more rewarding. Scratch-off sales growth has continued over the past several years due to improved inventory management, an aggressive planning and development schedule and increased advertising. By closing older games and replenishing inventory with newer games, retailer and player interest and enthusiasm remained high throughout the past years. In addition, a strategic approach to invest more advertising on the scratch-off product category has been essential to the sales growth.

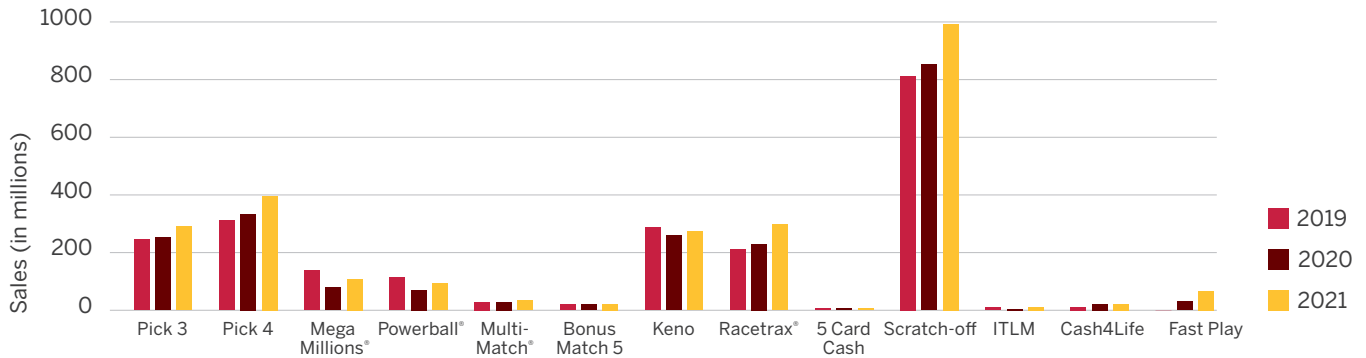
Instant ticket lottery machines (ITLMs) were first introduced in September 2014 and under law are allowed only in veterans' organizations in certain counties in Maryland. An ITLM is an electronic device that dispenses pre-printed instant scratch tickets and utilizes a touch screen monitor to display the results in an entertaining manner. 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) increased by \$2.66 million or 33.83% in 2021 compared to 2020, which decreased by \$1.79 million or 18.51% compared to 2019. The decrease in 2020 was due to the COVID-19 pandemic and the veteran organizations being closed for three months of 2020. In 2021, the veteran organizations were open throughout the year, although some had limited capacity for a portion of the year depending on the county.

Management’s Discussion and Analysis

SALES (continued)

The following graph depicts sales for 2019, 2020 and 2021.

SALES — FISCAL YEARS 2019, 2020, AND 2021



GAMING REVENUE – GROSS TERMINAL REVENUE, TABLE GAMES, STATE GRANT, FACILITY APPLICANTS, MACHINE ASSESSMENTS AND ITLM LEASE REVENUE

Gaming revenue – gross terminal revenue (GTR) represents the revenue generated by the VLTs net of total prize payouts. Gross terminal revenue in 2021 totaled \$1.160 billion, an increase of \$331.11 million or 39.93% compared to 2020, which totaled \$829.28 million, a decrease of \$295.93 million or 26.30% compared to 2019.

In 2020, the COVID-19 pandemic resulted in casinos being closed for three months. As of June 30, 2021, all casinos were open with no capacity reductions. Further, this change in closures and capacity is clearly reflected in the substantial increase from 2020 to 2021 of \$331.11 million. In 2021, the gross terminal revenue at all casinos increased by at least 37.00% compared to 2020. Table 5 shows the GTR for 2021, 2020 and 2019.

Management's Discussion and Analysis

GAMING REVENUE — GROSS TERMINAL REVENUE, TABLE GAMES, STATE GRANT, FACILITY APPLICANTS, MACHINE ASSESSMENTS AND ITLM LEASE REVENUE (continued)

TABLE 5 — GROSS TERMINAL REVENUE STATISTICS

Casino	Date Opened	Number of Machines as of June 30, 2021	2021 GTR (in millions)	2020 GTR (in millions)	2019 GTR (in millions)
Hollywood Casino Perryville	September 27, 2010	641	\$ 75.43	\$ 48.19	\$ 65.17
Casino at Ocean Downs	January 4, 2011	855	74.97	52.60	69.85
Live! Casino	June 6, 2012	3,249	432.65	315.80	411.80
Rocky Gap Casino and Resort	May 22, 2013	650	53.35	36.81	48.93
Horseshoe Casino Baltimore	August 24, 2014	1,341	137.39	96.43	144.63
MGM National Harbor	December 8, 2016	2,207	386.60	279.45	384.84
Total		8,943	\$1,160.39	\$ 829.30	\$ 1,125.22

Gaming revenue – table games revenue (TGR) generated in 2021 increased by \$134.64 million or 29.87% compared to 2020, which decreased by \$184.50 million or 29.05% from 2019. Although none of the six casinos experienced any growth in table game revenue in 2020 compared to 2019 due to the COVID-19 pandemic closures of the casinos, five of the casinos increased in 2021 compared to 2020. However, for 2021, only three of the six casinos have surpassed the TGR generated in 2019.

All of the casinos except Horseshoe Casino experienced a substantial increase, 28% or more, in table game revenue in 2021 compared to 2020. Table game revenue at MGM National Harbor had the largest increase of \$74.17 million or 32.04% in 2021 compared to 2020, which decreased by \$95.14 million or 29.13% compared to 2019. In 2019, MGM increased their number of table games from 180 to 205, which contributed to the increase in table game revenue. As of June 30, 2021, MGM had 200 table games.

Table game revenue at the Live! Casino increased by \$56.12 million or 41.97% in 2021 compared to 2020, which had decreased by \$43.87 million or 24.70% compared to 2019.

The pandemic casino closures led to the decrease in table game revenue in 2020. Table 6 shows the table game revenue statistics for each casino.

Management's Discussion and Analysis

GAMING REVENUE — GROSS TERMINAL REVENUE, TABLE GAMES, STATE GRANT, FACILITY APPLICANTS, MACHINE ASSESSMENTS AND ITLM LEASE REVENUE (continued)

TABLE 6 — TABLE GAME REVENUE (TGR) STATISTICS

Casino	Date Tables Games Debuted	Number of Tables as of June 30, 2021	2021 TGR (in millions)	2020 TGR (in millions)	2019 TGR (in millions)
Hollywood Casino Perryville	March 6, 2013	16	\$ 11.06	\$ 7.62	\$ 9.59
Casino at Ocean Downs	December 29, 2017	18	9.36	6.50	8.57
Live! Casino	April 11, 2013	188	189.85	133.73	177.60
Rocky Gap Casino and Resort	May 22, 2013	16	7.19	5.58	7.18
Horseshoe Casino Baltimore	August 24, 2014	137	62.23	65.79	105.64
MGM National Harbor	December 8, 2016	200	305.64	231.47	326.61
Total		575	\$ 585.33	\$ 450.69	\$ 635.19

For the gaming operations, the gross terminal revenue and table game revenue (gaming 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. Changes in the distribution of gaming proceeds occurred in 2021 and 2019. Effective for fiscal year 2019, the proceeds that were previously allocated to the General Fund were redirected to the Maryland Education Trust Fund. Effective for fiscal year 2021, there is an allocation of GTR to the Small, Minority and Woman-Owned Business (SMWOB). This allocation change to the SMWOB impacted the increase comparison between 2021 and 2020. In 2021, there was an increase to SMWOB of \$16.98 million or 61,636% compared to 2020.

Management's Discussion and Analysis

GAMING REVENUE — GROSS TERMINAL REVENUE, TABLE GAMES, STATE GRANT, FACILITY APPLICANTS, MACHINE ASSESSMENTS AND ITLM LEASE REVENUE (continued)

Overall, the gaming revenue disbursements increased \$465.75 million or 36.39% in 2021 compared to 2020, which had decreased \$480.43 million or 27.79% compared to 2019. Table 7 shows the game revenue disbursements/allocations for 2021, 2020 and 2019.

TABLE 7 — GAMING REVENUE DISBURSEMENTS/ALLOCATIONS

Fund	2021 Disbursements (in millions)	2020 Disbursements (in millions)	2019 Disbursements (in millions)
Casino Operators	\$ 1,014.73	\$ 750.85	\$ 1,036.97
Maryland Education Trust Fund	531.40	396.82	542.70
Horse Racing	78.83	56.44	76.63
Local Impact Grants	62.89	45.01	61.08
Maryland Lottery and Gaming	11.60	8.28	11.24
Local Jurisdictions	29.27	22.53	31.76
Small, Minority and Women-Owned Businesses	17.01	0.03	0.03
Total	\$ 1,745.73	\$ 1,279.96	\$ 1,760.41

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 \$1.52 million or 23.49% in 2021 compared to 2020, which decreased by \$254,000 or 3.79% compared to 2019. In addition to the state grant, the Agency receives 1% of the gross gaming revenue from the VLTs to help fund its gaming operations. Over the years, as the gaming revenue from VLTs increase, the amount of the state grant decreases leading to a self-sustaining program. In 2021, the amount of VLT revenue received by the Agency increased by \$3.32 million or 40.10% compared to 2020, which decreased by \$2.96 million or 26.33% compared to 2019. The increase in 2021 is due to overall increases in the VLT gaming revenue due to the casinos operating at full capacity, and the decrease in 2020 is partially due to the COVID-19 pandemic, whereas the casinos were closed for three months and subsequently at partial capacity.

Gaming revenue – facility applicants represents money received to perform background investigations on applicants who have applied for a gaming license. Gaming revenue – facility applicants increased by \$65,000 or 4.40% in 2021 compared to 2020, which had decreased by \$585,000 or 28.47% compared to 2019. This account fluctuates based on the number of license applications received.

Management's Discussion and Analysis

GAMING REVENUE — GROSS TERMINAL REVENUE, TABLE GAMES, STATE GRANT, FACILITY APPLICANTS, MACHINE ASSESSMENTS AND ITLM LEASE REVENUE (continued)

Gaming revenue – machine assessments represents assessments made to casino operators based on the maximum number of VLTs and table games on the floor during 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 Maryland Department of Health's Problem Gambling Fund. Machine assessments increased by \$353,000 or 9.34% in 2021 compared to 2020, which had decreased by \$1.52 million or 28.64% compared to 2019. Assessments fluctuate based on the number of VLTs and table games that are on the casino floor during the year. Due to the COVID-19 pandemic and the closure of the casinos for three months and only partial reopening in June, the assessment was prorated based on the number of days open and their capacity, attributing to the decrease in 2020.

Gaming revenue – ITLM lease revenue increased by \$796,000 or 33.72% in 2021 compared to 2020, which had decreased by \$1.67 million or 41.38% compared to 2019. The decrease that had occurred was due to the pandemic, the closure of the veteran organizations and a change in the lease fee percentage. ITLM lease revenue represents the amount collected from the veterans' organizations that is used to pay the machine fees to the ITLM vendor.

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 and gaming systems, and costs paid for the printing and delivery of scratch-off games. Cost of sales increased by \$594.16 million or 25.50% in 2021 compared to 2020, which decreased by \$276.54 million or 10.61% compared to 2019.

Commission paid to casino operators increased by \$263.88 million or 35.14% in 2021 compared to 2020, which decreased by \$286.11 million or 27.59% compared to 2019. The decrease in 2020 is due to the pandemic casino closures for three months. The increase in commissions paid in 2021 is the result of higher overall gaming revenue.

Commissions paid to lottery retailers increased by \$33.49 million or 20.45% in 2021 compared to 2020, which decreased by \$1.78 million or 1.07% compared to 2019. 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 2021 increased, resulting in an increase in commission paid to retailers, sales decreased in 2020, resulting in a decrease in commission paid to retailers compared to 2019.

Prize expense increased by \$286.92 million or 20.96% in 2021 compared to 2020, which increased by \$11.56 million or 0.85% compared to 2019. There is a direct correlation between prize expense and sales. As such, the increase in 2021 was the result of an increase in sales.

Management's Discussion and Analysis

OPERATING EXPENSES

Operating expenses decreased by \$1.53 million or 2.75% in 2021 compared to 2020, which increased by \$2.83 million or 5.37% compared to 2019.

Salaries, wages and benefits decreased by \$351,000 or 1.25% in 2021 compared to 2020, which increased by \$1.45 million or 5.42% compared to 2019. Advertising and promotions increased by \$1.65 million or 8.97% in 2021 compared to 2020, which increased by \$297,000 million or 1.64% compared to 2019. Fluctuations between advertising expenses are related to changes in the advertising budget and encumbrances.

Depreciation and amortization remained relatively consistent, decreasing by \$8,000 or 0.30% in 2021 compared to 2020, which increased by \$513,000 or 25.87% compared to 2019. The increase in both 2020 and is related to amortization of the right-of-use assets.

Other general and administrative expenses decreased by \$2.82 million or 43.58% in 2021 compared to 2020, which increased by \$575,000 or 9.75% compared to 2019. Fluctuations are related to a decrease in pension expense.

NON-OPERATING REVENUE (EXPENSES)

Non-operating expenses increased by \$286.88 million or 25.88% in 2021 compared to 2020, which decreased by \$204.26 million or 15.56% compared to 2019. Non-operating expenses primarily consist of unrealized gains or 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 funds/agencies. The Agency expects to realize the face value 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 in Note 3.

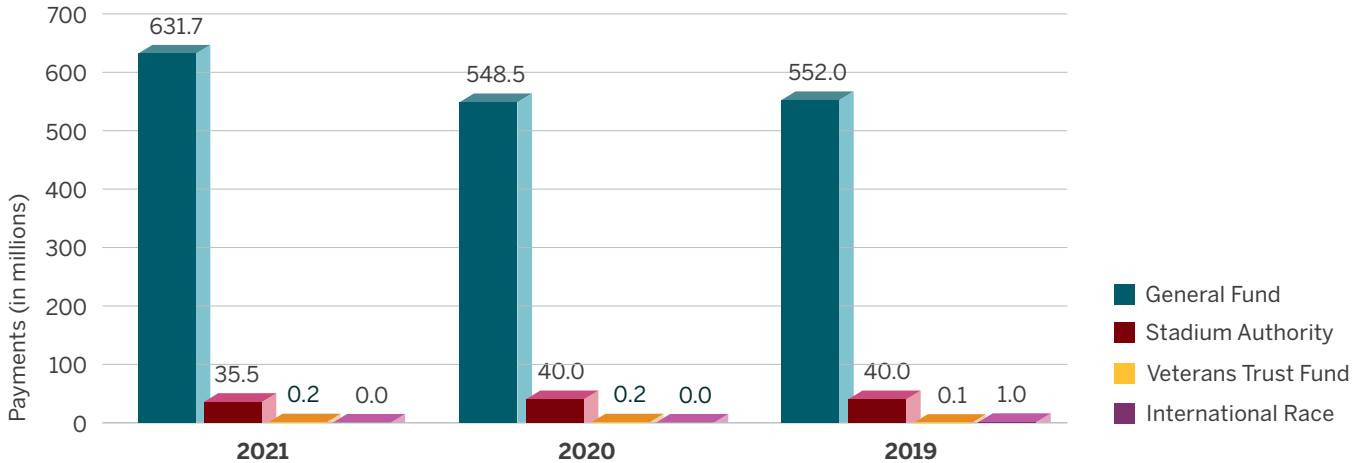
The increase in 2021 is attributed to both the increase of payments to the State of Maryland General Fund and Other Governmental Funds/Agencies - Gaming. Payments to the State of Maryland increased by \$83.21 million or 15.17% compared to 2020, which decreased by \$3.86 million or 0.70% compared to 2019. As previously mentioned, this increase in 2021 is related to more sales, whereas the decrease in 2020 was a result of less sales compared to 2019. Payments to Other Governmental Funds/Agencies - Gaming increased by \$201.59 million or 38.50% compared to 2020, which had decreased by \$197.02 million or 27.34% compared to 2019. The increase in 2021 is directly related to the casinos being operational for the entire year. The decrease in 2020 is directly related to the pandemic closures of the casinos for three months. Table 8 on page 48 provides a breakdown of the various accounts.

The Agency is required by State law to transfer its budgetary basis net income to the State of Maryland (General Fund, Stadium Authority, the Veterans Trust Fund and the International Race Fund for 2019) 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.

Management's Discussion and Analysis

NON-OPERATING REVENUE (EXPENSES) (continued)

TABLE 8 — PAYMENTS TO THE STATE OF MARYLAND (in millions)



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: Paula Yocum, Chief Financial Officer, Maryland Lottery and Gaming Control Agency, 1800 Washington Boulevard, Suite 330, Baltimore, Maryland 21230.

Statements of Net Position

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 6,957,549	\$ 7,469,415
Cash and cash equivalents — gaming	40,764	40,759
Cash and cash equivalents — gaming licensing deposits	2,344,920	1,950,459
Cash and cash equivalents — agent	156,637	236,425
Cash held with State Treasury	131,357,190	186,668,499
Accounts receivable — lottery	53,955,893	51,989,243
Accounts receivable — casino operators	6,455,789	5,645,812
Accounts receivable — vendor	-	5,006,208
Accounts receivable — Maryland Department of Health	95,651	95,651
Prepaid commissions	64,222	81,095
Current portion of investments for annuity payments	5,459,897	3,918,311
Total current assets	<u>206,888,512</u>	<u>263,101,877</u>
Non-current assets:		
Right-of-use assets, net of accumulated amortization	7,030,594	9,517,601
Investments for annuity payments, net of current portion	33,659,788	33,133,903
Total non-current assets	<u>40,690,382</u>	<u>42,651,504</u>
Total assets	<u>\$ 247,578,894</u>	<u>\$ 305,753,381</u>
Deferred Outflows of Resources:		
Deferred pension outflows	11,529,030	12,640,318
Total deferred outflows of resources	<u>11,529,030</u>	<u>12,640,318</u>
Total assets and deferred outflows of resources	<u>\$ 259,107,924</u>	<u>\$ 318,393,699</u>
Liabilities:		
Current liabilities:		
Current portion of annuity prizes payable	\$ 5,364,630	\$ 3,836,212
Current portion of employee related payables	1,743,302	1,695,953
Current portion of lease liability	2,822,801	2,772,117
Transfer due to State of Maryland General Fund	39,230,145	156,936,603
Transfer due to Other Government Agencies — Gaming	62,845,153	15,206,553
Transfer due to local jurisdictions	8,524,387	1,832,264
Prize awards payable	70,150,045	68,420,461
Accounts payable and accrued expenses	7,475,353	5,366,260
Gaming licensing deposits	2,109,323	1,897,003
Gaming payable	40,764	40,759
Agent payable	134,637	236,425
Unearned revenue	1,951,905	2,244,356
Taxes and other liabilities	2,417,227	3,260,241
Total current liabilities	<u>204,809,672</u>	<u>263,745,207</u>
Non-current liabilities:		
Annuity prizes payable, net of current portion	31,158,574	27,878,499
Employee related payables, net of current portion	2,057,293	1,596,778
Lease liability, net of current portion	4,278,604	6,850,704
Pension liability	33,399,589	30,536,823
Total non-current liabilities	<u>70,894,060</u>	<u>66,862,804</u>
Total liabilities	<u>\$ 275,703,732</u>	<u>\$ 330,608,011</u>
Deferred Inflows of Resources:		
Deferred pension inflows	3,538,954	4,767,762
Total deferred inflows of resources	<u>3,538,954</u>	<u>4,767,762</u>
Total liabilities and deferred inflows of resources	<u>279,242,686</u>	<u>335,375,773</u>
Commitments and contingencies (Note 8)		
Net Position:		
Net investment in capital assets	-	-
Restricted	-	-
Unrestricted	(20,134,762)	(16,982,074)
Total net position	<u>(20,134,762)</u>	<u>(16,982,074)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 259,107,924</u>	<u>\$ 318,393,699</u>

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

Statements of Revenues, Expenses, and Changes in Net Position

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Draw games	\$ 1,607,217,524	\$ 1,329,164,274
Scratch-Off games	993,407,426	852,739,383
ITLMs	10,525,120	7,864,356
Total sales	<u>2,611,150,070</u>	<u>2,189,768,013</u>
Gaming revenue — gross terminal revenue	1,160,392,613	829,280,731
Gaming revenue — state grant	4,943,387	6,461,424
Gaming revenue — table games	585,329,183	450,693,376
Gaming revenue — facility applicants	1,535,251	1,470,576
Gaming revenue — machine assessments	4,132,375	3,779,273
ITLM lease revenue	3,157,573	2,361,413
MDH revenue	—	95,651
Total revenue	<u>4,370,640,452</u>	<u>3,483,910,457</u>
Cost of sales:		
Prize expense	1,655,957,335	1,369,035,515
Retailer commissions	197,223,468	163,733,149
Casino commissions	1,014,728,108	750,852,790
Gaming vendor and data processing fees	48,566,232	38,184,132
Scratch-Off ticket printing and delivery	7,929,358	8,437,031
Total cost of sales	<u>2,924,404,501</u>	<u>2,330,242,617</u>
Gross profit	1,446,235,951	1,153,667,840
Operating expenses:		
Salaries, wages and benefits	27,819,882	28,171,299
Advertising and promotions	20,056,834	18,405,264
Depreciation and amortization	2,487,007	2,494,573
Other general and administrative expenses	3,653,008	6,474,828
Total operating expenses	<u>54,016,731</u>	<u>55,545,964</u>
Income from operations	<u>1,392,219,220</u>	<u>1,098,121,876</u>
Non-operating revenues (expenses):		
Investment income (loss)	(1,496,473)	5,081,610
Amortization of discount for annuity prize liabilities	(1,244,548)	(1,381,982)
Voluntary exclusion program	123,890	123,142
Payments to State of Maryland General Fund	(631,718,854)	(548,511,871)
Payments to State of Maryland Stadium Authority and Veterans Trust	(35,720,934)	(40,156,301)
Payments to Other Governmental Funds/Agencies - Gaming	(725,314,989)	(523,647,257)
Total non-operating expenses	<u>(1,395,371,908)</u>	<u>(1,108,492,659)</u>
Change in net position	(3,152,688)	(10,370,783)
Total net position — beginning of year	<u>(16,982,074)</u>	<u>(6,611,291)</u>
Total net position — end of year	<u>\$ (20,134,762)</u>	<u>\$ (16,982,074)</u>

