



COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEARS ENDED
JUNE 30, 2012 and 2011



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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011**

PREPARED BY THE ACCOUNTING DEPARTMENT
OF THE MARYLAND STATE LOTTERY AGENCY



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COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED JUNE 30, 2012 AND 2011 MARYLAND STATE LOTTERY AGENCY

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INTRODUCTORY SECTION

IN FISCAL YEAR 2012, THE MARYLAND STATE LOTTERY CELEBRATED 39 YEARS OF SUPPORTING MARYLANDERS. THE LOTTERY IS THE FOURTH LARGEST CONTRIBUTOR TO THE STATE AFTER INDIVIDUAL TAX, CORPORATE TAX, AND SALES AND USE TAX.



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December 22, 2012

The Honorable Martin O'Malley, Governor
Maryland Lottery Commission

INTRODUCTION

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Maryland State Lottery Agency (the Lottery) for the fiscal years ended June 30, 2011 and June 30, 2012. This report has been prepared by the Accounting Department of the Lottery. Responsibility for both the accuracy of the financial data and the completeness and fairness of presentation, including all disclosures, rests solely with the Lottery. To the best of our knowledge and belief, the enclosed data is accurate and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the Lottery. All disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities have been included.

Presented in this report is information about the Lottery, an independent agency of the State of Maryland. The Lottery was established by the 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, House Bill 4 and Senate Bill 3 were enacted relating to the legalization of video lottery terminals (VLTs) in the State. House Bill 4 was a constitutional amendment that was approved by the voters on November 4, 2008, which sets up broad parameters for the operation of the VLTs and establishment of VLT facilities within the State. House Bill 4 allows for the issuance of a maximum of five VLT facility licenses and a maximum of 15,000 VLTs. Senate Bill 3 established the operational and regulatory framework for the VLT program. Among its provisions, Senate Bill 3 specified that the State Lottery Commission shall regulate the operation of VLTs, including licensing of operators and operation of a Central Monitoring and Control System. The bill further provided for the Maryland State Lottery Agency to provide assistance to the Lottery Commission in the performance of its duties. Senate Bill 3 also expanded the Lottery Commission from five to nine members. These members are appointed by the Governor with the advice and consent of the Senate of Maryland. The Commission provides direction and guidance to the Lottery Director concerning lottery operations and regulates the operation of the VLTs with assistance from the Maryland State Lottery Agency staff.

The Lottery is an enterprise fund of the State and is included in the State's Comprehensive Annual Financial Report. Lottery activity is reported as a major enterprise fund type and includes all activity for which the Lottery 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 Lottery is operated as a business enterprise within the framework of State laws and regulations. The mission of the Lottery is twofold: providing revenue to the State through the sale of traditional lottery products and through the regulation of a VLT program. The Lottery fulfills this mission by offering the sale of both online and instant ticket games as described further on pages 13 through 17. Since its inception in 1973, traditional lottery sales have exceeded \$36.1 billion and have contributed almost \$13 billion in revenue to the State. Revenue from the traditional lottery is contributed to the State's General Fund and is used to support various programs and services such as education, public health and safety, human resources, and the environment. In addition, the Lottery is required by statute to contribute a defined amount of traditional lottery revenue each year to the Maryland Stadium Authority. Throughout the years, lotteries have evolved and have become more diversified offering players a variety of choices. Today, 43 states and the District of Columbia operate lotteries selling both online games and instant ticket games. During fiscal year 2012, these lotteries generated in excess of \$60.7 billion in sales. The Maryland Lottery ranked sixth among state lotteries in per capita sales during this time period.

The mission of the Lottery's VLT program is to regulate the program with the dual goals of generating revenue for the State of Maryland while maintaining integrity, transparency and fair play. During fiscal year 2012, the Lottery authorized the opening of the State's third casino. This casino, combined with the two casinos opened in fiscal year 2011, generated \$195.09 million in gross terminal revenue. The distribution of this revenue is directed by statute and described more fully on page 56 of this report. Today, seven state lotteries have the responsibility of regulating casino operations. During fiscal year 2012, casinos regulated by lotteries generated \$2.4 billion in government profits.

ECONOMIC OUTLOOK

Maryland's economy continues to rebound from the effects of the national recession. In general, most economic indicators are displaying weak, though positive trends. Year-to-date, Maryland's gross state product has grown at approximately 3.1% versus 2.3% for the U.S. economy, a significant increase from the 0.6% growth in 2011. The State's extraordinary level of education attainment and corresponding high-technology jobs coupled with the considerable federal presence within the State served to buffer against the more extreme job and income losses that the nation as a whole suffered. As of September 2012, Maryland's unemployment rate stands at 6.9%, about one percentage point less than the national rate, though still elevated relative to a pre-recession average of 3.7%. More recently, the federal government's presence in the State and its related economic footprint have created considerable uncertainty in what remains a fragile recovery as federal policymakers consider austerity measures.

Employment in Maryland has expanded as the economic recovery has continued; year over year job growth has been positive each month since June 2010. The recession resulted in a peak to trough job loss total of 144,700 jobs, or 5.5% of total employment. Since the trough, Maryland has added 108,800 jobs through September 2012, though total employment remains 1.4% below peak levels.



The education and health services and the professional and business services sectors, the two largest segments of employment in the State, have grown 3.2% and 3.5% year-to-date, respectively. The presence of excellent education and health institutions, such as Johns Hopkins, mark Maryland as a cornerstone for the growing industry. The Base Realignment and Closure (BRAC) process brought many high-paying professional and business services jobs to the State and should provide growth in the future as many of those jobs support cyber warfare, a growing component of the national defense strategy. At the other end of the spectrum, manufacturing employment, which has been on the decline for quite some time and now only represents 4% of total employment in the State, is down 2.2% year-to-date.

Wages and salaries in the State, about half of all income, have also been on the mend. In 2009 the total amount of wages earned in Maryland declined for the first time since 1954, though only 0.8%, whereas national wages declined 4.3%. Since 2009, wage growth in Maryland has been subdued relative to the boom years earlier in the decade, but is gaining momentum. Wages from the professional and business services sector, accounting for about 18% of all wages earned in the State, were up 5.7% in 2011 and are up 5.1% year-to-date. Total wage growth is up 4.0% year-to-date after growth of 3.6% in 2011. The average wage in Maryland remains well above the national average, at about 112% of the average, and should gain momentum as the unemployment rate recedes.

The real estate market appears to have bottomed out and possibly shifted to a source of growth for the broader economy. The median price for a home in Maryland, according to the Maryland Association of Realtors, is up 6.7% year-to-date after declining for five consecutive years. Perhaps the single largest driver of price growth has been the reduction in inventory; inventory peaked in 2008 at over 50,000 units and is now at almost half of that level. Additionally, the number of residential permits issued, as reported by the Census Bureau, has increased 28.5% year-to-date and the total value of those permits has increased 21.7%. However, risk remains in the outlook as the percentage of loans beginning the foreclosure process has increased above 2010 and 2011 levels, though this was somewhat expected as Maryland employs a judicial foreclosure process. There may still be a considerable number of distressed property sales as well as an inventory of other homes that have been held from the market in anticipation of higher prices.

Consumer spending is poised for a rebound. Moody's Analytics estimates that retail sales for the State are up 5.1% year-to-date (including automobile sales), just slightly below the national average. The debt-to-income ratio for Marylanders has increased to 23.5% in recent quarters, slightly higher than 2010 levels though well below the 25% level seen prior to the recession. The consumer's willingness to take on debt after the significant deleveraging witnessed throughout the recession may be indicative of varying situations. Installment credit has increased 9.9% year-to-date indicating that consumers are making large purchases, as witnessed in the automobile sales arena, or refinancing their homes to lower monthly payments at today's historically low interest rates. Revolving credit, such as bank credit cards or store credit, is experiencing positive growth for the first time since 2008. Total personal bankruptcies have fallen 13.9% for the year and are continuing to trend downwards from last year. Overall, coupled with increasing home values as mentioned earlier, consumers are beginning to feel wealthier and more confident in the economic recovery.



Concerns regarding the Eurozone have a minimal direct impact on Maryland's economy, especially when it comes to trade. Maryland, whose main exports consist of transportation equipment, chemicals, machinery and computer/electronics products, exported over \$10.8 billion in goods in 2011, accounting for just 0.9% of all trade activity nationwide. Exports to the entire Eurozone accounted for 15.3% of the State's total export volume year-to-date, while exports to Canada, the State's largest trading partner, account for 15.8% alone. Year-to-date, according to the International Trade Administration, Maryland has exported \$8.7 billion worth of merchandise, an increase of 10.2% over this time last year.