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

Statements of Cash Flows

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers	\$ 4,372,577,582	\$ 3,489,515,251
Payments to suppliers	(75,222,678)	(67,212,288)
Payments to employees	(27,281,016)	(28,254,531)
Payments to agents	(1,211,983,583)	(914,613,475)
Prize payments/awards to players	<u>(1,647,137,625)</u>	<u>(1,347,067,147)</u>
Net cash and cash equivalents provided by operating activities	1,410,952,680	1,132,367,810
Cash flows from noncapital financing activities:		
Transfers to the State of Maryland General Fund and Stadium Authority	(784,759,282)	(534,208,051)
Transfers to DHMH	(3,903,148)	(5,415,117)
Transfers to Other Government Funds/Agencies — Gaming	(667,344,191)	(566,591,613)
Prize payments/awards	<u>(4,369,196)</u>	<u>(5,402,929)</u>
Net cash and cash equivalents used in noncapital financing activities	(1,460,375,817)	(1,111,617,710)
Cash flows from investing activities:		
Coupon bonds purchased	(7,933,140)	(788,980)
Proceeds from matured annuities and bonds	<u>4,369,196</u>	<u>5,402,929</u>
Net cash and cash equivalents used in investing activities	<u>(3,563,944)</u>	<u>4,613,949</u>
Cash flows from financing activities:		
Payments on lease liabilities	<u>(2,521,416)</u>	<u>(2,393,271)</u>
Net cash and cash equivalents used in financing activities	<u>(2,521,416)</u>	<u>(2,393,271)</u>
Net increase in cash and cash equivalents	(55,508,497)	22,970,778
Cash and cash equivalents, beginning of year	<u>196,365,557</u>	<u>173,394,779</u>
Cash and cash equivalents, end of year	<u>\$ 140,857,060</u>	<u>\$ 196,365,557</u>
Noncash investing and financing activities:		
Acquisition of right-of-use assets through lease liability	\$ -	\$ 108,485
Change in fair value of investments	<u>\$ 2,741,021</u>	<u>\$ 3,699,628</u>

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

Statements of Cash Flows (continued)

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 1,392,219,220	\$ 1,098,121,876
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	2,487,007	2,494,573
Loss on disposal of capital assets	–	104,340
Deferred prize payments	7,933,140	2,170,962
Deferred inflows pension	(1,228,808)	1,161,350
Deferred outflows pension	1,111,288	3,571,388
Effect of changes in operating assets and liabilities:		
Accounts receivable	2,229,581	5,164,844
Prepaid commissions	16,873	(27,537)
Accounts payable and accrued expenses	2,219,630	(583,152)
Employee related payables	507,864	(83,231)
Taxes and other liabilities	(843,014)	2,669,993
Prize awards payable	1,729,584	18,509,395
Pension liability	2,862,766	(1,496,471)
Unearned revenue	(292,451)	589,480
Net cash and cash equivalents provided by operating activities	<u>\$ 1,410,952,680</u>	<u>\$ 1,132,367,810</u>

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

Notes to the 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 (slot machines or 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, which 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 at the casinos. A gaming license to operate a casino at National Harbor in southern Prince George's County was awarded to MGM Resorts International on December 20, 2013. The casino opened in December 2016.

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 (ITLM). 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 scratch-off tickets and utilizes a touchscreen monitor to show the predetermined results in an entertaining animated display. The device scans and validates the barcode on the instant ticket as it is dispensed and displays the result of the ticket on the 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.

Pursuant to § 9-1A-01 of the Maryland State Government Article, under certain circumstances, if a casino returns to successful players more than the amount of money bet through slot machines or table games on a given day, the casino may subtract that amount from the proceeds of the following 7 days for purposes of the calculation of the amount of revenue due to the Agency.

Pursuant to § 9-1A-26 of the Maryland State Government Article, the jackpot proceeds won at a video lottery terminal that are not claimed by the winner within 182 days after the jackpot is won shall become the property of the State. The proceeds shall be allocated as follows: 2.5% to the Small, Minority, and Women-Owned Business Account, 9.5% to Local Impact Grants, 10% to Purse Dedication, 1.5% to the Racetrack

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEGISLATIVE ENACTMENT (continued)

Facility Renewal Account and the remainder to the Education Trust Fund. In March 2020, the State of Maryland's Governor issued an Executive Order which extended the unclaimed prize deadline from 182 days until 30 days after the State of the Emergency due to COVID-19 was lifted. The grace period for tickets that reached their expiration dates during the COVID-19 pandemic expired on June 30, 2021. The unclaimed prize deadline has returned to 182 days.

Pursuant to § 9-1A-27(d) of the Maryland State Government Article, the proceeds of table games include a 5% allocation to Local Jurisdictions. The casino share of the proceeds is 80%, and the Maryland Education Trust Fund is allocated the remaining amount.

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.

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 an annual comprehensive financial report (ACFR). The Agency is an enterprise fund of the State of Maryland and is included in the basic financial statements of the ACFR of the State of Maryland.

Effective May 18, 2021, legislation was passed that establishes and implements sports wagering in the State and provides for regulation of sports wagering and fantasy gaming competitions (Note 14). The Agency must generally regulate sports wagering and the conduct of sports wagering to the same extent that it regulates the operation of VLTs and table games in the State. Certain revenues are to be distributed to the Blueprint for Maryland's Future Fund (BMFF), the Problem Gambling Fund, and a new Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance (SMWOBSWA) Fund.

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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*, which is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows from resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT (continued)

optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be amortized, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. The Agency implemented GASB 87 during the year ended June 30, 2020.

The Agency implemented GASB Statement No. 95 (GASB No 95), *Postponement of the Effective Dates of Certain Authoritative Guidance* and GASB Statement No. 98 (GASB No 98), *The Annual Comprehensive Financial Report*, for the fiscal year ended June 30, 2021, with no effect to the Agency.

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 originates from three product lines: draw games, scratch-off 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 scratch-off sales. Veterans' organizations are the only distribution channel for ITLMs. Retailers receive a sales commission of 5.5% of net sales. Cashing commission of 3% on draw and scratch-off games and of 1.7679% on ITLM games is paid. 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: Jackpot Games (Mega Millions, Powerball, Multi-Match and Cash4Life); Daily Draw Games (Pick 3, Pick 4, Bonus Match 5 and 5 Card Cash); Monitor Games (Keno, Keno Bonus, Keno Superbonus, Racetrax[®] and Racetrax[®] Bonus); and Fast Play. 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 is deferred until the drawings are held. Revenue from scratch-off games is recognized when the retailer activates the book of tickets. Revenue from the sale of Fast Play is recognized in the month in which the ticket is sold. The Agency recognizes ITLM revenue as "gross terminal revenue" equivalent to all wagers, net of related prizes.

Prize obligations for draw games are determined and recognized after each drawing is held. For draw games, winners are paid a certain amount that may depend 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, Powerball and Cash4Life prize levels are based on a predetermined set amount. Prize obligations are recognized monthly for scratch-off games based on the books activated by retailers and the related prize expense based on the specific game's prize structure. Prize expense for ITLM is recorded as amounts are won and is used in determining the "gross terminal revenue" for ITLM.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

As of the end of fiscal year 2021, six casinos were in operation with a total of 8,943 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 VLTs 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. The percentage varies by casino. Commissions during fiscal years 2021 and 2020 ranged from 39% to 60%.

To help fund its operations, the Agency retains 1% of the gross terminal revenue from all of the casinos. 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 the end of fiscal year 2021, there were 575 table games in operation at 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 Maryland Education Trust Fund and Local Jurisdictions 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.

To further help fund the operations of the Gaming program, the State’s budget provided for grants to the Agency during fiscal years 2021 and 2020 in the amount of \$6,729,048 and \$6,956,016, respectively. During the years ended June 30, 2021 and 2020, the Agency received \$4,943,387 and \$6,461,424, 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 gaming program are for salaries.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 VLTs 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 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 LICENSE DEPOSITS

Cash and cash equivalents – gaming license deposits account is used to record the receipt of license-related fees and investigation deposits that are received from applicants wanting to obtain a gaming license. For the majority of applicants, fees are recorded as revenue after the specific applicant and type of fee received is determined. At the end of each month, these fees are transferred to the Gaming Special Fund account.

For principal employee applicants, the Agency 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 – 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 and is transferred to the Gaming Special Fund account.

CASH AND CASH EQUIVALENTS — AGENT

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

ACCOUNTS RECEIVABLE — LOTTERY

Accounts receivable – lottery represents the amounts due from lottery retailers from the sale of lottery tickets and ITLM amounts played. 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, 2021, and 2020, management believes all accounts receivable are collectible, and, as such, no allowance for doubtful accounts has been recorded.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accounts receivable – casino operators 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, 2021, and 2020.

ACCOUNTS RECEIVABLE – VENDOR

Accounts receivable – vendor represents the amount due from a vendor providing technology and administrative support for certain lottery games and for compensation of prize expense loss provisions of excess prizes paid.

During the year ended June 30, 2020, the Agency identified an error in the application of one of its games by a vendor. This error in the application continued through September 2020, at which time it was resolved. As of June 30, 2021, and June 30, 2020, excess prize expense paid related to this error totaled \$0 and \$5,006,208, respectively. The vendor reimbursed the Agency for these payments in full during the year ended June 30, 2021.

ACCOUNTS RECEIVABLE – MARYLAND DEPARTMENT OF HEALTH

Accounts receivable – Maryland Department of Health represents the amounts due from COVID-19 premium pay that is reimbursable from the Maryland Department of Health. Management believes that all accounts receivable are collectible, and as such, no allowance for doubtful accounts has been recorded.

CAPITAL AND RIGHT-OF-USE ASSETS

The Agency has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000 and right-of-use assets held under lease liabilities as defined in GASB 87. These assets include leased facilities and purchased and leased equipment comprised principally of technological property and 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. The leased assets are recorded at the present value of the leased liability and amortized using a systematic and rational manner over the shorter of the lease term or useful life of the underlying 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.

Notes to the Financial Statements

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 600 hours; however, the State is only liable for payment up to 500 hours. 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 State of Maryland law requires the Agency to transfer its lottery revenue in excess of funds allocated to prize awards, operating expenses, the Maryland Veterans Trust Fund, the Maryland Stadium Authority and, beginning in fiscal year 2021, the Busch Sports Fund to the State of Maryland General Fund. A portion of income from operations of the Mega Millions game is transferred to the Maryland Stadium Authority up to an annual cap set by the authorized appropriation. 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 and the State's Racing Commission into accounts for Local Impact Grants, Purse Dedication, Racetracks Facility Renewal and Local Jurisdictions. All transfers are recorded as non-operating expenses in the accompanying statements of revenues, expenses and changes in net position.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PAYMENTS TO THE STATE OF MARYLAND (continued)

A summary of the total game revenue and the distributions for the years ended June 30, 2021, and 2020, respectively, follows:

Fund	2021	2020
Education Trust Fund	\$ 531,402,965	\$ 396,821,709
Horse Purse Dedication	67,756,243	48,513,957
Local Impact Grants	62,887,937	45,011,034
Local Jurisdictions	29,266,459	22,534,669
Maryland Lottery and Gaming Control Agency	11,603,926	8,281,788
Racetracks Facility Renewal	11,070,408	7,930,614
Small, Minority and Women Owned Businesses	17,005,751	27,546
Casino Operators	1,014,728,108	750,852,790
Total	\$ 1,745,721,797	\$ 1,279,974,107

NET POSITION

Net position is presented as either restricted, unrestricted or invested in capital assets. Net position invested in capital assets represents the difference between capital assets net of accumulated depreciation and the related capital lease obligations. In accordance with GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, there is a prohibition against reporting negative restricted fund balances. If a restricted fund balance in total is negative, then the negative amount can only be attributed to the unrestricted fund balance classification. 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

GASB also issued GASB Statement No. 92 (GASB No 92), *Omnibus 2020*, GASB Statement No. 93 (GASB No 93), *Replacement of Interbank Offered Rates* and GASB Statement No. 97 (GASB No. 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, for reporting periods beginning after June 15, 2021; GASB Statement No. 89 (GASB No 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*, for reporting periods beginning after December 15, 2020; GASB Statement No. 91 (GASB No 91), *Conduit Debt Obligations*, for reporting periods beginning after December 15, 2021; GASB Statement No. 94 (GASB No 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and GASB Statement No. 96 (GASB No. 96), *Subscription-Based Information Technology Arrangements*, for reporting periods beginning after June 15, 2022. The Agency is in the process of assessing the impact of these statements and will implement them as of the effective dates, if appropriate.

Notes to the Financial Statements

2. CASH AND CASH EQUIVALENTS

As of June 30, 2021 and June 30, 2020, the carrying amounts of deposits with financial institutions were \$9,499,870 and \$9,697,058, respectively. The corresponding bank balances were \$9,421,699 and \$5,367,520 as of June 30, 2021 and June 30, 2020, respectively.

As of June 30, 2021 and June 30, 2020, the carrying amounts of cash on deposit with the Maryland State Treasury were \$131,357,190 and \$186,668,499, respectively. The corresponding Maryland State Treasury balances were \$31,368,851 and \$16,847,027, as of June 30, 2021 and June 30, 2020, 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, 2021 and 2020, the Agency's deposits with the State Treasury were 2.0% and 3.4% of the total deposits with the State Treasury, respectively.

The amount of deposits are subject to certain risks including the following:

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. 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 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.

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. As of June 30, 2021 and 2020, more than 5% of government fund investments are in the FNMA and the Federal Home Loan Mortgage Corporation. As of June 30, 2021, these investments are 21.04% and 9.24% of the State of Maryland's internal investment pool total investments, respectively. As of June 30, 2020, these investments are 15.63% and 5.65% of the State of Maryland's internal investment pool total investments, respectively.

Notes to the Financial Statements

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 yields to maturity of 0.017% to 6.458%. As of June 30, 2021, and June 30, 2020, the Agency's United States Government Treasury Bonds totaled \$39,077,557 and \$37,006,852, 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.

ANNUITY CONTRACTS

As of June 30, 2021 and June 30, 2020, the annuity contracts totaled \$42,128 and \$45,362, 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 their 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 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 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.

Notes to the Financial Statements

3. INVESTMENTS (continued)

UNITED STATES GOVERNMENT TREASURY BONDS AND ANNUITY CONTRACTS

As of June 30, 2021, 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
Investments in prize annuities:								
United States Treasury Bonds	\$ 39,077,557	1	99.9%	\$ 5,454,795	\$ 14,344,140	\$ 9,707,193	\$ 6,084,470	\$ 3,486,959
Annuity Contracts	42,128	2	0.1%	5,102	23,578	13,448	-	-
Total Investments	<u>\$ 39,119,685</u>		<u>100.0%</u>	<u>\$ 5,459,897</u>	<u>\$ 14,367,718</u>	<u>\$ 9,720,641</u>	<u>\$ 6,084,470</u>	<u>\$ 3,486,959</u>

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, 2020, 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
Investments in prize annuities:								
United States Treasury Bonds	\$ 37,006,852	1	99.9%	\$ 3,913,205	\$ 14,530,075	\$ 10,006,096	\$ 7,965,215	\$ 592,261
Annuity Contracts	45,362	2	0.1%	5,106	23,418	16,838	-	-
Total Investments	<u>\$ 37,052,214</u>		<u>100.0%</u>	<u>\$ 3,918,311</u>	<u>\$ 14,553,493</u>	<u>\$ 10,022,934</u>	<u>\$ 7,965,215</u>	<u>\$ 592,261</u>

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.

Notes to the Financial Statements

3. INVESTMENTS (continued)

UNITED STATES GOVERNMENT TREASURY BONDS AND ANNUITY CONTRACTS (continued)

Investments are measured and reported at fair value and are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The following table sets forth by level, within the fair value hierarchy, the Agency's investments at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
<u>Investments by fair value level:</u>				
U.S. Treasury Obligations	\$ 39,077,557	\$ –	\$ –	\$ 39,077,557
Annuities	–	42,128	–	42,128
Total	<u>\$ 39,077,557</u>	<u>\$ 42,128</u>	<u>\$ –</u>	<u>\$ 39,119,685</u>

The following table sets forth by level, within the fair value hierarchy, the Agency's investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
<u>Investments by fair value level:</u>				
U.S. Treasury Obligations	\$ 37,006,852	\$ –	\$ –	\$ 37,006,852
Annuities	–	45,362	–	45,362
Total	<u>\$ 37,006,852</u>	<u>\$ 45,362</u>	<u>\$ –</u>	<u>\$ 37,052,214</u>

Notes to the Financial Statements

4. CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2021 is as follows:

	<u>2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>2021</u>
Capital Assets				
Machinery and Equipment	\$ 1,611,341	\$ -	\$ -	\$ 1,611,341
Leasehold Improvements	613,240	-	-	613,240
Total Capital Assets	\$ 2,224,581	\$ -	\$ -	\$ 2,224,581
Less Accumulated Depreciation and Amortization				
Machinery and Equipment	\$ 1,611,341	-	-	1,611,341
Leasehold Improvements	613,240	-	-	613,240
Total Accumulated Depreciation and Amortization	2,224,581	-	-	2,224,581
Capital Assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of capital asset activity for the year ended June 30, 2020 is as follows:

	<u>2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>2020</u>
Capital Assets				
Machinery and Equipment	\$ 8,536,192	\$ -	\$ 6,924,851	\$ 1,611,341
Leasehold Improvements	613,240	-	-	613,240
Total Capital Assets	\$ 9,149,432	\$ -	\$ 6,924,851	\$ 2,224,581
Less Accumulated Depreciation and Amortization				
Machinery and Equipment	8,344,902	86,950	6,820,511	1,611,341
Leasehold Improvements	613,240	-	-	613,240
Total Accumulated Depreciation and Amortization	8,958,142	86,950	6,820,511	2,224,581
Capital Assets, net	<u>\$ 191,290</u>	<u>\$ (86,950)</u>	<u>\$ 104,340</u>	<u>\$ -</u>

Notes to the Financial Statements

5. RIGHT-OF-USE ASSETS

A summary of right-of-use asset activity for the year ended June 30, 2021 is as follows:

	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Right-of-Use Assets				
Machinery and Equipment	\$ 8,250,829	\$ -	\$ -	\$ 8,250,829
Office and Warehouse Space	6,471,988	-	-	6,471,988
Total Right-of-Use Assets	14,722,816	-	-	14,722,817
Less Accumulated Amortization				
Machinery and Equipment	1,884,012	1,286,332	-	3,170,344
Office and Warehouse Space	3,321,204	1,200,675	-	4,521,879
Total Accumulated Amortization	5,205,216	2,487,007	-	7,692,223
Right-of-Use Assets, net	<u>\$ 9,517,600</u>	<u>\$ (2,487,007)</u>	<u>\$ -</u>	<u>\$ 7,030,594</u>

A summary of right-of-use asset activity for the year ended June 30, 2020 is as follows:

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Right-of-Use Assets				
Machinery and Equipment	\$ 8,142,344	\$ 108,485	\$ -	\$ 8,250,829
Office and Warehouse Space	6,471,988	-	-	6,471,988
Total Right-of-Use Assets	14,614,332	108,485	-	14,722,817
Less Accumulated Amortization				
Machinery and Equipment	641,396	1,242,616	-	1,884,012
Office and Warehouse Space	2,156,197	1,165,007	-	3,321,204
Total Accumulated Amortization	2,797,593	2,407,623	-	5,205,216
Right-of-Use Assets, net	<u>\$ 11,816,739</u>	<u>\$ (2,299,138)</u>	<u>\$ -</u>	<u>\$ 9,517,601</u>

Notes to the Financial Statements

6. 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>
2022	\$ 5,364,630	\$ 96,566	\$ 5,461,196
2023	3,940,762	244,434	4,185,196
2024	3,053,013	280,183	3,333,196
2025	3,048,650	417,546	3,466,196
2026	3,066,617	559,579	3,626,196
2027 - 2031	8,868,207	1,863,010	10,731,217
2032 - 2036	5,816,792	1,813,208	7,630,000
2037 - 2041	3,090,230	1,420,770	4,511,000
2042 - 2043	274,303	183,697	458,000
Total	<u>\$ 36,523,204</u>	<u>\$ 6,878,993</u>	<u>\$ 43,402,197</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, 2021 and 2020 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, 2021	\$ 31,714,711	\$ 9,177,689	\$ 4,369,196	\$ 36,523,204	\$ 5,364,630
June 30, 2020	\$ 34,946,677	\$ 2,170,962	\$ 5,402,928	\$ 31,714,711	\$ 3,836,212

Notes to the Financial Statements

7. EMPLOYEE RELATED PAYABLES

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 \$655,252 and \$596,353 and as of June 30, 2021, and 2020, respectively. Changes in long-term employee-related payables were as follows for the year ended June 30, 2021 and 2020:

	2021		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 2,032,378	\$ 664,000	\$ 2,696,378
Additions	1,207,930	53,671	1,261,601
Reductions	(681,965)	(130,671)	(812,636)
Ending Balance	\$ 2,558,343	\$ 587,000	\$ 3,145,343
Amount Due Within One Year	\$ 1,000,000	\$ 88,050	\$ 1,088,050
Non-Current Portion	1,558,343	498,950	2,057,293
	\$ 2,558,343	\$ 587,000	\$ 3,145,343
	2020		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 1,892,042	\$ 589,000	\$ 2,481,042
Additions	965,840	186,923	1,152,763
Reductions	(825,504)	(111,923)	(937,427)
Ending Balance	\$ 2,032,378	\$ 664,000	\$ 2,696,378
Amount Due Within One Year	\$ 1,000,000	\$ 99,600	\$ 1,099,600
Non-Current Portion	1,032,378	564,400	1,596,778
	\$ 2,032,378	\$ 664,000	\$ 2,696,378

8. COMMITMENTS AND CONTINGENCIES

LEASES

The Agency leases office space, warehouse facilities, and draw and scratch-off product equipment over periods extending through April 2025.