The effects of the fiscal cliff would be dire for a recovering Maryland. The fiscal cliff scenario assumes the expiration of the "Bush-era" tax cuts, the expiration of the payroll tax cut, and \$100 billion in cuts to defense and discretionary federal spending. With its heavy reliance on the federal government, sequestration measures would have an enormous effect on the Maryland economy. Although the federal government accounts for 5.7% of the State's employment, it accounts for approximately 9.8% of the State's economy. Professional and business services firms, who account for approximately 15.9% of the State's workforce, would bear the brunt of such austerity measures, and would, consequently, be forced to lay off thousands of employees. In addition to the supposed budget cuts, individuals would experience a sharp rise in tax rates, damaging disposable incomes and putting into danger the already tepid recovery.

Negotiations are underway to mitigate the impact of the fiscal cliff. Many economists assume some combination of tax hikes and more modest spending cuts than currently called for, and that the State's economy will move forward with modest employment and income growth in 2013 and 2014.



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 online and instant ticket games. Online games allow players to pick their numbers or utilize automatic computer-generated plays. Customers receive a ticket and then wait for the drawing to determine if they have won. Instant games are played by scratching a latex covering off a play area to reveal pre-printed combinations. If a winning combination appears, the customer is an instant winner.

Traditional lottery games offered during fiscal year 2012 included the following:



FISCAL YEAR 2012 STATISTICS:

\$254.6 million in net sales

14.2% of total net sales

\$6.2 million decrease from fiscal year 2011 Pick 3 net sales

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



FISCAL YEAR 2012 STATISTICS:

\$265.5 million in net sales

14.8% of total net sales

\$10.9 million increase from fiscal year 2011 Pick 4 net sales

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



FISCAL YEAR 2012 STATISTICS:

\$506.8 million in net sales

28.2% of total net sales

\$13.3 million increase from fiscal year 2011 Instant Ticket net sales

INSTANT TICKETS, also known as scratch-offs, were first introduced in 1976. Similar to today's instant ticket games, the first instant ticket game launched in Maryland provided players with the opportunity to win by scratching a latex play area. From 1976 to 1985, the Lottery launched a limited number of instant tickets games; however, by 1986, instant games were launched on a more frequent basis. Today, instant tickets have become one of the fastest growing products in Maryland and within the lottery industry. During fiscal year 2012, the Lottery launched 54 different instant ticket games.



Keno.

FISCAL YEAR 2012 STATISTICS:

\$203.9 million in net sales

11.4% of total net sales

\$1.3 million increase from fiscal year 2011 Keno net sales

KENO is an online game that is predominantly sold in a social atmosphere, and drawings are held every four minutes. Keno was introduced in January 1993. The Lottery's computer continuously generates random sets of 20 numbers. These numbers are then displayed on a Keno monitor. Players select from one to 10 numbers from a field of 80 numbers and win prizes ranging from \$2 to \$100,000 by matching anywhere from zero numbers to 10 numbers.



FISCAL YEAR 2012 STATISTICS:

\$43.7 million in net sales

2.4% of total net sales

\$1.4 million decrease from fiscal year 2011 Keno Bonus net sales

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



FISCAL YEAR 2012 STATISTICS:

\$139.8 million in net sales

7.8% of total net sales

\$7.0 million increase from fiscal year 2011 Keno Super Bonus net sales

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



FISCAL YEAR 2011 STATISTICS:

\$117.3 million in net sales

6.5% of total net sales

\$14.9 million increase from fiscal year 2011 Racetrax® net sales

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



FISCAL YEAR 2012 STATISTICS:

\$16.9 million in net sales

0.9% of total net sales

\$3.2 million increase from fiscal year 2011 Racetrax® Bonus net sales

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



FISCAL YEAR 2012 STATISTICS:

\$21.9 million in net sales

1.2% of total net sales

\$478 thousand increase from fiscal year 2011 Bonus Match 5 net sales

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



FISCAL YEAR 2012 STATISTICS — MEGA MILLIONS:

\$105.7 million in net sales

5.9% of total net sales

\$7.0 million increase from fiscal year 2011 Mega Millions net sales

FISCAL YEAR 2012 STATISTICS — MEGAPLIER:

\$5.2 million in net sales

0.3% of total net sales

\$2.2 million increase from fiscal year 2011 Megaplier net sales

MEGA MILLIONS® is an online multi-state jackpot game. The Lottery joined Mega Millions in September 1996. The Mega Millions membership consists of 12 states that include: California, Georgia, Illinois, Massachusetts, Maryland, Michigan, New York, New Jersey, Ohio, Texas, Virginia and Washington. In January 2010 the Mega Millions membership joined forces with the Multi-State Lottery Association, the organization that leads the Powerball® game, and began cross-selling their products. Currently, 44 lotteries sell Mega Millions. Players choose or request the computer to generate a total of six numbers from two different fields. Players pick five numbers from a field of 56 and one Mega Ball number from a field of 46. Players matching all numbers and the Mega Ball win the jackpot. If there are multiple winners, the jackpot prize is divided evenly among all the winners. Jackpots start at \$12 million and increase each drawing for which there is no jackpot winner(s). Players also can win prizes ranging from \$2 to \$250,000. Megaplier® is a special feature of Mega Millions that allows a winner to increase their non-jackpot winnings by two, three or four times for an extra \$1 per play. Drawings are held every Tuesday and Friday.



FISCAL YEAR 2012 STATISTICS:

\$30.7 million in net sales

1.7% of total net sales

\$2.8 million increase from fiscal year 2011 Multi-Match net sales

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



FISCAL YEAR 2012 STATISTICS — POWERBALL:

\$78.0 million in net sales

4.3% of total net sales

\$25.3 million increase from fiscal year 2011 Powerball net sales

FISCAL YEAR 2012 STATISTICS — POWER PLAY:

\$4.8 million in net sales

0.3% of total net sales

\$130 thousand decrease from fiscal year 2011 Power Play net sales

POWERBALL® is an online, multi-state jackpot game. The Lottery began selling Powerball/Power Play in January 2010 when the Multi-State Lottery Association joined forces with the Mega Millions membership and began cross-selling their products. Currently, 44 lotteries sell Powerball/Power Play. In Powerball, players choose or request the computer to generate a total of six numbers from two different fields. Players pick five numbers from a field of 59 and one Powerball from a field of 39. Players matching all numbers and the Powerball win the jackpot. If there are multiple winners, the jackpot prize is divided evenly among all winners. In January 2012, the base price of a Powerball ticket increased from \$1 to \$2 in all jurisdictions selling the game. At the same time, the starting jackpot was raised to \$40 million, up from \$20 million and the odds of winning the jackpot improved from 1 in 196 million to 1 in 176 million. Players also can win prizes ranging from \$4 to \$1 million. **POWER PLAY®** is a special feature of Powerball that allows a winner to increase their original Powerball prize amount. For an extra \$1, Powerball players can win \$12 to \$2 million. Drawings are held every Wednesday and Saturday.

Video Lottery Terminals

FISCAL YEAR 2012 STATISTICS:

\$195.1 million in gross terminal revenue

5,471 total video lottery terminals

\$92.0 million increase from fiscal year 2011 gross terminal revenue

VIDEO LOTTERY TERMINALS were approved during the 2007 special session of the Maryland General Assembly. This legislation provided for up to 15,000 video lottery terminals to be placed at five locations throughout the State. As of June 30, 2012, three of the five casinos had opened and 5,471 video lottery terminals were in operation.



HIGHLIGHTS OF FISCAL YEAR 2012

Fiscal year 2012 proved to be another highly successful year for the Lottery, and for the 15th consecutive year, the Lottery achieved its highest sales in history. Furthermore, lottery operations generated \$556.3 million in revenue for the State, an increase of almost \$36.9 million or 7.1% from the previous fiscal year. Additional financial information can be found in the Management's Discussion and Analysis Section of this report, which begins on page 31.

Aside from another record-breaking year in lottery sales, other significant accomplishments included:

- Fiscal year 2012 was a successful year for Mega Millions and Powerball for the Lottery as well as the players.

On March 30, 2012, the Mega Millions jackpot reached a world record of \$656 million. Not only did the jackpot lead to a substantial increase in sales of this game, Maryland produced one of the three winning tickets. Three friends who chose to remain anonymous but called themselves "The Three Amigos" claimed their share of the record-breaking jackpot on April 10, 2012, and each took home a little less than \$35 million. The State also benefited from this record-breaking jackpot by receiving more than \$13.4 million in state taxes.

While not as large as the world record Mega Millions jackpot, there also were two large Powerball jackpots in Maryland during fiscal year 2012. On September 7, 2011, a winning ticket was sold for a \$108.8 million jackpot, and then on December 25, 2011, a winning ticket was sold for a \$128.8 million jackpot.