During the month ended November 30, 2019, the Agency implemented GASB 87, *Leases*, which requires both capital and operating leases to be reported on the balance sheet as a depreciable right-of-use asset and a liability to make lease payments. The lease liability, which is equal to the present value of future lease obligations, was determined using the incremental borrowing rate of 3.00% based on the information available at implementation date. The associated right-of-use asset is valued at an amount equal to the lease liability, less any adjustments as defined in GASB 87.

Notes to the Financial Statements

8. COMMITMENTS AND CONTINGENCIES (continued)

LEASES (continued)

The Lottery also considered any lease terms that included options to extend or terminate the lease when valuing the right-of-use asset, noting none. The lease agreements do not contain any residual value guarantees or restrictive covenants. There were no lease incentives received at the start of the lease. Reductions to the right-of-use asset were recorded at the implementation date to account for variable payment terms in the leases.

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

2022	\$ 2,822,801
2023	2,127,682
2024	1,418,340
2025	1,063,755
Total future minimum lease payments	7,432,578
Less: discount to present value	(331,173)
Lease liability, net	\$ 7,101,405

LITIGATION

The Agency is involved in various litigation arising in the ordinary course of business. The Agency believes that the ultimate resolution of these matters will not have a material adverse effect on its net position.

9. PARTICIPATION IN MULTI-STATE LOTTERIES

MEGA MILLIONS AND POWERBALL

The Agency is a member of the Mega Millions consortium and a Licensee Lottery of MUSL, the organization that operates Powerball. These groups are comprised of lottery directors from member party jurisdictions. The jackpot prize pools are shared on a percent of sales basis. Game accounting is conducted after each drawing. Settlements between members occur after each jackpot win. There are currently 48 lotteries that participate in Powerball and 47 that participate in Mega Millions.

CASH4LIFE

The Agency is a member of the multi-jurisdictional Cash4Life. Cash4Life is a lottery game conducted as a cooperative venture by ten lotteries. The jackpot prize pools are shared on a percent of sales basis. Game accounting is conducted after each daily drawing. Settlements between members occur after each jackpot win.

10. 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 ACFR, which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or located at <https://sra.maryland.gov/comprehensive-annual-financial-reports>.

Notes to the Financial Statements

10. RETIREMENT BENEFITS (continued)

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 employee's 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.

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 five 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.

Notes to the Financial Statements

10. RETIREMENT BENEFITS (continued)

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 years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Agency Contribution	\$ 3,489,405	\$ 3,237,248
Percentage of Payroll	19.67%	18.62%

GASB NO. 68 – PENSION DISCLOSURES

The Agency accounts for the pension in accordance with 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 and to measure the annual cost of pension benefits.

On June 30, 2021 and 2020, the Agency's proportion of the State of Maryland's net pension liability of \$21,092,525,011 and \$19,285,250,561, respectively (State pool only), was \$33,399,589 and \$30,536,823 or 0.158% 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 for the year ended June 30, 2021:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Beginning Balance	\$ 12,640,318	\$ 4,767,762
Agency's contributions during the year	(3,237,248)	–
Amortization of prior year deferred outflows and inflows	(3,823,270)	(1,282,754)
Net difference between projected and actual earnings on pension plan investments	2,459,825	–
Net difference between projected and actual experience	–	53,946
Agency's contributions subsequent to the measurement date	3,489,405	–
Ending Balance	<u>\$ 11,529,030</u>	<u>\$ 3,538,954</u>

Notes to the Financial Statements

10. RETIREMENT BENEFITS (continued)

GASB NO. 68 – PENSION DISCLOSURES (continued)

The Agency's contributions of \$3,489,405 reported as deferred outflows of resources 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, 2022.

The Agency reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources for the year ended June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Beginning Balance	\$ 16,211,706	\$ 3,606,412
Agency's contributions during the year	(3,053,641)	–
Amortization of prior year deferred outflows and inflows	(4,382,793)	(924,969)
Net difference between projected and actual earnings on pension plan investments	627,798	–
Change of assumptions	–	831,072
Change of proportionate share of contributions	–	948,320
Net difference between projected and actual experience	–	306,927
Agency's contributions subsequent to the measurement date	3,237,248	–
Ending Balance	<u>\$ 12,640,318</u>	<u>\$ 4,767,762</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pensions will be recognized in pension expense as follows:

Year End June 30,	
2022	\$ 1,885,900
2023	1,191,293
2024	1,067,504
2025	585,339
2026	482,165
2027	(4,946)
Total	<u>\$ 5,207,255</u>

Notes to the Financial Statements

10. RETIREMENT BENEFITS (continued)

GASB NO. 68 – PENSION DISCLOSURES (continued)

ASSUMPTIONS AND OTHER INPUTS:

Valuation method	Individual Entry Age Normal Cost Method
Amortization method.	Level Percentage of Payroll, Closed
Salary increases	3.10% to 11.60% including inflation
Inflation	2.60% general, 3.10% wage
Investment rate of return	7.40%
Discount rate	7.40%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2014-2018.
Mortality.	Public Sector Mortality Tables with generational mortality projections using scale MP-2018 (2-dimmmensional) mortality improvement scale.

DISCOUNT RATE

A single discount rate of 7.40% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements

11. OTHER POSTEMPLOYMENT 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 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.

State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

The Postretirement Health Benefits Trust Fund (OPEB Trust) is established as an irrevocable trust under Section 34-101 of the State Personnel and Pensions Article to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The oversight of the OPEB funds is the same Board of Trustees that oversees the Maryland State Retirement and Pension Systems. The Board of Trustees consists of 15 members. The Maryland State Retirement and Pension Systems prepares separately audited financial statements for the OPEB Trust Fund. The report may be obtained from the Office of the Comptroller, Attention: Plan Administrator, P.O. Box 746, Annapolis, Maryland 21404.

PLAN DESCRIPTION

Agency employees are members of the Plan. Generally, a retiree may enroll and participate in the health benefits option if the retiree retired directly from State service with at least five years of credible service, ended State service with at least ten years of credible service and within five years before the age at which a vested retirement allowance would normally begin, or ended State service with at least 16 years of credible service. For members hired on or after July 1, 2011, they are required to have completed at least 25 years of credible service, retired directly from State service with at least ten years of credible service or ended State service with at least ten years of credible service and within five years before the age at which a vested retirement allowance would normally begin.

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 Plan assesses a charge to retirees for postemployment health care benefits, which is based on health care insurance charges for active 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, 2021 and June 30, 2020, the Agency's contributions were \$1,339,576 and \$1,654,780, respectively.

Notes to the Financial Statements

12. 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 7.

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 may not exceed 100%. A casino's gaming floor is to be configured to collectively achieve, at all times, an average payout of 87% and which may not exceed 95%. For table games, an overall loss for a day is spread over a maximum of seven days. Any excess losses not recovered over the seven-day period is absorbed by the Casino and do not impact the Agency.

13. COVID-19

The COVID-19 outbreak in the United States resulted in the state government mandated temporary closure of the casinos, bars, and restaurants, and the veteran organizations in the State of Maryland. These closures negatively impacted the revenues associated with the casinos, the ITLM program and the traditional lottery products.

During June 2020, the State of Maryland allowed for limited openings of the casinos, bars and restaurants, and the veteran organizations. As of July 1, 2021, the State of Maryland lifted the remaining restrictions on the casinos, bars and restaurants and the veteran organizations.

14. SUBSEQUENT EVENTS

In May of 2021, Governor Hogan signed into law the Regulation of Fantasy Gaming Competitions and Implementation of the State's Sports Wagering law. Effective immediately, the Agency was responsible for the collection of tax revenue on all Fantasy Gaming operators in the state. Further, the Agency is responsible for the creation, implementation and maintenance of all regulations regarding Fantasy Gaming Competitions. Regulations have been drafted, but are not yet final.

On September 14, 2021, the Agency opened its eLicensing online application portal to the 17 entities that were named in the sports wagering law. As licensing criminal and financial background investigations are completed and the Agency approves each facility, the applications will be forwarded to the Sports Wagering Application Review Commission (SWARC), an entity established by the aforementioned law and operating independent of the Agency, which formally awards the licenses. In addition to the 17 named entities, the Sports Wagering law allows the SWARC to award licenses up to 30 additional locations and up to 60 mobile operators through a competitive process. MLGCA staff are also responsible for investigating and licensing the operator partners, contractors and employees who work with the state's sports wagering facilities.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Revenues, Expenses and Changes in Net Position — Budget and Actual

	For the Year Ended June 30, 2021			
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Budget over (under)
Revenues				
Cash revenue receipts from all sources	\$ 4,032,815,000	\$ 4,221,550,000	\$ 4,370,640,452	\$ 149,090,452
Expenditures and encumbrances				
Gaming vendor and information technology fees	39,764,141	48,230,344	48,566,232	\$335,888
Scratch-Off ticket printing and delivery	8,600,000	7,929,358	7,929,358	-
Salaries, wages, and benefits	28,031,420	28,710,099	27,819,882	(890,217)
Advertising and promotions	21,594,623	20,056,834	20,056,834	-
Other general and administrative expenses	5,366,896	6,027,797	3,653,008	(2,374,789)
Total expenditures and encumbrances	103,357,080	110,954,432	108,025,314	(2,929,118)
Excess of revenues over expenditures	3,929,457,920	4,110,595,568	4,262,615,138	152,019,570
Other uses of financial resources				
Transfers in (out)				
State of Maryland Stadium Authority and Veterans Trust and International Racing Fund	(35,338,000)	(35,339,000)	(35,720,934)	(381,934)
State of Maryland General Fund	(571,838,000)	(630,668,000)	(631,718,854)	(1,050,854)
Other government agencies/funds — VLT	(709,093,000)	(703,491,000)	(725,314,989)	(21,823,989)
Excess of revenues over expenditures and other sources of financial resources	<u>\$ 2,613,188,920</u>	<u>\$ 2,741,097,568</u>	<u>\$ 2,869,860,361</u>	<u>\$ 128,762,793</u>

Reconciliation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Change in net position	\$ (3,152,688)
Non-budgetary expenditures:	
Prize expense	1,655,957,335
Retailer and casino commissions	1,211,951,576
Depreciation and amortization	2,487,007
Increase in fair value of investments	1,496,473
Amortization of discount prize liabilities	1,244,548
Voluntary exclusion program	(123,890)
Excess of revenues over expenses	<u>\$ 2,869,860,361</u>

Notes to the Schedule of Revenues, Expenses and Changes in Net Position — Budget and Actual

FOR THE YEAR ENDED JUNE 30, 2021

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 revenues retained 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.

Schedule of Changes in Net Pension Liability Contributions and Related Ratios*

FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (NPL)

	2021	2020	2019	2018	2017	2016	2015
Agency's proportion of the collective NPL	0.15%	0.15%	0.15%	0.13%	0.12%	0.11%	0.08%
Agency's proportionate share of the collective NPL	\$ 33,399,589	\$ 30,536,823	\$ 32,033,294	\$ 27,645,653	\$ 27,137,095	\$ 22,831,103	\$ 13,723,698
Agency's covered payroll	\$ 17,743,618	\$ 17,386,846	\$ 17,398,689	\$ 17,438,842	\$ 16,262,945	\$ 14,459,261	\$ 13,597,365
Proportionate share of the collective NPL as a percentage of covered payroll	188.23%	175.63%	184.11%	158.53%	166.86%	157.90%	100.93%
Plan fiduciary net position as a percentage of total pension liability	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

SCHEDULE OF CONTRIBUTIONS

	2021	2020	2019	2018 (as adjusted)	2017	2016	2015
Actuarially determined contributions	\$ 3,489,405	\$ 3,237,248	\$ 3,053,641	\$ 3,044,421	\$ 3,115,271	\$ 2,424,201	\$ 2,315,584
Contributions in relation to the actuarially determined contribution	3,489,405	3,237,248	3,053,641	3,044,421	3,115,271	2,424,201	2,315,584
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 17,743,618	\$ 17,386,846	\$ 17,398,689	\$ 17,438,842	\$ 16,262,945	\$ 14,459,261	\$ 13,597,365
Contributions as a percentage of covered-employee payroll	19.67%	18.62%	17.55%	17.46%	19.16%	16.77%	17.03%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Changes in Net Pension Liability Contributions and Related Ratios*

FOR THE YEAR ENDED JUNE 30, 2021

NOTES TO REQUIRED SCHEDULES

ASSUMPTIONS AND OTHER INPUTS:

Valuation Date	June 30	Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which the contributions are reported.
Valuation method	Individual Entry Age Normal Cost Method	
Amortization method	Level Percentage of Payroll, Closed	
Asset Valuation Method	5-years smoothed market; 20% collar	
Salary increases	3.10% to 11.60%	
Inflation	2.60% general, 3.10% wage	
Investment rate of return	7.40%	
Discount rate	7.40%	
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2014-2018.	
Mortality	Public Sector Mortality Tables with generational mortality projections using scale MP-2018.	
Notes	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the assumption changes associated with the 2018 Experience Study for the period July 1, 2014 to June 30, 2018.	

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer Contributions for Other Postemployment Benefit Plan*

FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE OF CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN YEAR-ENDING JUNE 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contribution	<u>\$ 1,339,576</u>	<u>\$ 1,654,780</u>	<u>\$ 1,408,400</u>	<u>\$ 1,140,228</u>
Covered Employee Payroll	\$ 17,743,618	\$17,386,846	\$17,398,689	\$17,438,842
Actual Contributions as a Percentage of Covered Employee Payroll	7.55%	9.52%	8.09%	6.54%

NOTES TO SCHEDULE

Valuation Date: Contractually determined contribution amounts are calculated as of June 30 of the prior year in which contributions are reported.

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.



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, 2021, 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 December 22, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, 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.

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 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.

Main | 410-403-1500

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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.

SC+H Attest Services, P.C.

December 22, 2021

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Statistical Section

Since its inception in 1973, the Lottery has contributed more than \$18.0 billion in revenue to the state of Maryland. Maryland's casino program, which began in September 2010, has generated almost \$11.8 billion in revenue, with nearly \$4.0 billion supporting education in the state.

Statistical Information Sections

This section of the Annual Comprehensive 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

87 FINANCIAL TRENDS

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.

113 REVENUE CAPACITY

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.

123 DEBT CAPACITY

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

124 DEMOGRAPHIC AND ECONOMIC INFORMATION

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

125 OPERATING INFORMATION

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports or the audited financial statements for the relevant year.

Net Position and Changes in Net Position — Fiscal Years 2012 Through 2021

NET POSITION BY COMPONENT — FISCAL YEARS 2012 THROUGH 2021

FISCAL YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net investment in capital assets	\$ (6,982,992)	\$ (7,197,022)	\$ (6,954,587)	\$ 1,041,616	\$ 432,907	\$ \$67,350	\$ (1,391,694)	\$ 100,422	\$ —	\$ —
Unrestricted	19,140,536	(1,153,072)	1,806,301	(285,733)	1,543,692	(4,977,761)	(8,383,766)	(6,711,713)	(16,982,074)	(20,134,762)
Total net position	\$ 12,157,544	\$ (8,350,094)	\$ (5,148,286)	\$ 755,883	\$ 1,976,599	\$ (4,910,411)	\$ (9,775,460)	\$ (6,611,291)	\$ (16,982,074)	\$ (20,134,762)

CHANGE IN NET POSITION — FISCAL YEARS 2012 THROUGH 2021

OPERATING REVENUES:	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Daily Draw games	\$ 542,002,339	\$ 545,591,321	\$ 545,173,973	\$ 545,723,393	\$ 548,878,901	\$ 556,086,319	\$ 556,913,301	\$ 583,595,693	\$ 641,144,050	\$ 779,283,335
Monitor games	521,672,673	493,569,979	466,230,592	457,655,976	478,647,528	483,643,007	483,994,276	498,058,435	489,482,954	572,194,487
Jackpot games	224,413,737	231,119,295	232,954,540	207,620,879	259,796,495	206,690,778	241,877,131	293,176,999	198,537,270	255,739,702
Scratch-off games	506,803,706	485,838,672	479,631,463	546,053,764	611,286,137	676,752,574	750,888,512	812,426,311	852,739,383	993,407,426
ITLWs	—	—	—	3,812,016	6,934,191	8,372,989	9,121,117	9,651,061	7,864,356	10,525,120
Total net sales	1,794,892,455	1,756,119,267	1,723,990,568	1,760,866,028	1,905,543,252	1,931,545,666	2,042,794,337	2,196,908,499	2,189,768,013	2,611,150,070
Gaming Revenue — Gross Terminal Revenue	195,093,073	560,679,031	579,133,667	681,822,742	741,694,172	885,867,966	1,046,676,783	1,125,214,916	829,280,731	1,160,392,613
Gaming Revenue — State Grant	28,959,177	73,690,820	81,648,408	66,263,057	20,274,795	20,706,322	7,474,980	6,715,636	6,461,424	4,943,387
Gaming Revenue — Table Games	—	48,037,794	254,869,582	356,401,074	402,278,788	535,074,397	632,289,627	635,193,662	450,693,376	585,329,183
Gaming Revenue — Facility Applicants	1,791,260	2,703,989	3,282,340	2,812,897	1,921,206	2,957,020	2,209,398	2,055,879	1,470,576	1,535,251
Gaming Machine Assessment	1,708,825	2,964,174	3,035,800	3,967,980	3,844,625	4,649,746	5,278,854	5,296,225	3,779,273	4,132,375
ITLM Lease Revenue	—	—	—	1,587,896	2,894,330	3,494,887	3,807,152	4,028,353	2,361,413	3,157,573
MDH Revenue	—	—	—	—	—	—	—	—	95,651	—
Total operating revenues	2,022,444,790	2,444,195,075	2,645,960,365	2,873,721,674	3,078,451,168	3,384,296,004	3,740,531,131	3,975,413,170	3,483,910,457	4,370,640,452

COST OF SALES:

Printer expense	1,065,653,665	1,038,475,788	1,022,033,738	1,051,485,747	1,133,301,463	1,196,511,295	1,248,722,984	1,357,478,258	1,369,035,515	1,655,957,335
Retailer commissions	118,305,427	119,788,227	122,109,073	128,596,268	141,157,005	145,883,312	153,725,963	165,508,687	167,733,149	197,223,468
Casino commissions	64,380,714	223,930,473	406,227,926	538,999,870	626,102,299	819,389,042	996,857,938	1,036,965,945	750,852,790	1,014,728,108
Gaming vendor and data processing fees	20,077,153	21,368,102	20,772,228	23,522,186	27,744,841	29,026,085	30,748,701	39,504,953	38,184,132	48,566,232
Scratch-off ticket printing and delivery	6,206,543	6,435,341	7,940,317	6,167,461	5,997,088	7,464,342	6,637,518	7,327,339	8,437,031	7,929,358
Total cost of sales	1,274,623,502	1,409,997,931	1,579,083,282	1,748,771,532	1,934,302,696	2,198,274,078	2,436,693,104	2,606,785,182	2,330,242,617	2,924,404,501

OPERATING EXPENSES:

Salaries, wages, and benefits	15,662,232	16,929,270	20,205,985	23,198,757	24,476,879	26,873,983	26,966,333	26,724,096	28,171,299	27,819,882
Advertising and promotions	12,592,589	13,297,155	11,593,907	12,369,906	15,645,392	18,379,694	15,536,795	18,108,829	18,405,264	20,056,834
Other general and administrative expenses	17,293,017	59,032,711	74,392,476	50,011,479	5,448,107	7,438,231	1,233,077	1,981,874	2,494,573	2,487,007
Depreciation and amortization	10,817,070	25,403,648	13,300,598	9,827,449	13,038,756	12,982,014	7,382,071	5,899,476	6,474,828	3,653,008
Total operating expenses	56,364,908	114,662,784	119,492,966	95,407,591	58,609,134	65,673,922	51,118,276	52,714,275	55,545,964	54,016,731

NON-OPERATING REVENUES (EXPENSES):

Unrealized gains (losses) on investments	811,093	(4,231,655)	(1,876,860)	(1,016,538)	393,670	(2,108,294)	(1,780,253)	1,257,935	3,699,628	(2,741,021)
Interest income (expense)	(911,404)	(719,832)	(567,607)	(641,187)	(819,905)	(633,426)	—	—	—	—
Payments to State of Maryland — Lottery	(556,264,804)	(545,225,121)	(521,106,646)	(526,526,916)	(569,813,356)	(524,902,592)	(575,672,412)	(593,453,089)	(588,668,172)	(667,439,788)
Payments to other Government Funds/Agencies — Gaming	(128,881,213)	(376,536,947)	(420,631,196)	(499,677,022)	(514,154,133)	(599,628,305)	(680,211,579)	(720,662,476)	(523,647,257)	(725,314,989)
Gain on Sale of VLTs	—	—	—	4,206,207	—	—	—	—	—	—
Voluntary Exclusion Program	—	—	—	17,047	75,642	37,603	79,444	108,086	123,142	123,890
Total non-operating revenues (expenses)	(685,246,328)	(926,713,555)	(944,182,309)	(1,023,638,409)	(1,084,318,082)	(1,127,235,014)	(1,257,584,800)	(1,312,749,544)	(1,108,492,659)	(1,395,371,908)