- The Lottery continued to enhance its use of its digital content message system at retail locations and display Amber and Silver Alerts.
- A new strategy for instant tickets was deployed that contributed to the increase in instant ticket sales. Order quantities were adjusted, and more tickets are now printed for each game. The launch schedule also was adjusted so that new games are now launched on a monthly basis instead of a biweekly basis. Also, contributing to the success of instant tickets sales was the launch of the \$5 Monopoly ticket. This ticket was the fastest selling ticket ever, and the game was reprinted.
- Maryland Live! Casino in Anne Arundel County opened on June 6, 2012 with 3,171 machines. Maryland Live! Casino generated \$29.0 million in gross terminal revenue by the end of the fiscal year. Total gross terminal revenue for fiscal year 2012 was \$195.1 million of which more than \$130.7 million was returned to the State to fund various initiatives as defined in Statute.
- As part of its corporate responsibility and with the introduction of a new casino in the State, the Lottery expanded its Responsible Gambling Program. Under this program, the Lottery operates a voluntary exclusion program, which allows individuals to ban themselves from Maryland casinos. To date, more than 150 individuals have done so.



FINANCIAL INFORMATION

ACCOUNTING SYSTEMS AND POLICIES

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

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 Lottery submits its budget to the Governor for approval. The budget includes all costs to operate the traditional lottery and to regulate video lottery operations. Excluded from the budget are lottery prizes paid to winners and commissions paid to Lottery retailers. Lottery prizes and commissions are funded from the sale of Lottery tickets and are not included as part of the annual budget submitted for approval.

The Governor, in turn, submits the budget for the entire State (including the Lottery's budget) to the General Assembly for enactment. The Lottery's official budget, as enacted by the General Assembly, is divided among the various divisions within the Lottery. These divisions are responsible for monitoring expenditures within their division in order to ensure expenditures do not exceed the amount budgeted. Encumbrance accounting is utilized whereby purchase orders, contracts and other commitments are treated as expenditures for budgetary purposes. The Lottery's Budget Department is responsible for monitoring the Lottery's entire budget, including the budgeted funds allocated to the various divisions, in order to ensure that the Lottery's 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 Lottery's long-term liabilities are primarily payments owed to Lotto jackpot and lifetime winners and capital lease obligations. The payments due to winners are fully funded by amounts invested primarily in United States Government Agency Obligations (coupon bonds). Some investments also are held in annuity contracts. Capital lease obligations are for lottery gaming equipment and video lottery terminals primarily leased through the State Treasurer's Office.

INTERNAL CONTROL ENVIRONMENT

Management of the Lottery 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 Lottery 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 Lottery and reports jointly to the Director of the Lottery and to the Lottery Commission.

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

- employing specialized enforcement staff who are present at the casinos on a 24-hours-a-day/7-days-a-week basis;
- maintaining secure lottery facilities and limiting access to them;
- performing background checks on retailers, vendors, employees and anyone that wants to obtain a video lottery gaming license;
- printing lottery tickets with special security features;
- performing unannounced inspections at the drawing studio to ensure compliance with established operating procedures;
- processing daily transaction data of all vendor activity by Lottery personnel using the Lottery's internal control system programs and reconciling transactions to reports generated by the online lottery gaming vendor;
- comparing, on a daily basis, gross terminal revenue recorded on the Lottery's central system to gross terminal revenue reported by the casinos' slot accounting systems and reconciling any differences; and
- providing a variety of access and other controls in the Lottery's computer systems.

The Lottery has 218 employees, most of whom are located at the Lottery's headquarters in Baltimore. As of June 30, 2012, all drawings (except Mega Millions and Powerball) were conducted at the broadcast facility of the television station producing the drawings. All drawings are broadcast except for Bonus Match 5 and Saturday midday drawings.

FUTURE PROJECTS

Fiscal year 2013 will be a challenging year for the Lottery as it will strive to set a sales record for the 16th straight year. Part of the strategy to achieve a record sales year will be to refresh the Keno game by developing new screens and adjusting the timing of the draws. The Lottery is optimistic that these changes will rejuvenate Keno play.

A new game, 5 Card Cash, was launched in November 2012. This game is a poker style game and includes both an instant win feature and a nightly drawing. Players can win on both the instant win feature and the nightly drawing. The price of the game is \$2, and on the instant win feature, players can win anything from a free ticket up to \$10,000. During the nightly drawing, players can win anywhere from \$3 to \$100,000.



Several major lottery contracts will be rebid during fiscal year 2013. These contracts include instant tickets, advertising and research. The advertising contract includes both a media and creative component.