CHANGES IN NET POSITION:

6,210,052	(7,179,195)	3,201,808	5,904,169	1,220,716	(6,887,010)	(6,887,010)	(4,865,049)	3,164,169	(10,370,784)	(3,152,688)
5,947,492	(1,170,899)	(8,350,094)	(5,148,286)	755,883	1,976,599	(4,910,411)	(9,775,460)	(6,611,291)	(16,982,074)	(20,134,762)
\$ 12,157,544	\$ (8,350,094)	\$ (5,148,286)	\$ 755,883	\$ 1,976,599	\$ (4,910,411)	\$ (9,775,460)	\$ (6,611,291)	\$ (16,982,074)	\$ (20,134,762)	\$ (20,134,762)

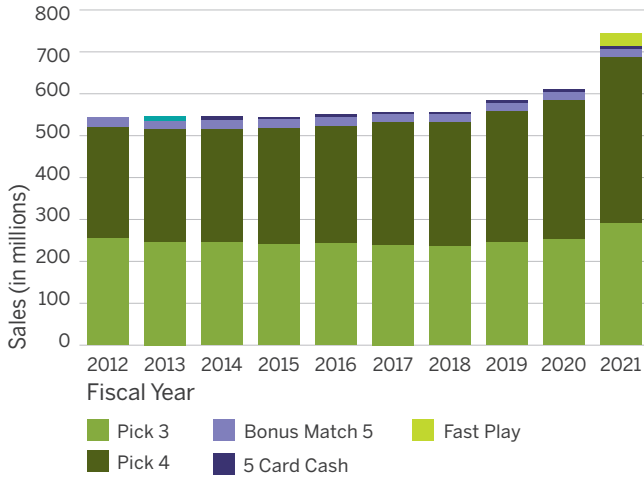
MARYLAND LOTTERY AND GAMING CONTROL AGENCY
Sales — Fiscal Years 2012 Through 2021

SALES BY CATEGORY AND GAME

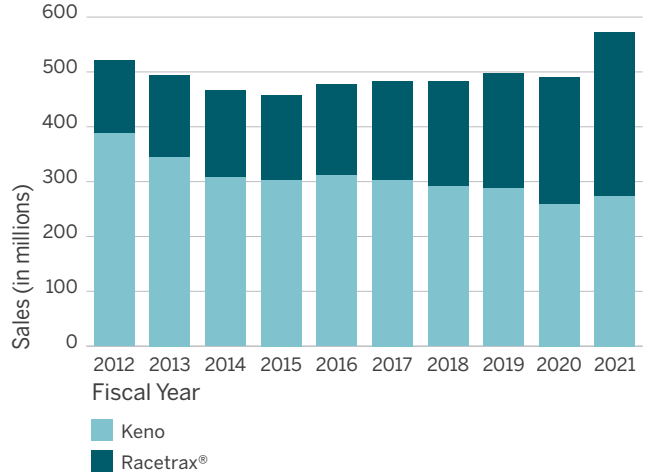
FISCAL YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
DAILY DRAW GAMES										
Pick 3	\$ 254,590,816	\$ 245,523,090	\$ 244,538,835	\$ 240,910,861	\$ 241,569,648	\$ 239,153,635	\$ 235,402,012	\$ 245,626,551	\$ 251,674,709	\$ 290,798,740
Pick 4	265,544,065	267,800,219	270,825,588	276,957,939	280,783,133	291,588,159	296,206,896	312,177,226	333,716,018	395,655,033
Bonus Match 5	21,867,458	21,078,755	21,444,445	21,320,570	20,611,878	19,799,308	19,658,089	19,573,334	18,524,396	20,508,033
5 Card Cash	-	11,189,257	8,365,105	6,534,023	5,914,242	5,545,217	5,646,303	6,218,582	6,027,647	5,793,802
Fast Play	-	-	-	-	-	-	-	-	31,201,280	66,527,727
Daily Draw Games Total	542,002,339	545,591,321	545,173,973	545,723,393	548,878,901	556,086,319	556,913,300	583,595,693	641,144,049	779,283,335
MONITOR GAMES										
Keno	387,408,239	344,802,037	308,104,967	302,987,619	311,555,811	303,244,462	291,409,988	286,865,920	259,195,345	273,532,999
Racetraz®	134,264,434	148,767,942	158,125,625	154,668,357	167,091,717	180,398,545	192,584,289	211,192,515	230,287,609	298,661,489
Monitor Games Total	521,672,673	493,569,979	466,230,592	457,655,976	478,647,528	483,643,007	483,994,277	498,058,435	489,482,954	572,194,487
JACKPOT GAMES										
Mega Millions	110,846,972	71,019,424	100,493,295	82,020,637	73,217,563	66,344,693	88,555,640	137,707,762	78,588,223	107,949,942
Multi-Match®	30,709,705	28,755,909	26,699,000	34,499,811	31,095,004	24,018,675	28,952,844	29,001,325	28,983,416	33,702,488
Powerball®	82,857,060	131,343,962	105,762,245	89,507,596	143,525,324	100,133,706	111,194,931	114,078,139	70,394,314	93,235,563
Cash4Life	-	-	-	-	11,958,604	16,193,704	13,173,716	12,389,773	20,571,318	20,851,709
Monopoly Millionaires' Club	-	-	-	1,592,835	-	-	-	-	-	-
Jackpot Games Total	224,413,737	231,119,295	232,954,540	207,620,879	259,796,495	206,690,778	241,877,131	293,176,999	198,537,270	255,739,702
SCRATCH-OFF GAMES:	506,803,706	485,838,672	479,631,463	546,053,764	611,286,137	676,752,574	750,888,512	812,426,311	852,739,383	993,407,426
ITLM:	-	-	-	3,812,016	6,934,191	8,372,989	9,121,117	9,651,061	7,864,356	10,525,120
TOTAL SALES:	\$ 1,794,892,455	\$ 1,756,119,267	\$ 1,723,990,568	\$ 1,760,866,028	\$ 1,905,543,252	\$ 1,931,545,666	\$ 2,042,794,337	\$ 2,196,908,499	\$ 2,189,768,012	\$ 2,611,150,070
PRODUCT MIX BY CATEGORY										
FISCAL YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Daily Draw Games	30.20%	31.07%	31.62%	30.99%	28.80%	28.79%	27.26%	26.56%	29.28%	29.84%
Monitor Games	29.06%	28.11%	27.04%	25.99%	25.12%	25.04%	23.69%	22.67%	22.35%	21.91%
Jackpot Games	12.50%	13.16%	13.51%	11.79%	13.63%	10.70%	11.84%	13.34%	9.07%	9.79%
Scratch-Off Games	28.24%	27.67%	27.82%	31.01%	32.08%	35.04%	36.76%	36.98%	38.94%	38.04%
ITLMs	-%	-%	-%	0.22%	0.36%	0.43%	0.45%	0.44%	0.36%	0.40%

Sales — Fiscal Years 2012 Through 2021 (continued)

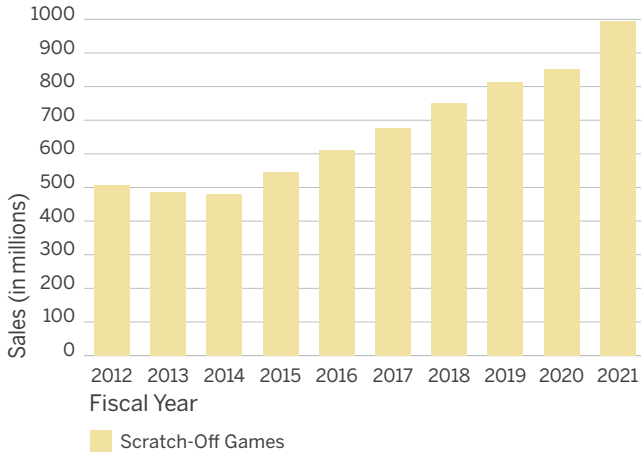
DAILY DRAW GAMES



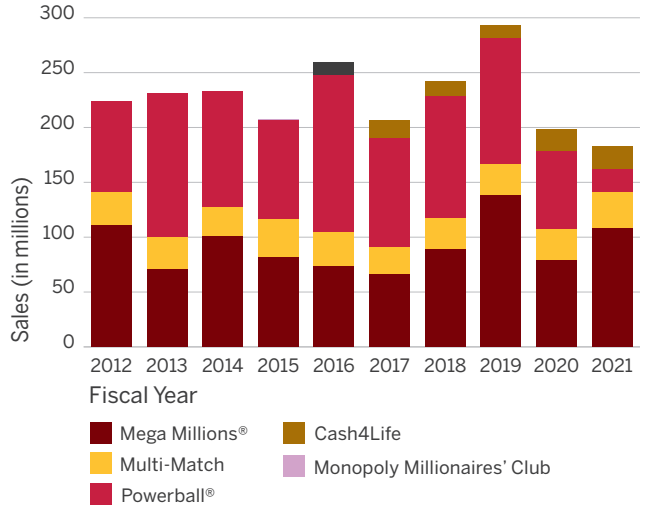
MONITOR GAMES



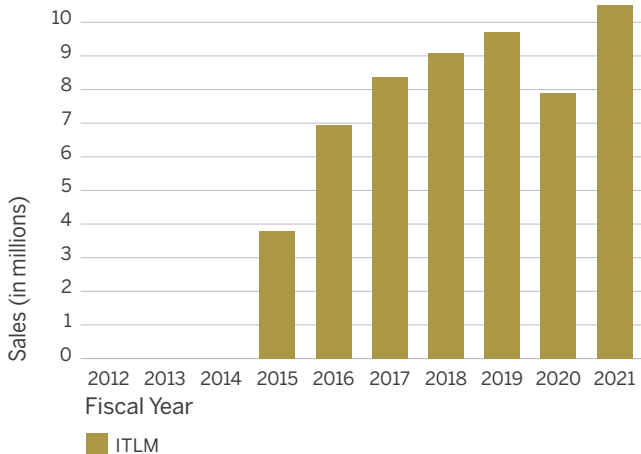
SCRATCH-OFF GAMES



JACKPOT GAMES

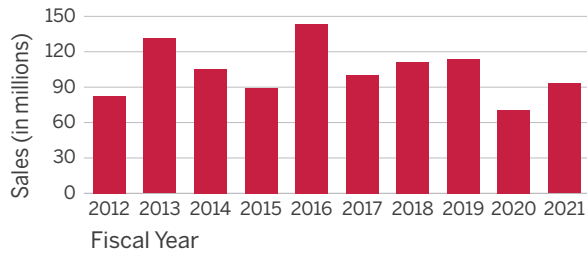


ITLM

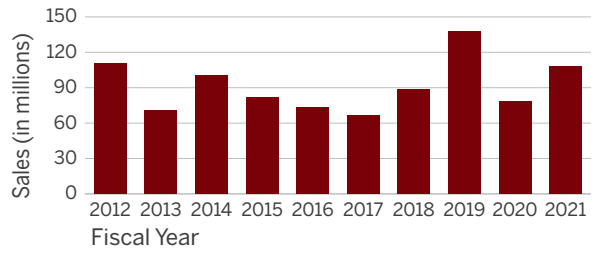


Sales — Fiscal Years 2012 Through 2021 (continued)

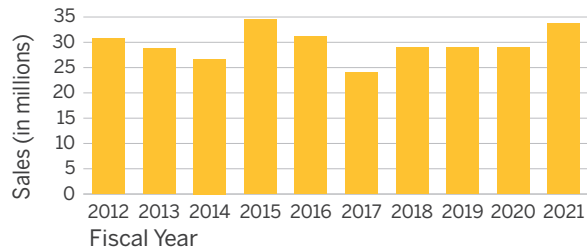
POWERBALL®



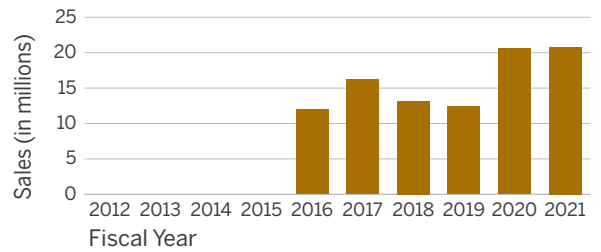
MEGA MILLIONS®



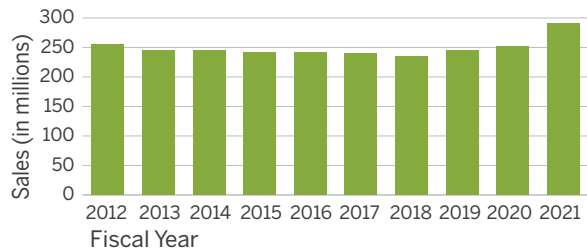
MULTI-MATCH®



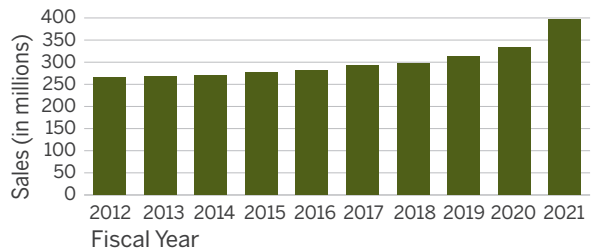
CASH4LIFE



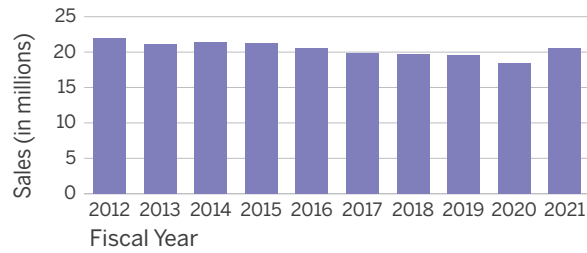
PICK 3



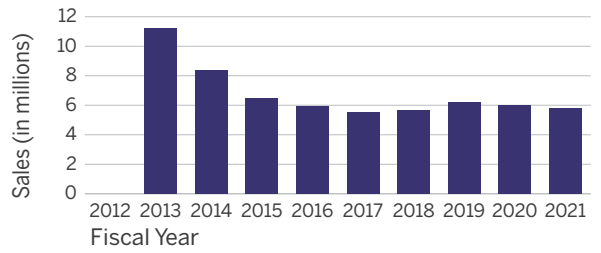
PICK 4



BONUS MATCH 5



5 CARD CASH

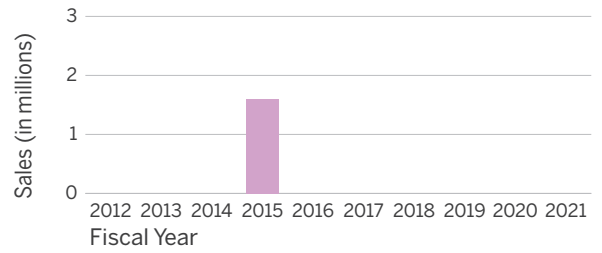


Sales — Fiscal Years 2012 Through 2021 (continued)

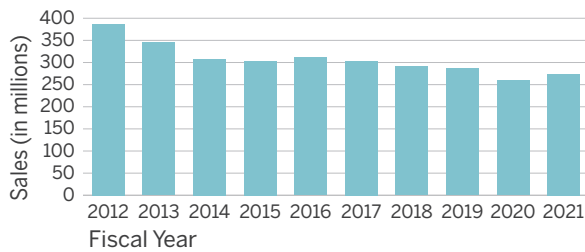
FAST PLAY



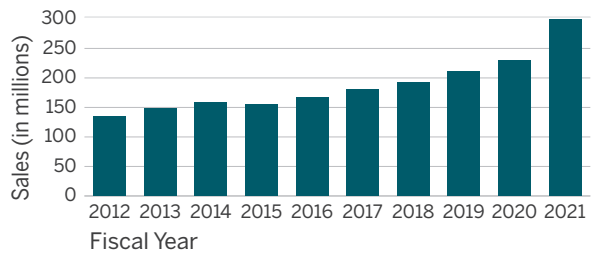
MONOPOLY MILLIONAIRES' CLUB



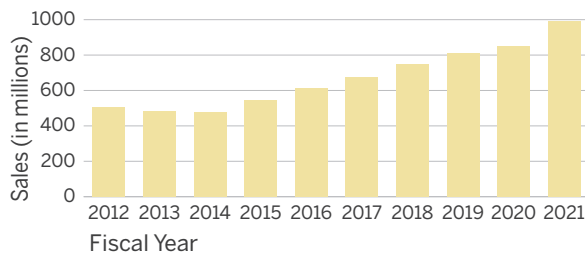
KENO



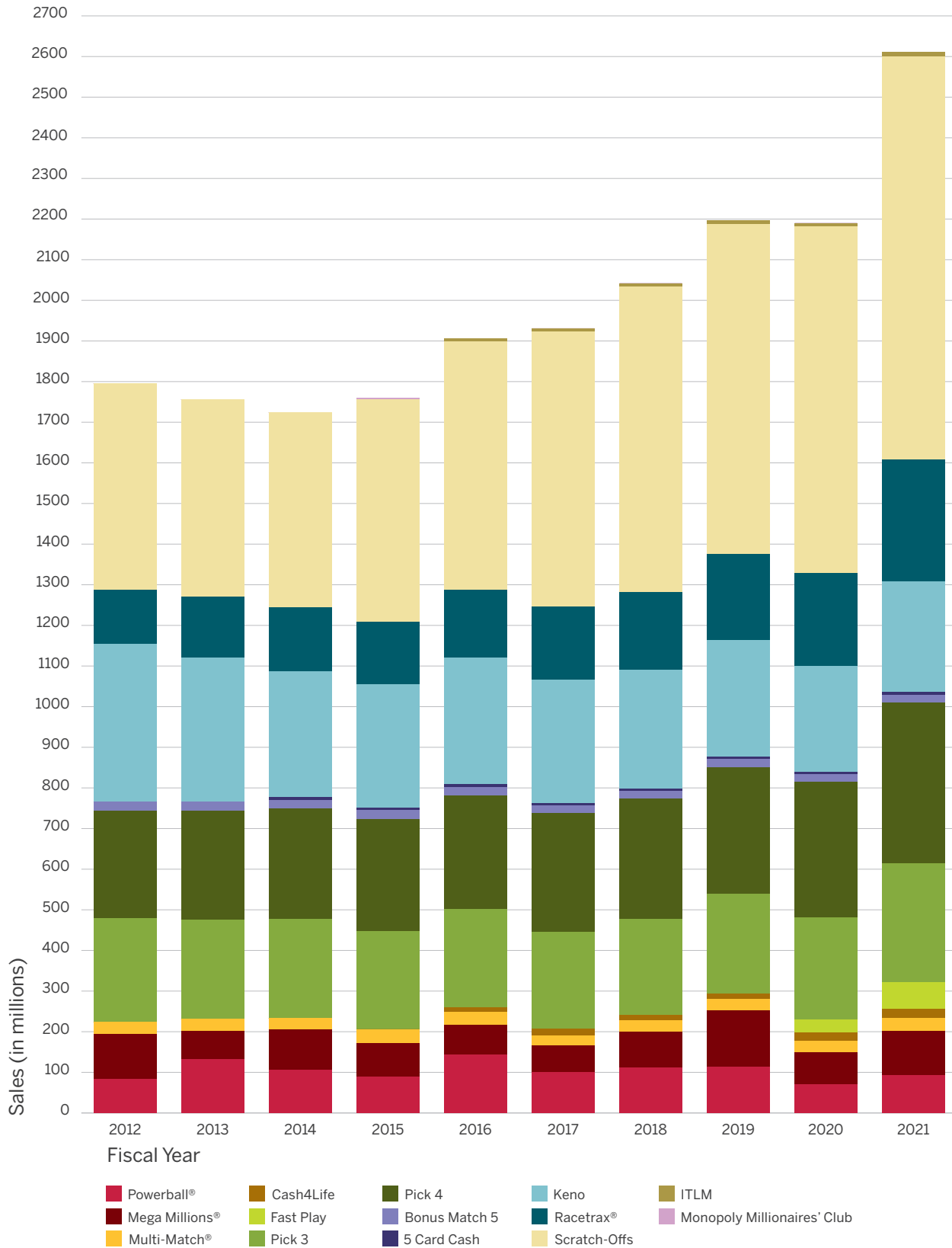
RACETRAX®



SCRATCH-OFFS



Sales — Fiscal Years 2012 Through 2021 (continued)



U.S. Lotteries Per Capita Sales — Fiscal Year 2021

Rank	State	Population (M)	Total Sales (\$M)*	Per Capita**
1	Massachusetts	6.9	5,797.7	841
2	Georgia	10.7	6,034.4	563
3	South Carolina	5.2	2,415.8	463
4	Maryland	6.1	2,600.6	429
5	Pennsylvania	12.8	5,436.9	425
6	Connecticut	3.6	1,497.8	421
7	Florida	21.7	9,076.2	418
8	New Jersey	8.9	3,683.9	415
9	New York	19.3	7,666.1	396
10	Michigan	10.0	3,925.1	394
11	Ohio	11.7	4,330.1	370
12	North Carolina	10.6	3,805.4	359
13	New Hampshire	1.4	484.6	355
14	Kentucky	4.5	1,486.4	332
15	Washington, D.C.	0.7	235.0	330
16	Virginia	8.6	2,592.1	302
17	Maine	1.4	390.7	289
18	Rhode Island	1.1	296.0	280
19	Texas	29.4	8,115.6	276
20	Illinois	12.6	3,450.0	274
21	Missouri	6.2	1,659.1	270
22	Vermont	0.6	161.5	259
23	Indiana	6.8	1,737.7	257
24	Delaware	1.0	233.8	237
25	California	39.4	8,405.2	214
26	Arkansas	3.0	631.9	209
27	Idaho	1.8	371.9	204
28	Arizona	7.4	1,439.4	194
29	Mississippi	3.0	514.5	173
30	Wisconsin	5.8	894.5	153
31	Iowa	3.2	452.6	143
32	Minnesota	5.7	803.6	142
33	West Virginia	1.8	249.2	140
34	Colorado	5.8	794.9	137
35	Louisiana	4.6	624.9	135
36	Washington	7.7	950.7	124
37	Kansas	2.9	339.6	117
38	Nebraska	1.9	204.9	106
39	Oregon	4.2	409.5	97
40	Oklahoma	4.0	346.8	87
41	South Dakota	0.9	73.7	83
42	New Mexico	2.1	154.9	74
43	Montana	1.1	72.1	67
44	Wyoming	0.6	30.7	53
45	North Dakota	0.8	30.3	40

Source: *La Fleur's Magazine, September/October 2021 Edition*

*FY21 Traditional Sales, excludes VLT revenue

**Subject to rounding.

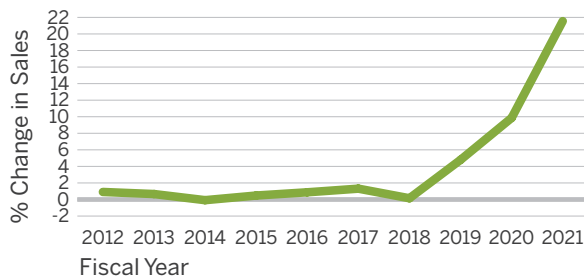
Fiscal year ends June 30 except New York (March 31), Texas (August 31) and Michigan (September 30).

The following Lottery was excluded: Tennessee.

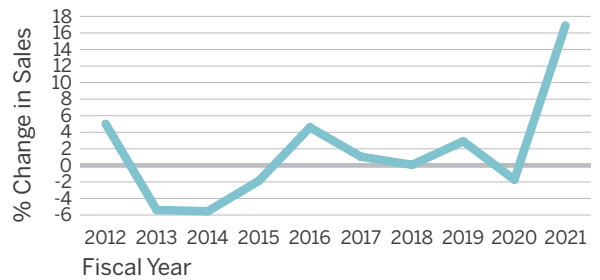
Percentage Change in Sales — Fiscal Years 2012 Through 2021

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Daily Draw Games	0.96%	0.66%	-0.08%	0.10%	0.58%	1.31%	0.15%	4.79%	9.86%	21.55%
Monitor Games	5.02%	-5.39%	-5.54%	-1.84%	4.59%	1.04%	0.07%	2.91%	-1.72%	16.90%
Jackpot Games	19.83%	2.99%	0.79%	-10.87%	25.13%	-20.44%	17.02%	21.21%	-32.28%	28.81%
Scratch-Off Games	2.69%	-4.14%	-1.28%	13.85%	11.95%	10.71%	10.95%	8.20%	4.96%	16.50%
ITLM	-%	-%	-%	-%	81.90%	20.75%	8.94%	5.81%	-18.51%	33.83%
Total Sales	4.70%	-2.16%	-1.83%	2.14%	8.22%	1.36%	5.76%	7.54%	-0.33%	19.24%

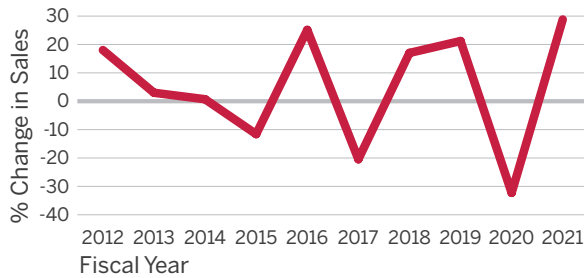
DAILY DRAW GAMES



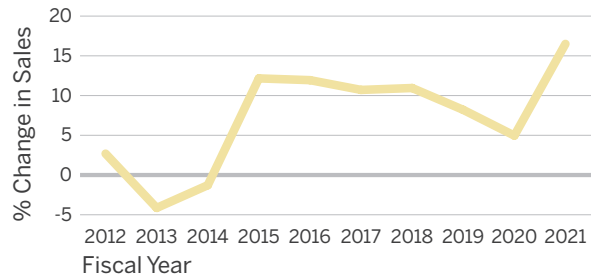
MONITOR GAMES



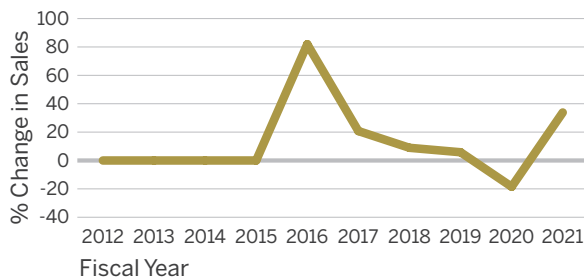
JACKPOT GAMES



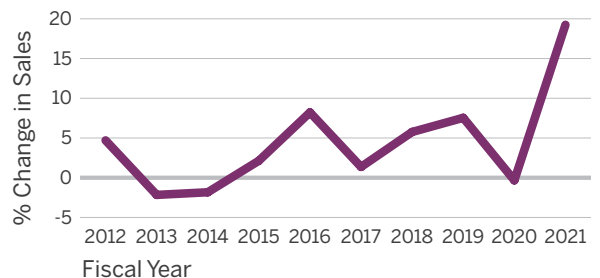
SCRATCH-OFFS



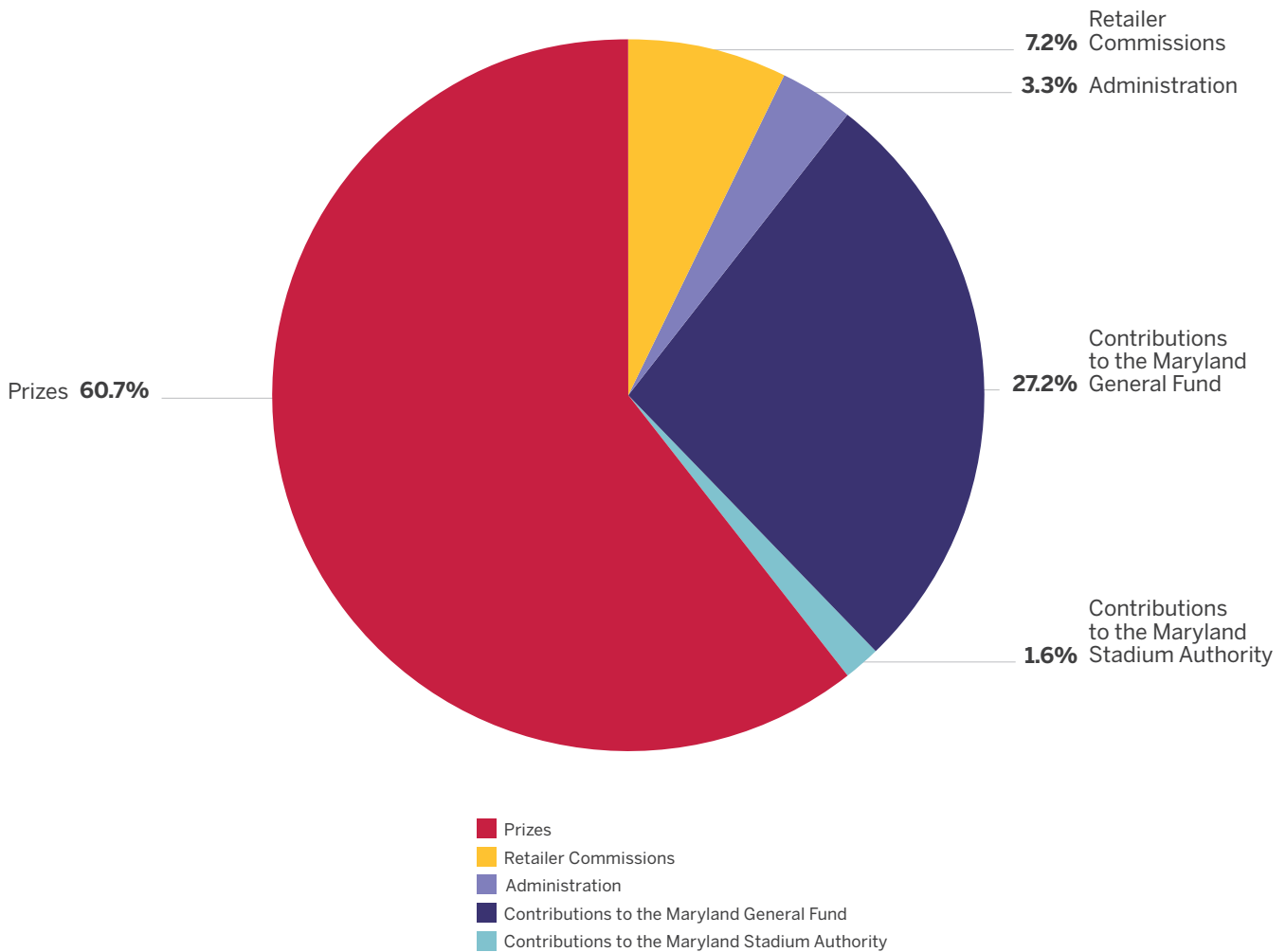
ITLM



TOTAL SALES



Expenses and Contributions — Cumulative for Fiscal Years 2012 Through 2021



Note: Contributions to the Maryland Veterans Trust Fund for fiscal years 2015 through 2021 and the International Racing Fund for fiscal years 2017 through 2019 were less than 1% and were therefore not included in this graph.

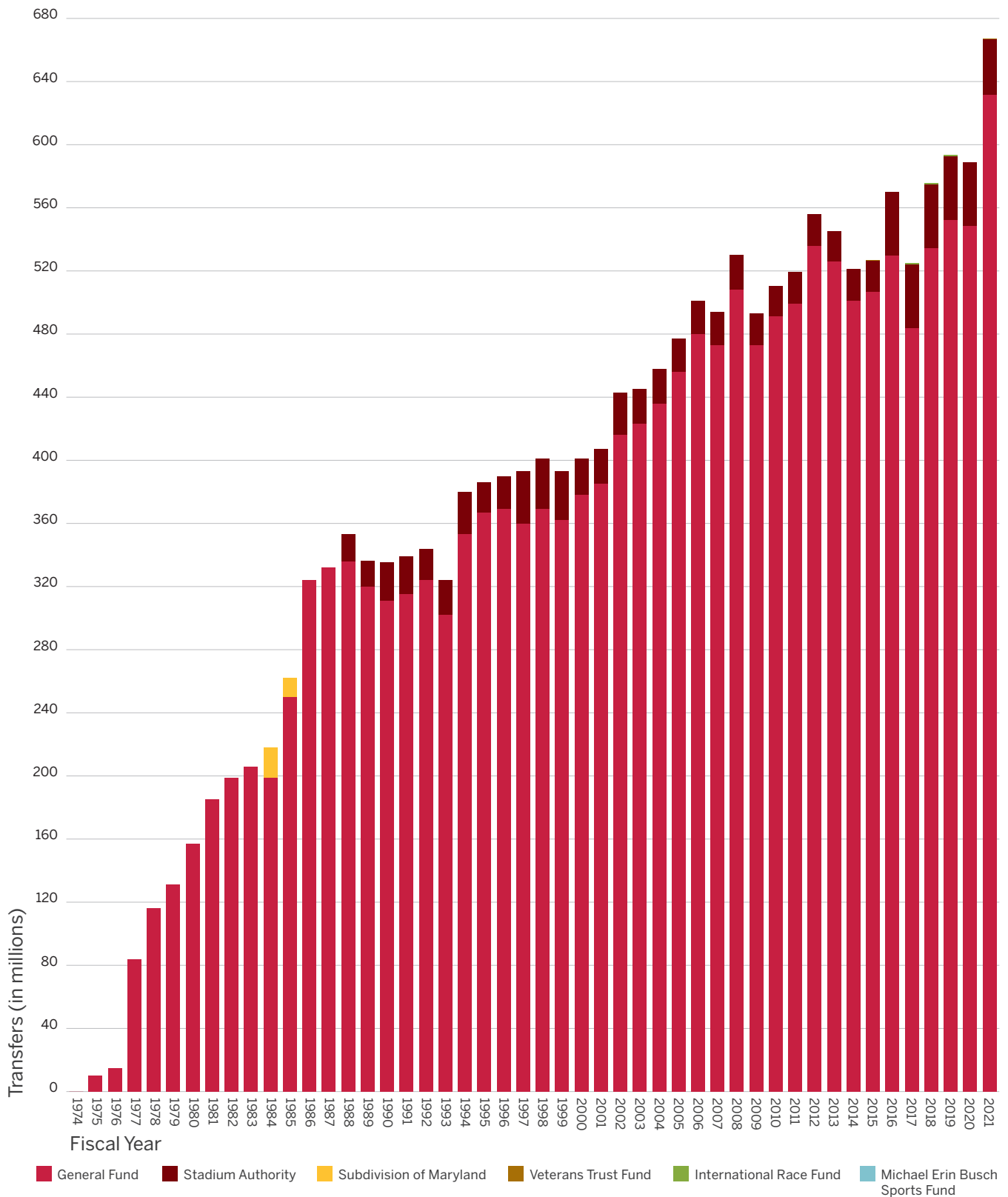
Lottery Contributions — Inception to Date

Fiscal Year	The State of Maryland General Fund	The Maryland Stadium Authority	Subdivisions of Maryland	Veterans Trust Fund	International Racing Fund	Michael Erin Busch Sports 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
2016	529,753,849	40,000,000	-	59,507	-	-	569,813,356
2017	483,832,419	40,000,000	-	70,173	1,000,000	-	524,902,592
2018	534,595,837	40,000,000	-	76,575	1,000,000	-	575,672,412
2019	552,375,065	40,000,000	-	78,023	1,000,000	-	593,453,088
2020	548,511,872	40,000,000	-	156,301	-	-	588,668,173
2021	631,718,854	35,207,978	-	214,326	-	298,630	667,439,788
Total	\$ 17,066,112,860	\$ 859,203,978	\$ 31,253,000	\$ 689,168	\$ 3,000,000	\$ 298,630	\$ 17,960,557,640
TOTAL LIFETIME CONTRIBUTIONS							\$ 17,960,557,640

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

Lottery Contributions — Inception to Date (continued)

TOTAL LIFETIME CONTRIBUTIONS: \$17,960,557,640



Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021*

FISCAL YEAR 2021

	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Horseshoe Casino	Total
Education Trust Fund	\$ 34,698,766	\$ 23,989,204	\$ 155,754,032	\$ 17,072,579	\$ 158,505,775	\$ 53,583,230	\$ 443,603,588
Casino	29,418,519	39,732,120	211,998,544	32,011,086	170,103,758	63,200,733	546,464,761
Horse Racing	5,280,247	5,247,638	30,285,506	1,333,795	27,061,962	9,617,503	78,826,651
Local Impact Grants	4,148,766	4,123,145	23,795,755	2,000,693	21,262,970	7,556,609	62,887,937
MLGCA	754,321	749,663	4,326,501	533,518	3,865,995	1,373,929	11,603,926
Small, Minority, Women Owned Business	1,131,481	1,124,494	6,489,751	400,139	5,798,992	2,060,894	17,005,751
Total	\$ 75,432,100	\$ 74,966,264	\$ 432,650,090	\$ 53,351,810	\$ 386,599,451	\$ 137,392,898	\$ 1,160,392,613

FISCAL YEAR 2020

	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Horseshoe Casino	Total
Education Trust Fund	\$ 22,900,395	\$ 17,642,742	\$ 118,586,640	\$ 12,078,582	\$ 118,910,390	\$ 39,098,953	\$ 329,217,703
Casino	18,784,666	27,852,454	154,534,236	22,062,182	122,767,446	44,297,105	390,298,089
Horse Racing	3,374,859	3,684,322	22,124,521	924,716	19,580,522	6,755,632	56,444,571
Local Impact Grants	2,651,806	2,895,054	17,385,498	1,383,395	15,386,687	5,308,593	45,011,034
MLGCA	481,658	525,518	3,153,760	367,703	2,790,169	962,981	8,281,789
Small, Minority, Women Owned Business	707	1,238	10,479	1,187	10,725	3,211	27,546
Total	\$ 48,194,093	\$ 52,601,328	\$ 315,795,133	\$ 36,817,765	\$ 279,445,939	\$ 96,426,474	\$ 829,280,731

FISCAL YEAR 2019

	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Horseshoe Casino	Total
Education Trust Fund	\$ 30,969,939	\$ 23,435,411	\$ 154,595,877	\$ 16,053,211	\$ 163,723,989	\$ 58,643,228	\$ 447,421,655
Casino	25,394,269	36,972,047	201,570,887	29,318,426	169,108,744	66,446,643	528,811,016
Horse Racing	4,564,112	4,893,065	28,845,816	1,229,153	26,960,835	10,132,686	76,625,668
Local Impact Grants	3,586,337	3,844,954	22,666,587	1,838,640	21,185,822	7,962,253	61,084,594
MLGCA	651,135	697,586	4,113,692	488,641	3,843,381	1,444,492	11,238,926
Small, Minority, Women Owned Business	1,341	2,166	10,864	1,642	12,429	4,617	33,059
Total	\$ 65,167,134	\$ 69,845,229	\$ 411,803,723	\$ 48,929,712	\$ 384,835,199	\$ 144,633,920	\$ 1,125,214,917

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

Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021* (continued)

FISCAL YEAR 2018

	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Horseshoe Casino	Total
Education Trust Fund	\$ 29,859,363	\$ 21,181,689	\$ 133,138,092	\$ 14,915,504	\$ 141,713,155	\$ 61,012,364	\$ 401,820,167
Casino	25,306,289	33,339,352	180,896,998	27,886,147	151,759,139	71,838,311	491,026,236
Horse Racing	4,543,796	4,493,281	25,877,631	1,168,167	24,188,782	10,947,741	71,219,399
Local Impact Grants	3,570,192	3,530,731	20,333,846	1,747,965	19,007,300	8,602,573	56,792,606
MLGCA	648,879	640,851	3,691,776	464,895	3,449,071	1,561,659	10,457,130
Small, Minority, Women Owned Business	357	1,593	7,653	1,348	9,844	3,506	24,300
General Fund	973,319	961,276	5,537,663	348,590	5,173,607	2,342,488	15,336,944
Total	\$ 64,902,194	\$ 64,148,772	\$ 369,483,659	\$ 46,532,616	\$ 345,300,900	\$ 156,308,642	\$ 1,046,676,783

FISCAL YEAR 2017

	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Horseshoe Casino	Total
Education Trust Fund	\$ 28,747,273	\$ 24,736,512	\$ 146,094,799	\$ 18,957,952	\$ 72,760,024	\$ 70,452,252	\$ 361,748,812
Casino	24,598,981	25,614,481	168,308,643	22,568,992	78,083,929	72,154,501	391,329,526
Horse Racing	4,682,111	4,452,083	27,778,076	1,128,450	12,422,443	12,585,478	63,048,641
Local Impact Grants	3,469,087	3,276,271	20,456,504	1,241,295	9,760,491	9,277,796	47,481,444
MLGCA	630,743	595,686	3,719,364	902,759	1,774,635	1,686,872	9,310,058
Small, Minority, Women Owned Business	946,115	893,528	5,579,047	338,535	2,661,952	2,530,308	12,949,485
Total	\$ 63,074,309	\$ 59,568,560	\$ 371,936,432	\$ 45,137,982	\$ 177,463,474	\$ 168,687,208	\$ 885,867,966

FISCAL YEAR 2016

	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Horseshoe Casino	Total
Education Trust Fund	\$ 29,551,720	\$ 23,603,536	\$ 175,797,317	\$ 17,360,640	\$ —	\$ 75,735,976	\$ 322,049,189
Casino	25,611,063	24,755,093	167,605,867	20,667,429	—	65,639,822	304,279,274
Horse Racing	5,253,619	4,605,599	32,705,161	1,033,371	—	13,464,193	57,061,944
Local Impact Grants	3,611,853	3,166,349	22,484,798	1,136,709	—	9,256,633	39,656,342
MLGCA	656,743	575,858	4,089,156	826,696	—	1,683,605	7,832,058
Small, Minority, Women Owned Business	985,051	863,550	6,132,218	310,011	—	2,524,536	10,815,366
Total	\$ 65,670,049	\$ 57,569,984	\$ 408,814,517	\$ 41,334,857	\$ —	\$ 168,304,764	\$ 741,694,172

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

**Gross Terminal Revenue Distributions —
Fiscal Years 2012 Through 2021* (continued)**

FISCAL YEAR 2015

	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	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, Women Owned Business	992,499	797,780	5,886,890	285,543	—	1,979,085	9,941,798
Total	\$ 66,166,633	\$ 53,185,336	\$ 392,459,345	\$ 38,072,442	\$ —	\$ 131,938,986	\$ 681,822,742

FISCAL YEAR 2014

	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	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, Women Owned Business	1,081,609	780,648	6,294,090	265,328	—	—	8,421,675
Total	\$ 72,107,288	\$ 52,043,265	\$ 419,605,987	\$ 35,377,127	\$ —	\$ —	\$ 579,133,667

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

Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021* (continued)

FISCAL YEAR 2013

	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	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, Women Owned Business	1,140,360	756,566	6,471,243	21,007	—	—	8,389,176
Total	\$ 76,024,038	\$ 50,437,766	\$ 431,416,304	\$ 2,800,923	\$ —	\$ —	\$ 560,679,031