Fiscal year 2013 also will be a year of change for the Lottery. 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 certain provisions that became effective October 1, 2012 and other provisions that became effective after being passed by voter referendum on November 6, 2012.

Major changes that were effective on October 1, 2012 included: changing the name of the Maryland Lottery to the Maryland Lottery and Gaming Control Agency; reducing the number of Commissioners from nine to seven members; abolishing the existing Commission and reappointing and/or naming new members to the Commission; and changing the daily transfer of gross terminal revenue. Starting October 1, 2012, casino operators maintained their 33% share and only transferred 67% of the daily gross terminal revenue to the Agency. In addition, the allocation of gross terminal revenue to the Racetrack Facility Renewal Account decreased from 2.5% to 1.75% with the difference going to the Education Trust Fund. Also effective October 1, 2012, the Agency could issue a license to qualified veterans' organizations to operate up to five lottery pull tab machines.

Senate Bill 1 also addressed other operational issues that became law on October 1, 2012, but do not take effect until later dates. Effective January 1, 2013, the lottery retailer sales commission will increase from 5% to 5.5% and will increase again to 6% when the casino in Baltimore City is issued a license. Effective April 1, 2015, the Agency will transfer the ownership of the video lottery terminals to the casino operators at the Maryland Live! Casino and the Hollywood Casino Perryville. However, the Agency will continue to own and/or lease the video lottery terminals at the Casino at Ocean Downs and Rocky Gap unless these facilities opt for a transfer in ownership in exchange for an increase in the amount of gross terminal revenue that they receive. The Baltimore City Casino location will be responsible for owning its own video lottery terminals from its commencement of operations. Also, effective April 1, 2015, the Lottery's percentage of gross terminal revenue will drop from 2% to 1%.

Senate Bill 1 also contained provisions that were subject to voter referendum that passed during the November 6, 2012 election. These provisions allowed for a sixth casino; increased the maximum number of video lottery terminals allowed in the State from 15,000 to 16,500; and allowed for the establishment of table games and 24-7 operations. In order to carry out its new responsibilities, the Agency will be expanding its staff and developing additional regulations, especially as it relates to table game implementation. It is expected that table games will launch at some of the casinos in spring 2013.

INDEPENDENT AUDIT

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



CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lottery for its CAFR for the fiscal year ended June 30, 2011. This marked the eighth consecutive year the Lottery received this prestigious national award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

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

Respectfully Submitted,

MARYLAND STATE LOTTERY AGENCY

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

Stephen L. Martino
Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maryland State
Lottery Agency