FISCAL YEAR 2012

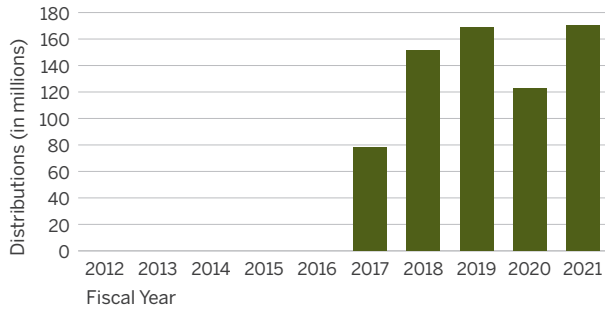
	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Horseshoe Casino	Total
Education Trust Fund	\$ 57,275,940	\$ 23,286,167	\$ 14,058,033	\$ —	\$ —	\$ —	\$ 94,620,140
Casino	38,971,258	15,844,197	9,565,259	—	—	—	64,380,714
Horse 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, Women Owned Business	1,771,421	720,190	434,785	—	—	—	2,926,396
Total	\$ 118,094,722	\$ 48,012,716	\$ 28,985,635	\$ —	\$ —	\$ —	\$ 195,093,073

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

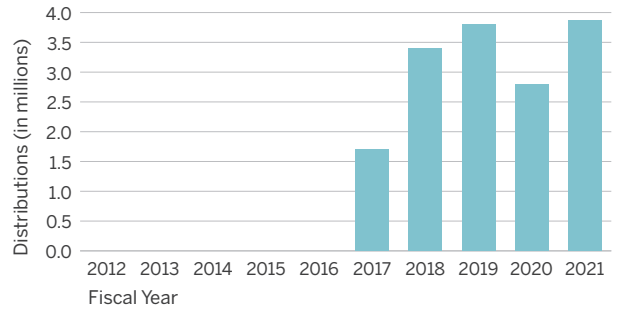
Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021* (continued)

MGM NATIONAL HARBOR CASINO

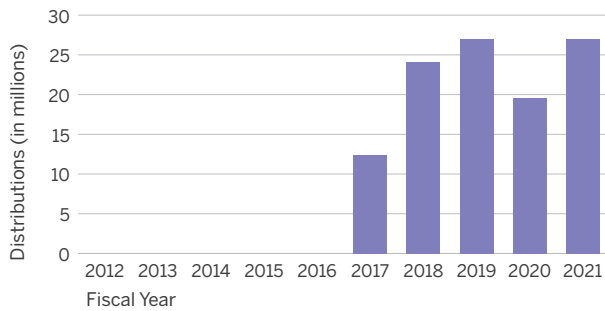
CASINO OPERATORS



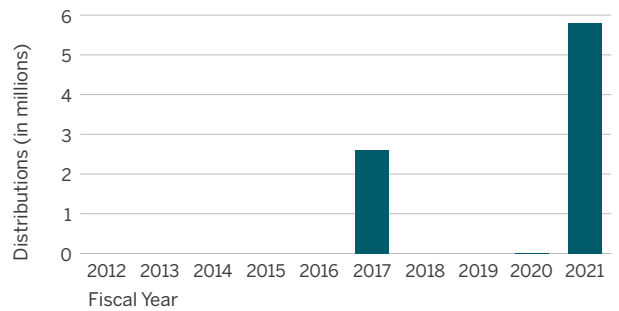
MLGCA



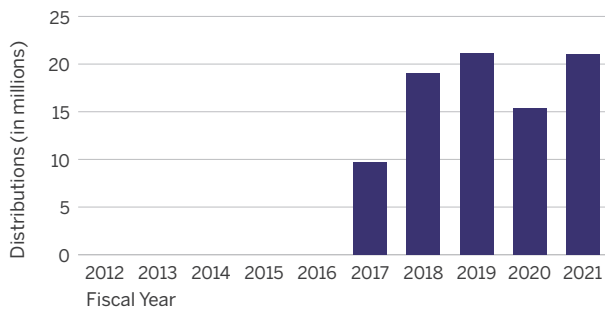
HORSE RACING



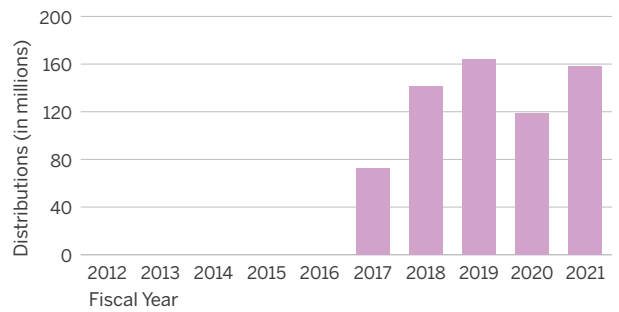
SMALL, MINORITY, WOMEN OWNED BUSINESS



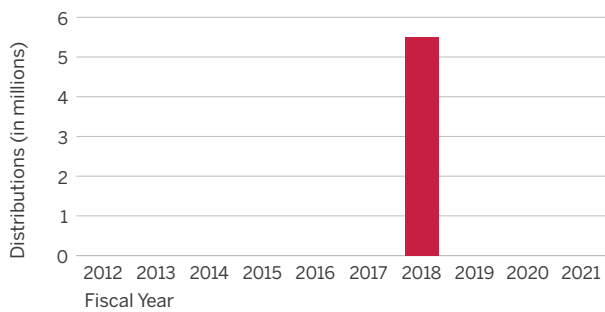
LOCAL IMPACT GRANTS



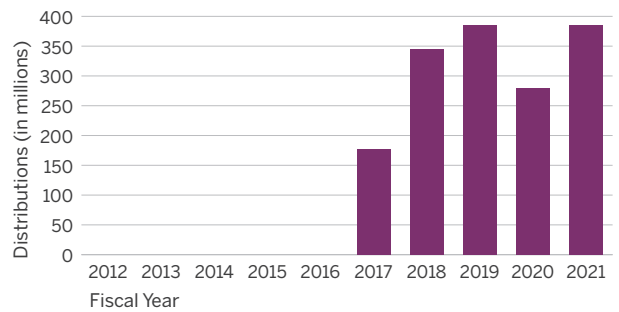
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

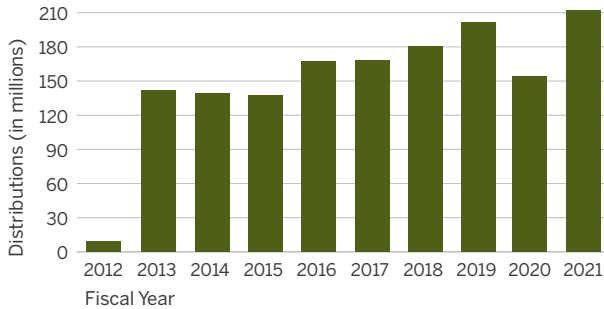


*Fiscal year 2011 was the first year for gross terminal revenue.

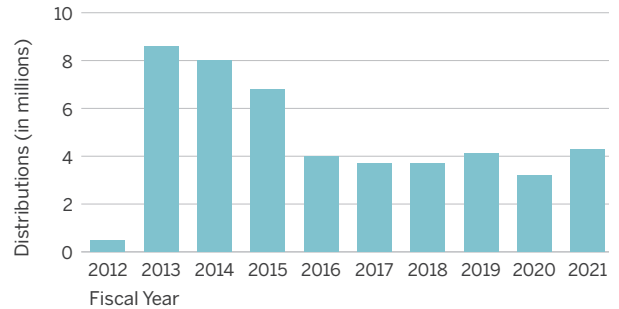
Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021* (continued)

MARYLAND LIVE! CASINO

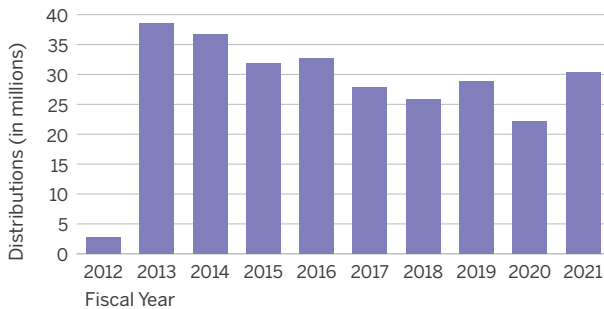
CASINO OPERATORS



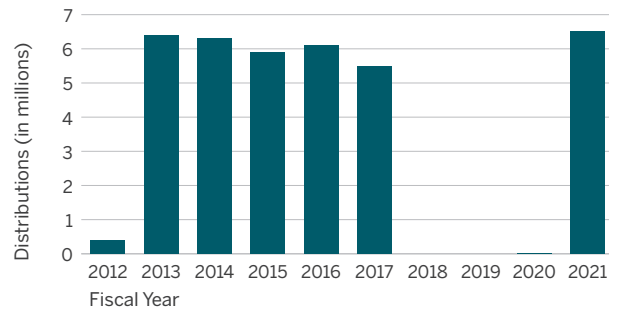
MLGCA



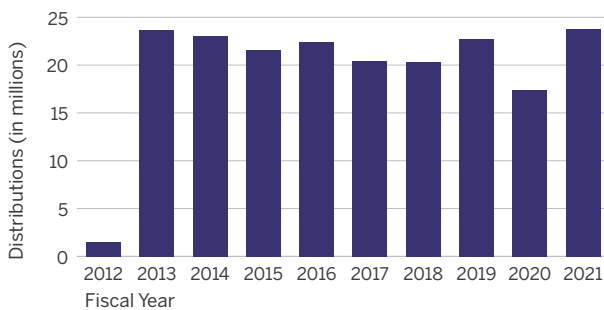
HORSE RACING



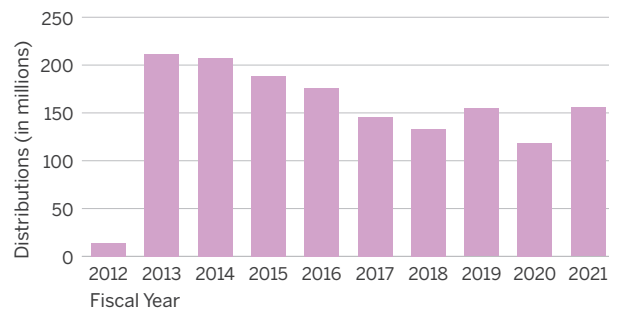
SMALL, MINORITY, WOMEN OWNED BUSINESS



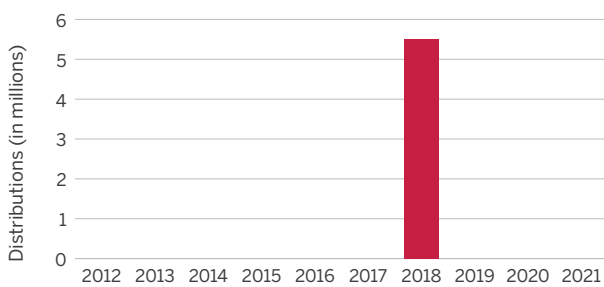
LOCAL IMPACT GRANTS



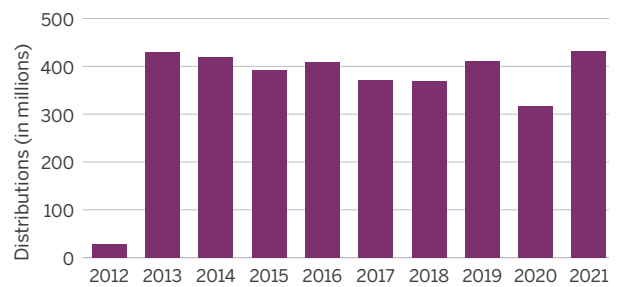
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

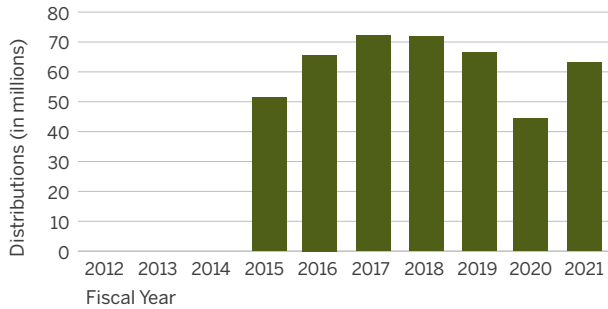


*Fiscal year 2011 was the first year for gross terminal revenue.

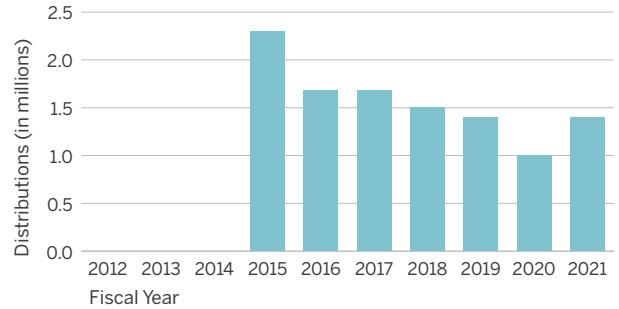
Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021* (continued)

HORSESHOE CASINO

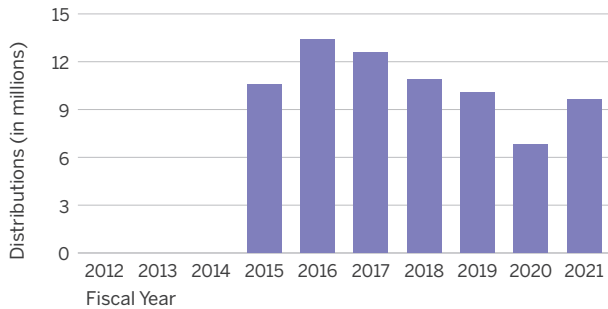
CASINO OPERATORS



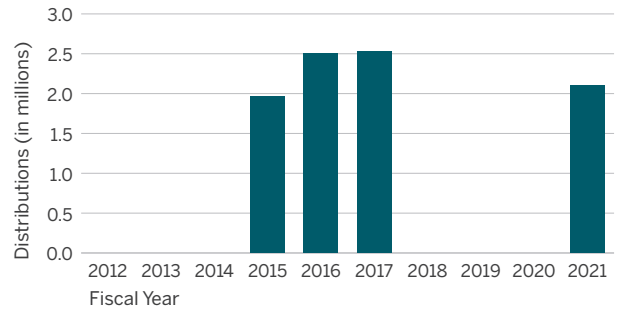
MLGCA



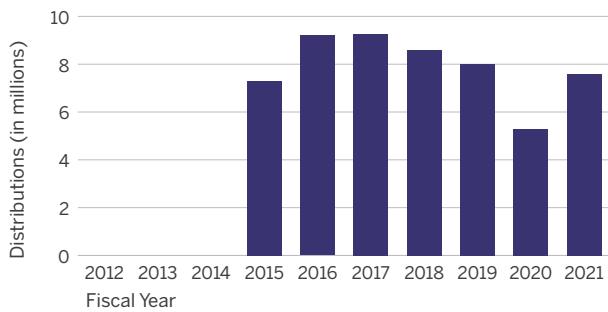
HORSE RACING



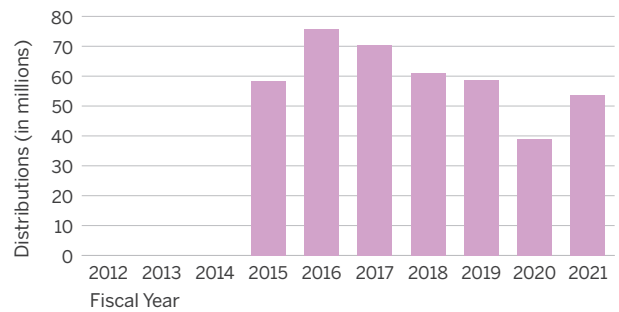
SMALL, MINORITY, WOMEN OWNED BUSINESS



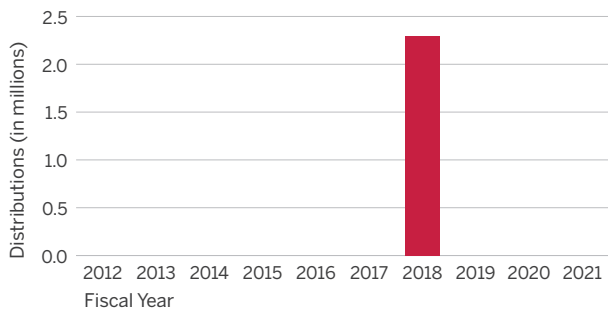
LOCAL IMPACT GRANTS



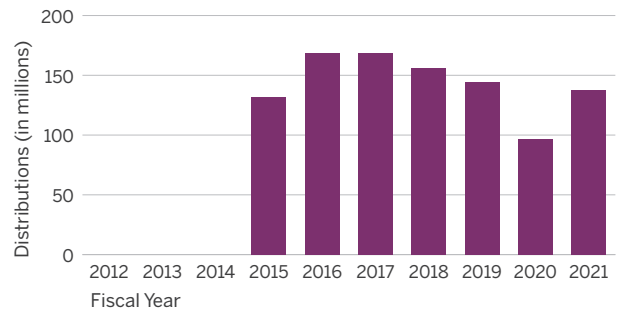
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

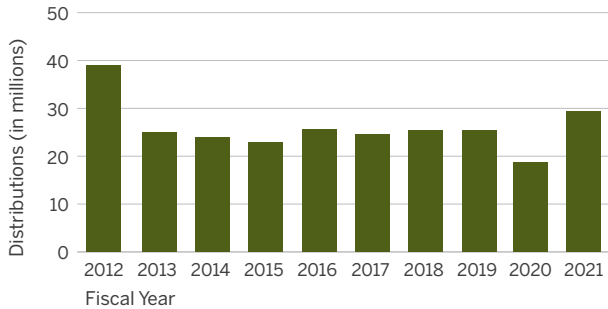


*Fiscal year 2011 was the first year for gross terminal revenue.

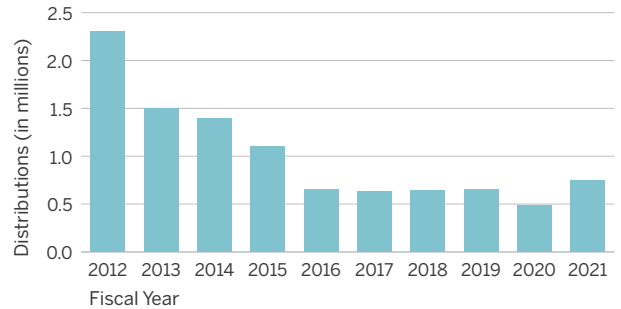
Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021* (continued)

HOLLYWOOD CASINO — PERRYVILLE

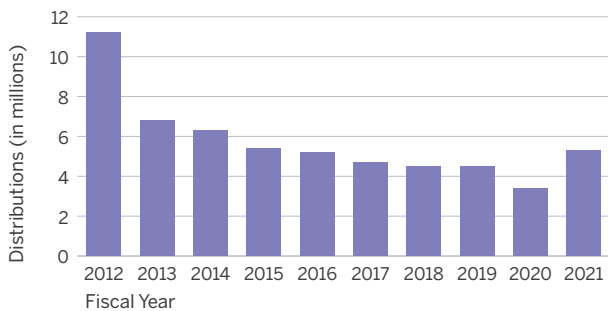
CASINO OPERATORS



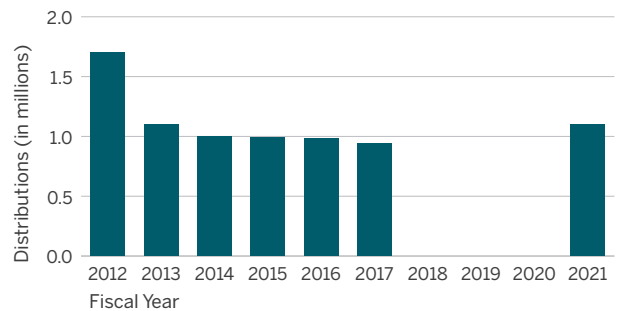
MLGCA



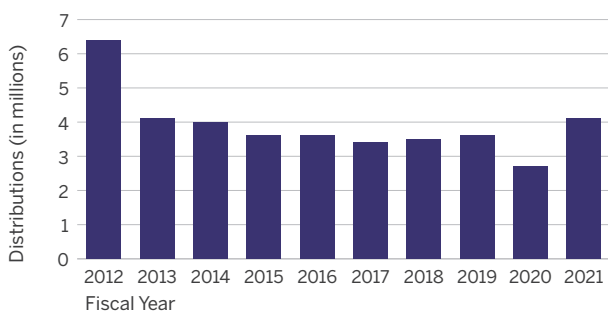
HORSE RACING



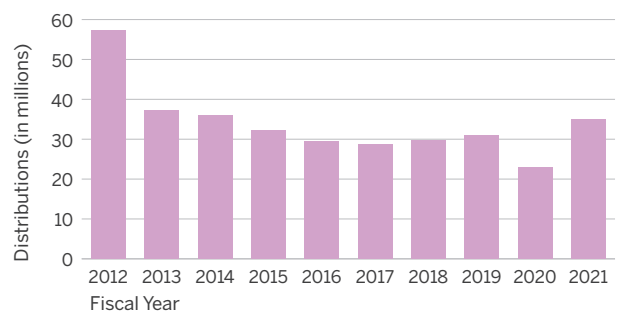
SMALL, MINORITY, WOMEN OWNED BUSINESS



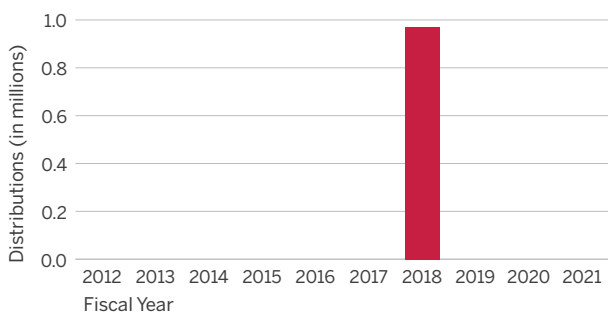
LOCAL IMPACT GRANTS



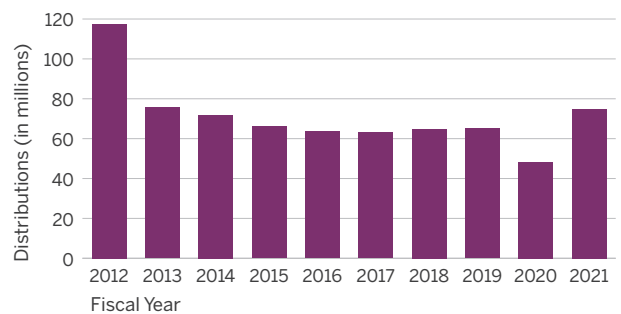
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

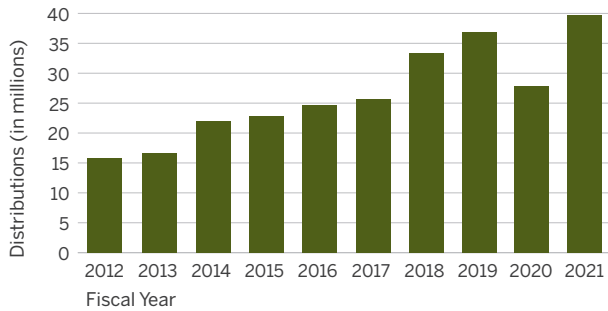


*Fiscal year 2011 was the first year for gross terminal revenue.