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



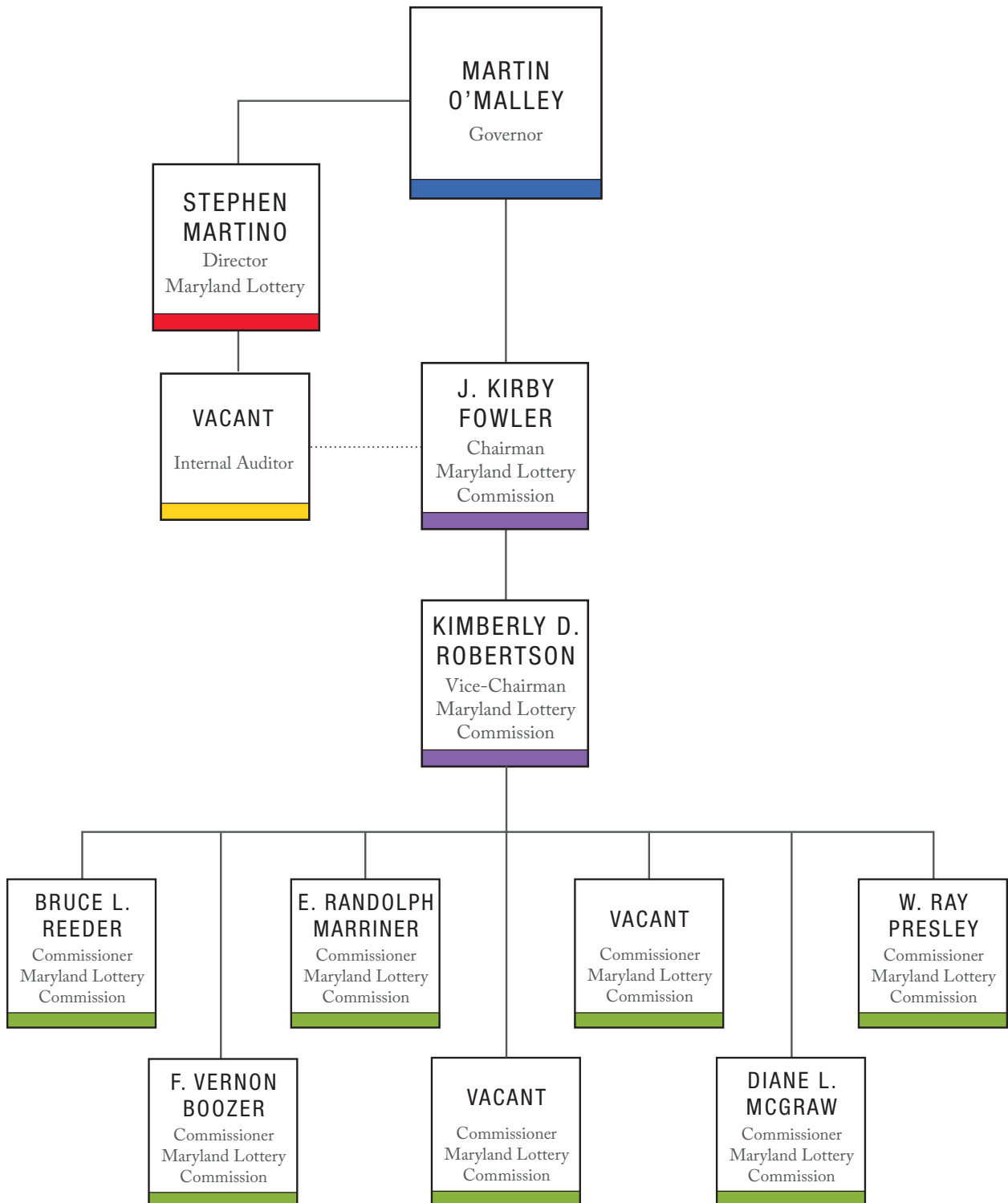
Christopher P. Morinell

President

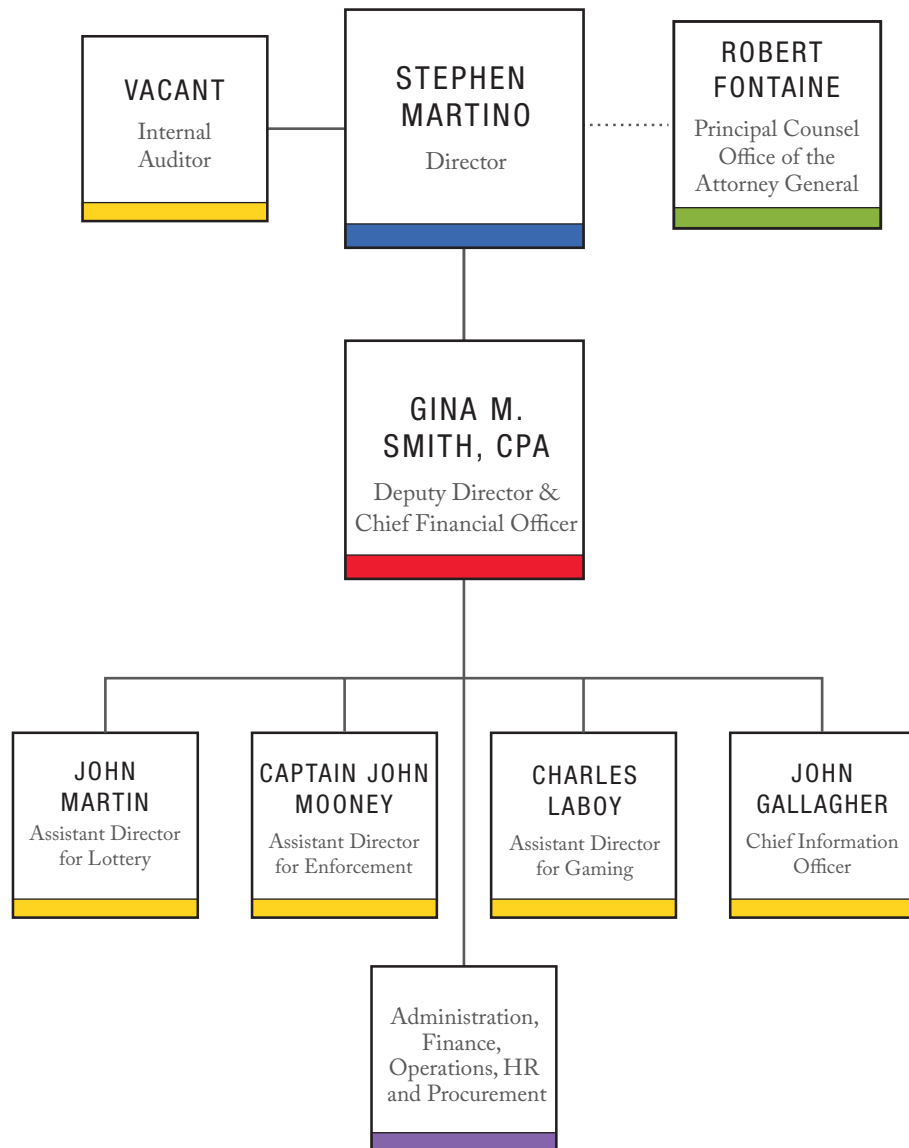
Jeffrey R. Enen

Executive Director

MARYLAND STATE LOTTERY AGENCY
PRINCIPAL OFFICIALS AS OF JUNE 30, 2012



ORGANIZATIONAL CHART AS OF JUNE 30, 2012





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FINANCIAL SECTION

IN FISCAL YEAR 2012, THE MARYLAND STATE LOTTERY ACHIEVED ITS 15TH STRAIGHT YEAR OF RECORD-BREAKING SALES AND AN INCREASE IN REVENUE OF \$36.9 MILLION OR 7.10% FROM FISCAL YEAR 2011. VLTS GENERATED \$195.1 MILLION IN GROSS TERMINAL REVENUE, AN INCREASE OF REVENUE OF \$92.0 MILLION OR 89.23% FROM FISCAL YEAR 2011.



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INDEPENDENT AUDITORS' REPORT

To the Maryland State Lottery Agency:

We have audited the accompanying financial statements of the Maryland State Lottery Agency (an agency of the State of Maryland), as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Maryland Lottery Agency's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Maryland State Lottery Agency are intended to present the financial position and the changes in financial position and cash flows, where applicable, of the Maryland State Lottery Agency. They do not purport to, and do not, present fairly the financial position of the State of Maryland as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland State Lottery Agency, as of June 30, 2012 and 2011, the changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2012, on our consideration of the Maryland State Lottery 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 or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 31 through 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion about it.

Our audit was conducted for the purpose of forming an opinion on the June 30, 2012 financial statements that collectively comprise the Maryland State Lottery Agency's basic financial statements. The supplementary schedule of revenues, expenses and changes in net assets — budget and actual on page 69 is presented for the purpose of additional analysis and is subjected to our auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Stout, Causey & Horning, P.A.