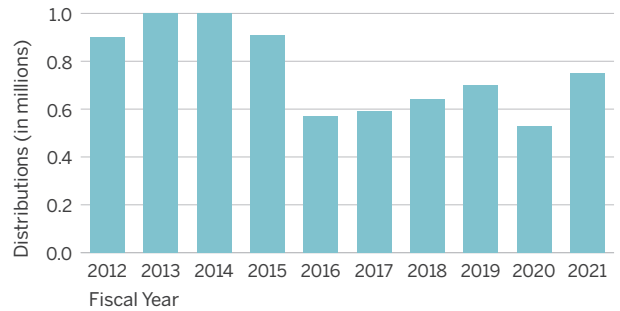
Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021* (continued)

CASINO AT OCEAN DOWNS

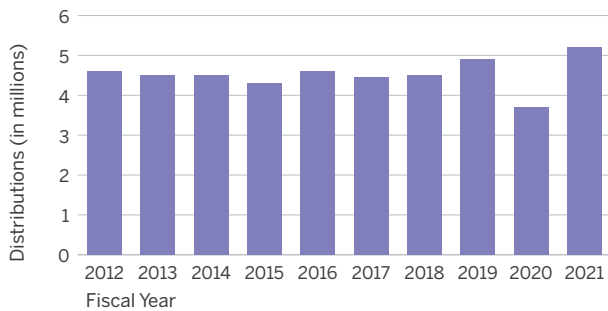
CASINO OPERATORS



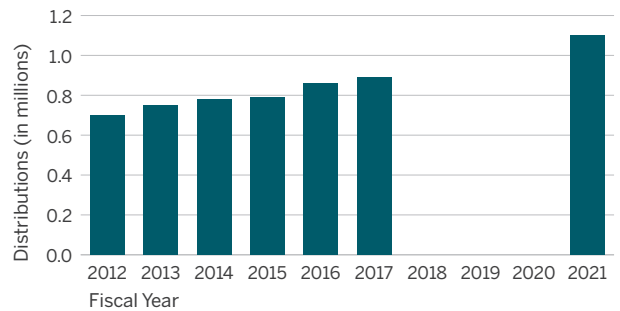
MLGCA



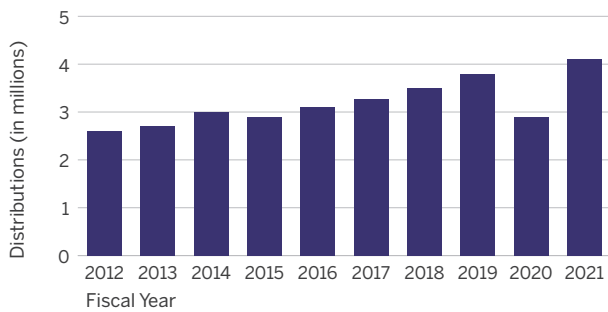
HORSE RACING



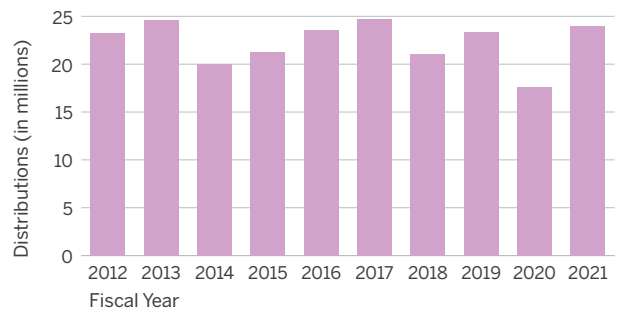
SMALL, MINORITY, WOMEN OWNED BUSINESS



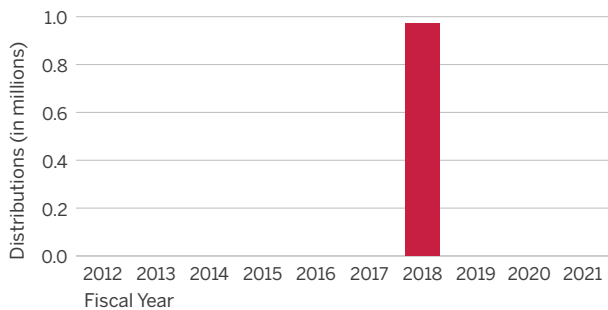
LOCAL IMPACT GRANTS



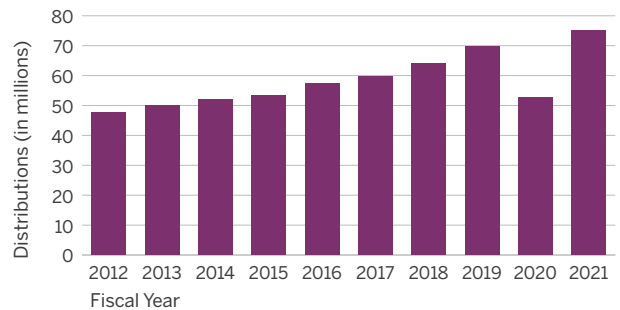
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

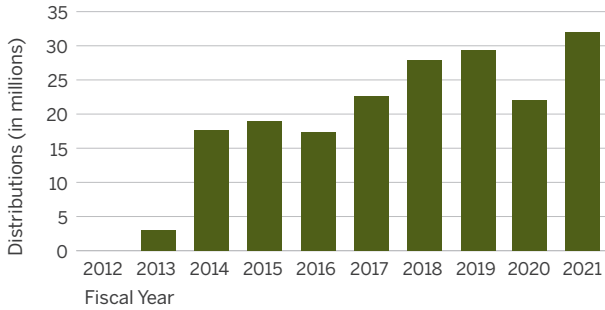


*Fiscal year 2011 was the first year for gross terminal revenue.

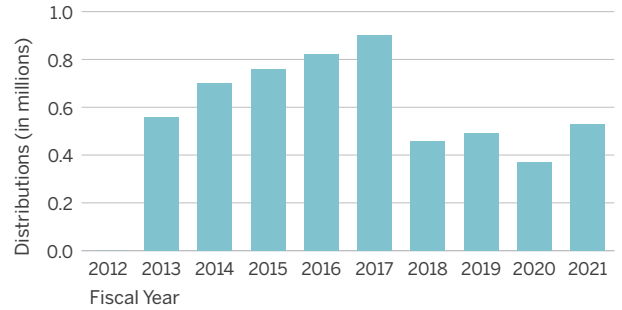
Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021* (continued)

ROCKY GAP CASINO RESORT

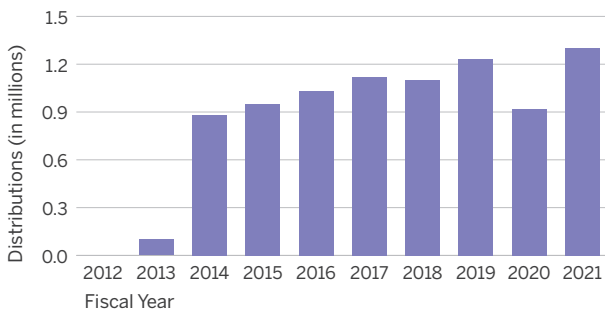
CASINO OPERATORS



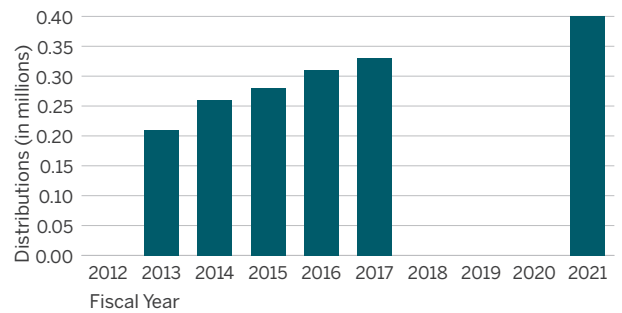
MLGCA



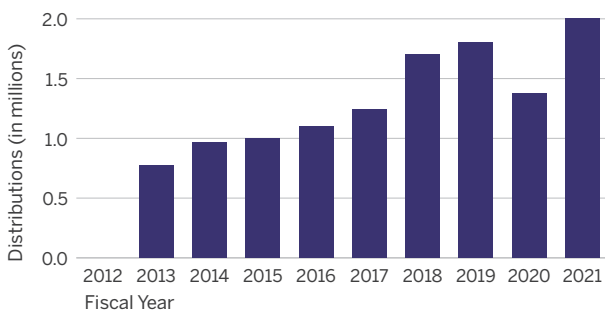
HORSE RACING



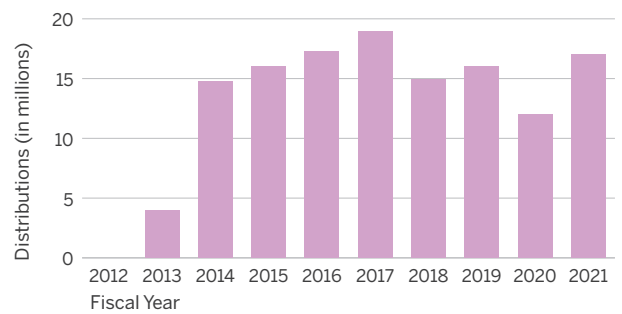
SMALL, MINORITY, WOMEN OWNED BUSINESS



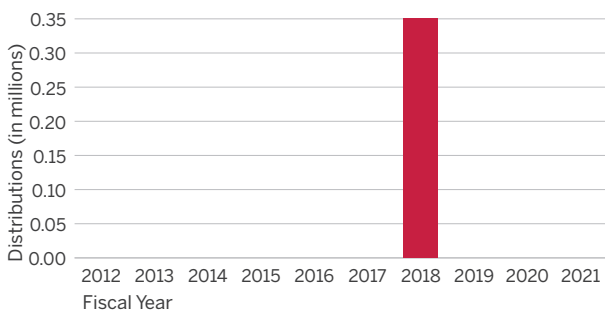
LOCAL IMPACT GRANTS



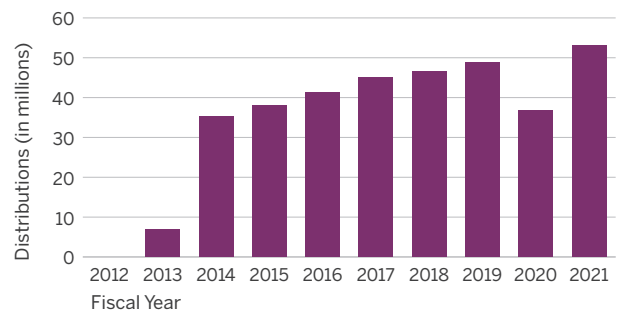
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

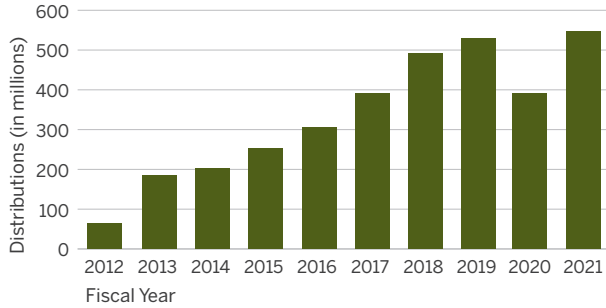


*Fiscal year 2011 was the first year for gross terminal revenue.

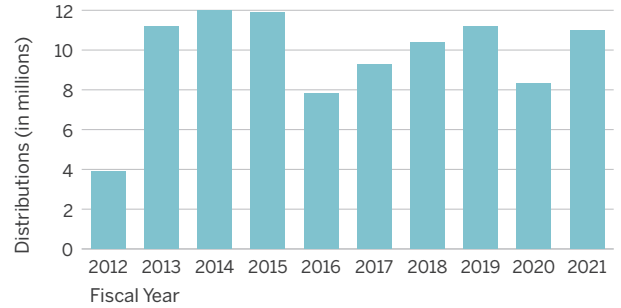
Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021* (continued)

ALL CASINOS COMBINED

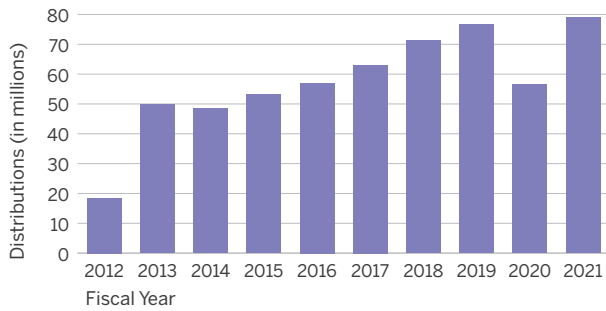
CASINO OPERATORS



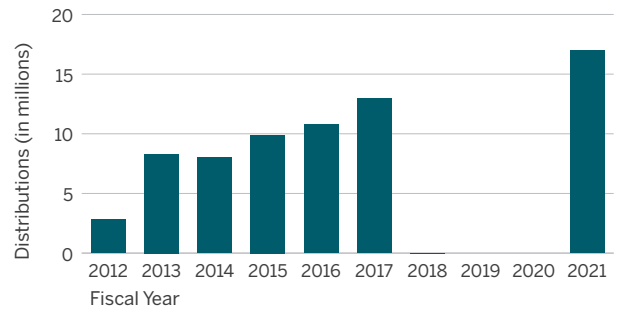
MLGCA



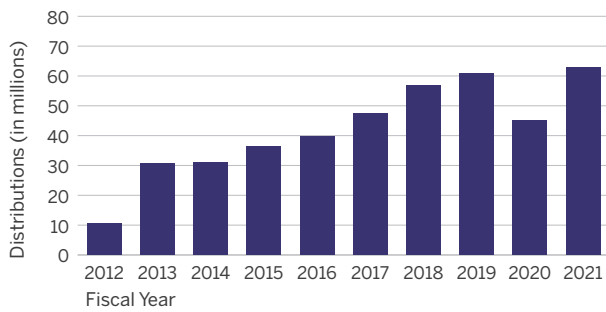
HORSE RACING



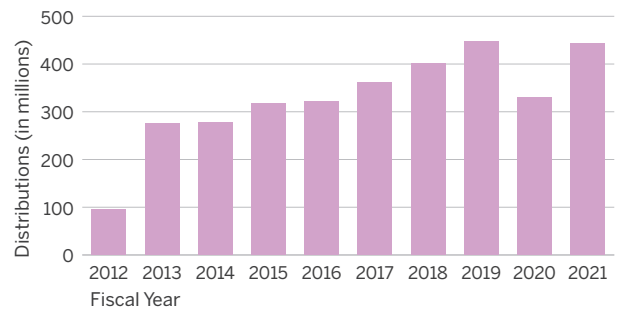
SMALL, MINORITY, WOMEN OWNED BUSINESS



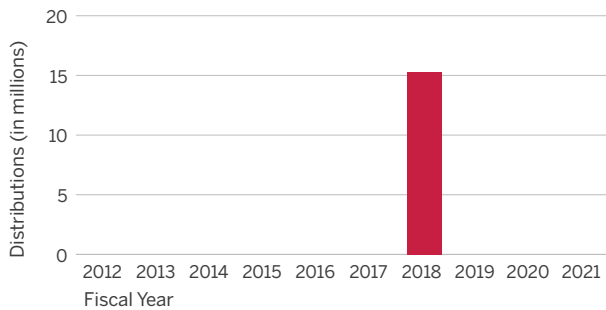
LOCAL IMPACT GRANTS



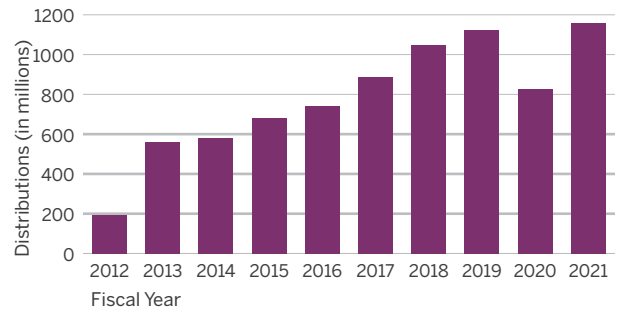
EDUCATION TRUST FUND



GENERAL FUND

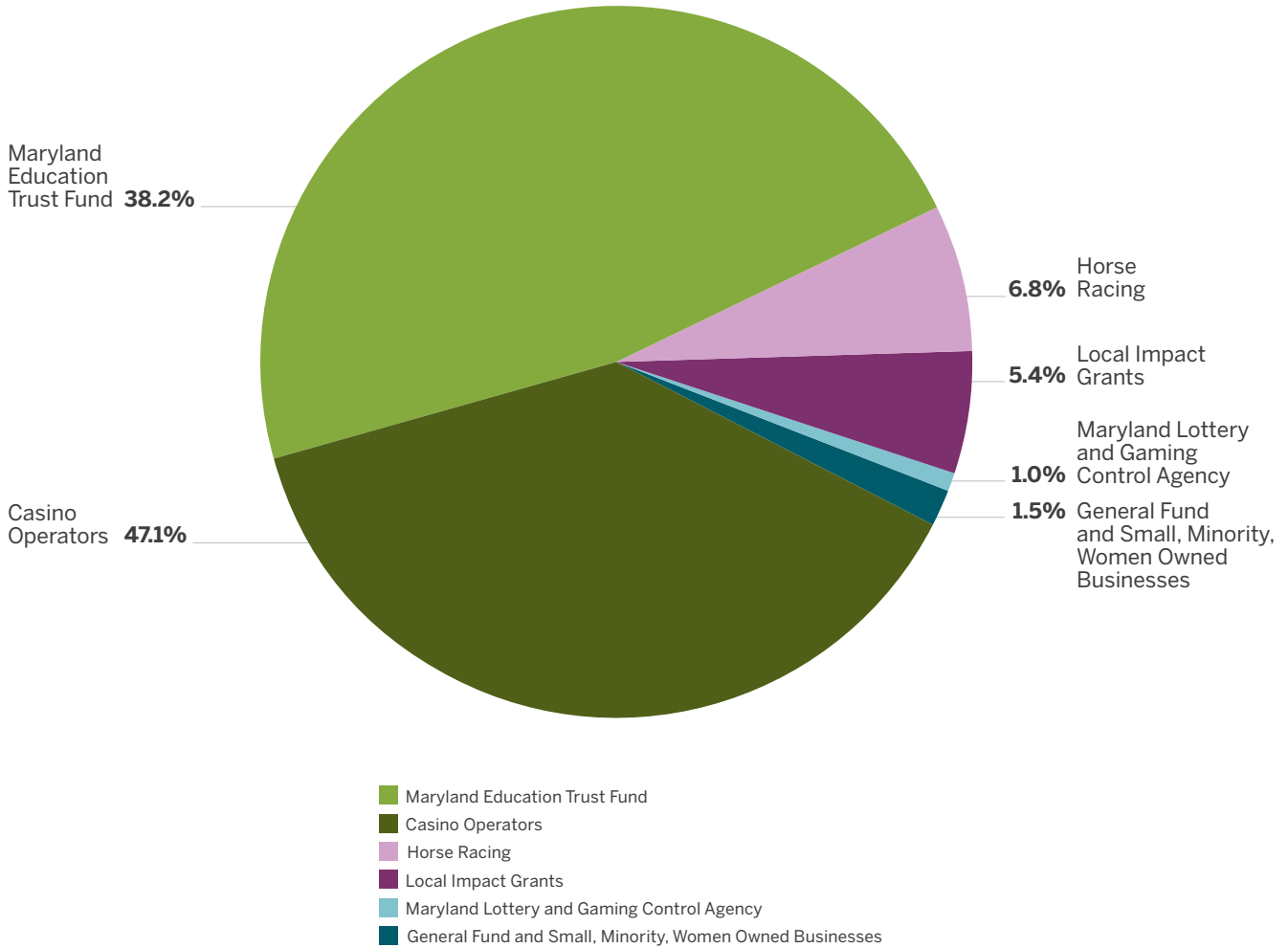


TOTAL VLT TRANSFERS



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

Gross Terminal Revenue Distributions — Fiscal Years 2012 Through 2021*



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

Table Game Revenue Distributions — Fiscal Years 2013 Through 2021*

FISCAL YEAR 2021

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	Total
Education Trust Fund	\$ 9,334,500	\$ 1,658,773	\$ 28,477,213	\$ 1,078,704	\$ 45,845,979	1,404,208	\$ 87,799,378
Casino	49,784,001	8,846,788	151,878,469	5,753,086	244,511,888	7,489,114	468,263,347
Local Jurisdictions	3,111,500	552,924	9,492,404	359,568	15,281,993	468,069	29,266,459
Total	\$ 62,230,002	\$ 11,058,485	\$ 189,848,086	\$ 7,191,358	\$ 305,639,860	\$ 9,361,392	\$ 585,329,183

FISCAL YEAR 2020

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	Total
Education Trust Fund	\$ 9,869,448	\$ 1,142,746	\$ 20,059,269	\$ 836,640	\$ 34,721,183	\$ 974,721	\$ 67,604,006
Casino	52,637,056	6,094,643	106,982,767	4,462,080	185,179,643	5,198,511	360,554,701
Local Jurisdictions	3,289,816	380,915	6,686,423	278,880	11,573,728	324,907	22,534,669
Total	\$ 65,796,319	\$ 7,618,304	\$ 133,728,459	\$ 5,577,601	\$ 231,474,554	\$ 6,498,139	\$ 450,693,376

FISCAL YEAR 2019

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	Total
Education Trust Fund	\$ 15,845,278	\$ 1,438,313	\$ 26,639,772	\$ 1,077,679	\$ 48,992,379	\$ 1,285,627	\$ 95,279,049
Casino	84,508,151	7,671,002	142,078,786	5,747,623	261,292,690	6,856,678	508,154,929
Local Jurisdictions	5,281,759	479,438	8,879,924	359,226	16,330,793	428,542	31,759,683
Total	\$ 105,635,189	\$ 9,588,753	\$ 177,598,482	\$ 7,184,528	\$ 326,615,862	\$ 8,570,848	\$ 635,193,662

FISCAL YEAR 2018

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	Total
Education Trust Fund	\$ 16,618,068	\$ 1,557,518	\$ 28,517,716	\$ 1,145,438	\$ 46,502,245	\$ 502,459	\$ 94,843,444
Casino	88,629,698	8,306,761	152,094,484	6,109,002	248,011,974	2,679,783	505,831,702
Local Jurisdictions	5,539,356	519,173	9,505,905	381,813	15,500,748	167,486	31,614,481
Total	\$ 110,787,122	\$ 10,383,451	\$ 190,118,105	\$ 7,636,253	\$ 310,014,967	\$ 3,349,729	\$ 632,289,627

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

Table Game Revenue Distributions — Fiscal Years 2013 Through 2021* (continued)

FISCAL YEAR 2017

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	Total
Education Trust Fund	\$ 23,460,713	\$ 1,943,775	\$ 38,595,825	\$ 1,315,368	\$ 24,142,402	\$ —	\$ 89,458,083
Casino	108,272,221	9,070,367	175,857,826	6,099,629	128,759,475	—	428,059,518
Local Jurisdictions	3,607,342	323,816	5,368,631	209,539	8,047,467	—	17,556,796
Total	\$135,340,277	\$ 11,337,959	\$ 219,822,282	\$ 7,624,536	\$ 160,949,343	\$ —	\$ 535,074,397

FISCAL YEAR 2016

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	Total
Education Trust Fund	\$ 28,424,630	\$ 2,316,981	\$ 48,398,026	\$ 1,316,121	\$ —	\$ —	\$ 80,455,758
Casino	113,698,520	9,267,922	193,592,103	5,264,484	—	—	312,823,029
Local Jurisdictions	—	—	—	—	—	—	—
Total	\$ 142,123,150	\$ 11,584,903	\$ 241,990,129	\$ 6,580,605	\$ —	\$ —	\$ 402,278,787

FISCAL YEAR 2015

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	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
Local Jurisdictions	—	—	—	—	—	—	—
Total	\$ 104,047,767	\$ 11,936,520	\$ 233,800,960	\$ 6,615,826	\$ —	\$ —	\$ 356,401,074

FISCAL YEAR 2014

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	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
Local Jurisdictions	—	—	—	—	—	—	—
Total	\$ —	\$ 13,566,391	\$ 235,393,687	\$ 5,909,505	\$ —	\$ —	\$ 254,869,582

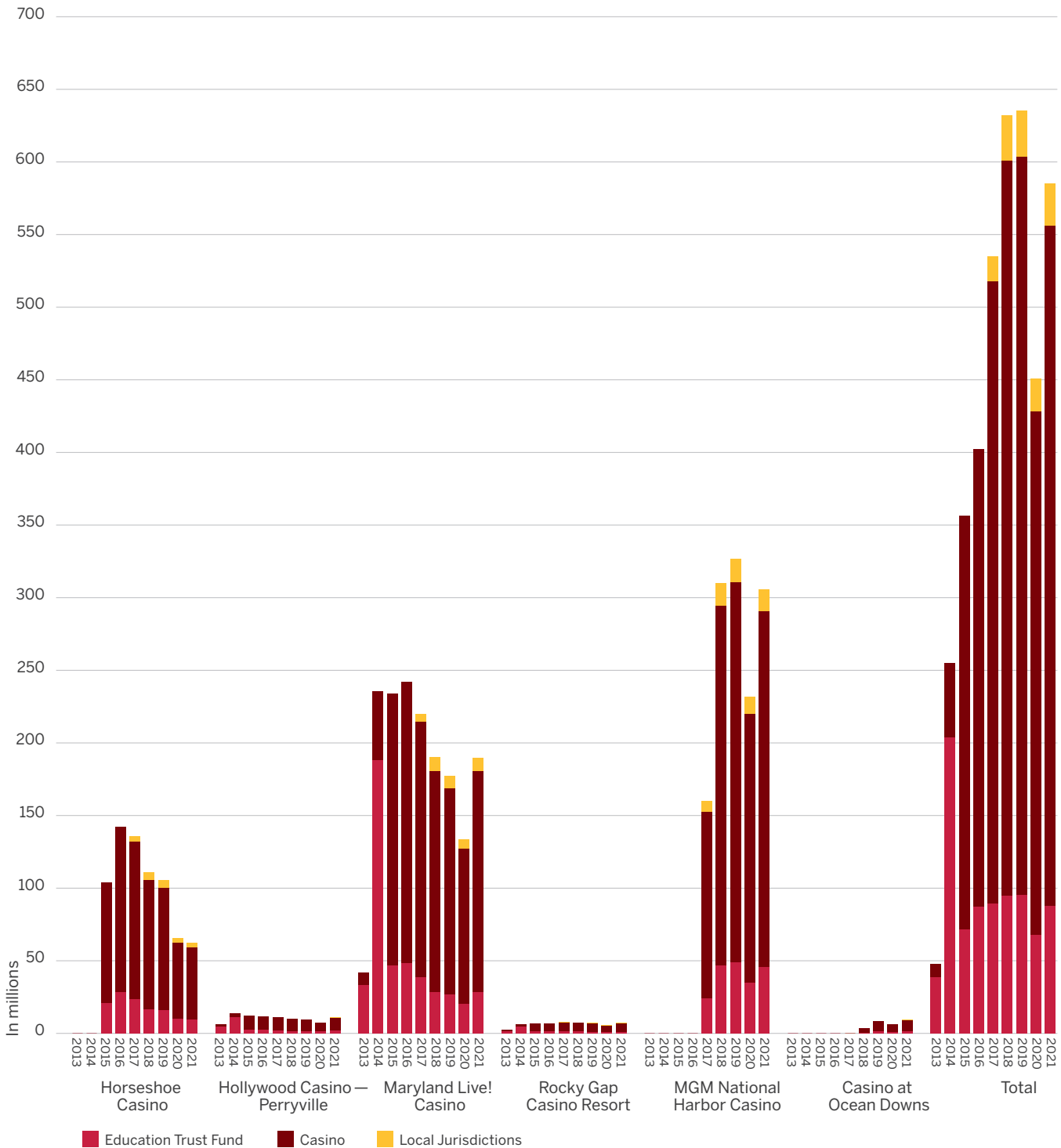
FISCAL YEAR 2013

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	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
Local Jurisdictions	—	—	—	—	—	—	—
Total	\$ —	\$ 5,957,215	\$ 41,619,309	\$ 461,270	\$ —	\$ —	\$ 48,037,794

*Fiscal year 2013 was the first year for table game revenue.
MGM National Harbor Casino began operation in December 2016.

Table Game Revenue Distributions — Fiscal Years 2013 Through 2021* (continued)

TABLE GAME REVENUE DISTRIBUTIONS



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

Retailers, Population, and Sales by Region

FISCAL YEAR 2021

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	53	410	716	70	30	134	94	140
% of Total Retailers	1.22%	9.51%	16.58%	1.63%	0.70%	3.11%	2.17%	3.24%
Population	68,106	588,261	854,535	92,783	33,293	172,891	103,725	166,617
% of Total Population	1.10%	9.52%	13.83%	1.50%	0.54%	2.80%	1.68%	2.70%
% of Sales	0.66%	9.18%	16.64%	1.59%	0.53%	2.22%	1.49%	4.04%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	30	165	28	177	158	19	411	600
% of Total Retailers	0.69%	3.81%	0.65%	4.09%	3.65%	0.43%	9.51%	13.89%
Population	32,531	271,717	28,806	260,924	332,317	19,198	1,062,061	967,201
% of Total Population	0.53%	4.40%	0.47%	4.22%	5.38%	0.31%	17.19%	15.66%
% of Sales	0.64%	2.69%	0.24%	3.63%	2.71%	0.23%	10.17%	20.66%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	53	92	14	35	116	85	91	598
% of Total Retailers	1.22%	2.14%	0.32%	0.81%	2.69%	1.97%	2.10%	13.84%
Population	49,874	113,777	24,620	37,526	154,705	103,588	52,460	585,708
% of Total Population	0.81%	1.84%	0.40%	0.61%	2.50%	1.68%	0.85%	9.48%
% of Sales	0.74%	2.59%	0.42%	0.58%	1.94%	1.65%	1.31%	13.42%

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2020

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	53	408	699	71	29	128	95	138
% of Total Retailers	1.23%	9.48%	16.24%	1.64%	0.67%	2.97%	2.20%	3.21%
Population	70,416	579,234	827,370	92,525	33,406	168,447	102,855	163,257
% of Total Population	1.16%	9.58%	13.69%	1.53%	0.55%	2.79%	1.70%	2.70%
% of Sales	0.62%	9.37%	16.28%	1.57%	0.49%	2.20%	1.42%	3.86%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	33	154	26	173	155	18	423	600
% of Total Retailers	0.76%	3.58%	0.61%	4.02%	3.61%	0.42%	9.81%	13.94%
Population	31,929	259,547	29,014	255,441	325,690	19,422	1,050,688	909,327
% of Total Population	0.53%	4.29%	0.48%	4.23%	5.39%	0.32%	17.38%	15.04%
% of Sales	0.69%	2.57%	0.21%	3.58%	2.71%	0.23%	10.74%	21.15%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	51	92	14	36	114	83	92	622
% of Total Retailers	1.18%	2.12%	0.33%	0.83%	2.64%	1.93%	2.14%	14.45%
Population	50,381	113,510	25,616	37,181	151,049	103,609	52,276	593,490
% of Total Population	0.83%	1.88%	0.42%	0.62%	2.50%	1.71%	0.86%	9.82%
% of Sales	0.72%	2.57%	0.40%	0.58%	1.79%	1.56%	1.28%	13.41%

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2019

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	55	415	701	71	29	129	93	140
% of Total Retailers	1.25%	9.46%	15.96%	1.62%	0.65%	2.94%	2.12%	3.20%
Population	70,975	576,031	828,431	92,003	33,304	168,429	102,826	161,503
% of Total Population	1.17%	9.53%	13.71%	1.52%	0.55%	2.79%	1.70%	2.67%
% of Sales	0.60%	9.49%	16.22%	1.50%	0.56%	2.21%	1.44%	3.79%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	32	156	28	173	154	17	436	603
% of Total Retailers	0.73%	3.56%	0.63%	3.95%	3.51%	0.38%	9.92%	13.74%
Population	31,998	255,648	29,163	253,956	323,196	19,383	1,052,567	909,308
% of Total Population	0.53%	4.23%	0.48%	4.20%	5.35%	0.32%	17.42%	15.05%
% of Sales	0.63%	2.60%	0.21%	3.68%	2.85%	0.25%	11.39%	20.75%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	53	97	17	37	114	81	97	663
% of Total Retailers	1.20%	2.21%	0.39%	0.84%	2.60%	1.84%	2.20%	15.10%
Population	50,251	112,664	25,675	36,968	150,926	103,195	51,823	602,495
% of Total Population	0.83%	1.86%	0.42%	0.61%	2.50%	1.71%	0.86%	9.97%
% of Sales	0.76%	2.47%	0.37%	0.56%	1.65%	1.37%	1.40%	13.32%

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2018

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	57	426	706	69	29	129	97	139
% of Total Retailers	1.29%	9.63%	15.96%	1.55%	0.66%	2.91%	2.19%	3.13%
Population	71,615	573,235	832,468	91,502	33,193	167,781	102,746	159,700
% of Total Population	1.18%	9.47%	13.75%	1.51%	0.55%	2.77%	1.70%	2.64%
% of Sales	0.64%	9.53%	16.41%	1.50%	0.46%	2.20%	1.29%	3.94%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	31	155	28	183	154	17	430	601
% of Total Retailers	0.71%	3.50%	0.63%	4.15%	3.47%	0.39%	9.72%	13.59%
Population	32,162	252,022	29,233	252,160	321,113	19,384	1,058,810	912,756
% of Total Population	0.53%	4.16%	0.48%	4.17%	5.31%	0.32%	17.49%	15.08%
% of Sales	0.61%	2.48%	0.20%	3.54%	2.76%	0.25%	11.38%	20.75%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	56	103	17	37	116	82	99	663
% of Total Retailers	1.26%	2.32%	0.39%	0.83%	2.61%	1.85%	2.24%	15.0%
Population	49,770	112,667	25,918	37,103	150,578	102,923	51,690	611,648
% of Total Population	0.82%	1.86%	0.43%	0.61%	2.49%	1.70%	0.85%	10.11%
% of Sales	0.75%	2.44%	0.37%	0.52%	1.64%	1.28%	1.39%	13.67%

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2017

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	60	431	704	69	29	128	98	139
% of Total Retailers	1.34%	9.70%	15.85%	1.55%	0.64%	2.88%	2.20%	3.14%
Population	73,869	550,175	817,682	89,694	32,644	167,210	101,684	150,710
% of Total Population	1.26%	9.35%	13.89%	1.52%	0.55%	2.84%	1.73%	2.56%
% of Sales	0.62%	9.58%	16.23%	1.57%	0.45%	2.14%	1.30%	3.78%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	30	152	28	188	154	16	427	596
% of Total Retailers	0.68%	3.41%	0.63%	4.24%	3.46%	0.37%	9.62%	13.42%
Population	32,554	239,520	29,850	248,540	299,356	20,112	1,004,476	881,419
% of Total Population	0.55%	4.07%	0.51%	4.22%	5.09%	0.34%	17.07%	14.98%
% of Sales	0.62%	2.40%	0.19%	3.56%	2.78%	0.25%	10.97%	20.93%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	53	103	17	39	113	83	98	687
% of Total Retailers	1.20%	2.32%	0.37%	0.88%	2.55%	1.87%	2.20%	15.46%
Population	48,542	108,993	26,206	38,040	149,087	100,521	51,567	622,417
% of Total Population	0.82%	1.85%	0.45%	0.65%	2.53%	1.71%	0.88%	10.58%
% of Sales	0.70%	2.39%	0.37%	0.55%	1.60%	1.31%	1.39%	14.34%

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2016

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	60	465	759	72	30	138	105	152
% of Total Retailers	1.24%	9.60%	15.67%	1.49%	0.62%	2.85%	2.17%	3.14%
Population	72,528	564,195	831,128	90,595	32,579	167,627	102,382	156,118
% of Total Population	1.21%	9.39%	13.84%	1.51%	0.54%	2.79%	1.70%	2.60%
% of Sales	0.61%	9.64%	16.32%	1.45%	0.42%	2.09%	1.29%	3.78%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	32	162	28	201	174	19	447	633
% of Total Retailers	0.66%	3.35%	0.58%	4.15%	3.59%	0.39%	9.23%	13.07%
Population	32,384	245,322	28,692	250,290	313,424	19,787	1,040,116	909,535
% of Total Population	0.54%	4.08%	0.48%	4.17%	5.22%	0.33%	17.32%	15.14%
% of Sales	0.60%	2.37%	0.19%	3.64%	2.78%	0.29%	10.91%	20.66%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	59	107	19	43	135	90	112	801
% of Total Retailers	1.22%	2.21%	0.39%	0.89%	2.79%	1.86%	2.31%	16.54%
Population	48,904	111,413	25,768	37,512	149,585	102,370	51,540	621,849
% of Total Population	0.81%	1.86%	0.43%	0.62%	2.49%	1.70%	0.86%	10.35%
% of Sales	0.72%	2.31%	0.35%	0.52%	1.62%	1.33%	1.33%	14.66%

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2015

	Allegheny 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%

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%

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%

Ratio of Outstanding Debt by Type — Fiscal Years 2012 Through 2021

Fiscal Year	Capital Leases	Percentage of Annual Lottery Sales
2012	\$ 2,933,939	0.16%
2013	1,780,253	0.10%
2014	600,149	0.00%
2015	–	0.00%
2016	–	0.00%
2017	–	0.00%
2018	–	0.00%
2019	–	0.00%
2020	–	0.00%
2021	–	0.00%

Fiscal Year	VLT Capital Leases	Percentage of Gross Terminal Revenue
2012	\$ 53,278,861	27.30%
2013	29,242,927	5.22%
2014	16,880,000	2.91%
2015	60,714,472	8.90%
2016	48,284,425	6.51%
2017	35,667,968	4.02%
2018	–	0.00%
2019	–	0.00%
2020	–	0.00%
2021	–	0.00%

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.

Demographic and Economic Statistics — Fiscal Years 2012 Through 2021

Fiscal Year	Statewide Population⁽¹⁾	Statewide Personal Income⁽¹⁾ (expressed in thousands)	Statewide Per Capita Personal Income⁽¹⁾	Unemployment Rate⁽²⁾
2012	5,882,389	\$ 310,706.60	\$ 52,820	6.9%
2013	5,920,461	311,095.40	52,546	6.6%
2014	5,955,756	320,928.30	53,885	5.8%
2015	5,985,008	336,428.30	56,212	5.0%
2016	6,004,556	348,600.30	58,056	4.3%
2017	6,025,384	359,647.40	59,689	4.0%
2018	6,040,226	370,347.20	61,313	3.8%
2019	6,053,126	379,934.10	62,767	3.5%
2020	6,057,454	415,937.20	68,665	8.6%
2021	6,050,432	423,545.10	70,002	6.2%

Sources:

(1) U.S. Department of Commerce, Bureau of Economic Analysis. Regional Data Charts as of December 2021.

(2) U.S. Bureau of Labor Statistics Local Area Unemployment Statistics as of December 2021.

Lottery Employees — Fiscal Years 2012 Through 2021**Number of Employees (includes contractual)**

As of June 30,	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Agent Administration	7	5	5	5	5	5	5	5	4	4
Commissioners*	–	7	7	7	7	7	6	7	7	7
Communications	22	25	24	23	23	22	24	24	22	28
Customer Service	9	10	10	10	10	9	9	9	7	8
Executive	6	9	9	9	9	8	8	8	7	7
Facilities	4	4	4	5	5	5	5	6	5	6
Finance, Budget & Procurement and Special Projects	16	23	24	22	24	17	21	21	18	16
Information Technology	27	18	21	21	16	16	16	16	18	18
Scratch-Off Ticket Warehouse	7	7	6	7	7	7	7	7	7	9
Legal Services	7	8	8	8	8	7	7	6	6	6
Personnel	3	4	4	3	3	3	3	3	4	3
Product Development & Creative Services	8	12	13	15	12	11	11	11	9	9
Sales	61	60	61	56	60	59	61	61	59	57
Security	5	8	8	8	8	8	8	8	8	8
Gaming	36	94	124	128	141	145	146	146	138	132
Total	218	294	328	327	338	329	337	338	319	318

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

Operating Indicators — Fiscal Years 2012 Through 2021**Percentage of Lottery Administrative Expenses to Sales**

Fiscal Year	Sales	Administrative Expenses	Percentage of Administrative Expenses to Sales
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%
2016	1,905,543,252	62,035,390	3.26%
2017	1,931,545,666	67,144,568	3.47%
2018	2,042,794,337	70,366,608	3.44%
2019	2,196,908,499	79,793,722	3.63%
2020	2,189,768,013	77,743,420	3.55%
2021	2,611,150,070	92,242,247	3.53%

Administrative expenses includes operating expenses, lottery vendor and data processing fees, and scratch-off ticket printing and delivery.

Capital Assets, Net Information — Fiscal Years 2012 Through 2021

Fiscal Year	Lottery Equipment	Data Processing Equipment	Office Equipment	Leasehold Improvements	VLTs	Total Capital Assets
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
2016	817,330	–	–	–	47,900,001	48,717,331
2017	608,650	–	–	–	35,126,668	35,735,318
2018	399,970	–	–	–	–	399,970
2019	191,290	–	–	–	–	191,290
2020	–	–	–	–	–	–
2021	–	–	–	–	–	–

Right-of-Use Assets, Net Information — Fiscal Years 2012 Through 2021

Fiscal Year	Machinery and Equipment	Office and Warehouse Space	Total Right-of-Use Assets
2012	–	–	–
2013	–	–	–
2014	–	–	–
2015	–	–	–
2016	–	–	–
2017	–	–	–
2018	–	\$ 5,447,589.00	\$ 5,447,589.00
2019	\$ 7,500,948.00	4,315,791.00	11,816,739.00
2020	6,366,817.00	3,150,784.00	9,517,601.00
2021	5,080,485.00	1,950,109.00	7,030,594.00

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