September 29, 2012

The following Management's Discussion and Analysis (MD&A) provides an overview of the Maryland State Lottery Agency's (Lottery) performance for the fiscal years ended June 30, 2012 and 2011. As you read the MD&A, 2012 refers to the fiscal year ended June 30, 2012, 2011 refers to the fiscal year ended June 30, 2011 and 2010 refers to the fiscal year ended June 30, 2010. 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 50.

FINANCIAL HIGHLIGHTS

- Net lottery sales were a record \$1.795 billion in 2012, an increase of \$80.5 million or 4.70% as compared to 2011, which increased \$7.8 million or .46% as compared to 2010.
- Cost of sales increased \$40.5 million or 3.48% in 2012 as compared to 2011 which decreased \$5.1 million or .44% as compared to 2010. The major reasons for the increase were that prizes due to players increased by \$36.6 million or 3.56% as compared to 2011 and commissions paid to retailers increased \$4.6 million or 4.06% as compared to 2011. Both increases were the result of the growth in lottery sales during 2012. Between 2011 and 2010, the decrease in the costs of sales resulted from prizes paid to winners decreasing \$5.1 million or .44% in 2011 as compared to 2010.
- Operating expenses increased \$36.5 million or 41.09% in 2012 as compared to 2011 which increased \$53.9 million or 153.98% in 2011 as compared to 2010. The increase in operating expenses in both 2012 and 2011 is attributed to the costs incurred to regulate the casinos. In 2011, the first two casinos opened – one in September 2010 and one in January 2011. These casinos were in operation for a full year in 2012 and a third casino was opened in June 2012.
- Transfers to the State of Maryland and Stadium Authority in 2012 from lottery proceeds were \$556.3 million, an increase of \$36.9 million or 7.10% as compared to 2011, which increased \$8.8 million or 1.72% as compared to 2010.
- Gross terminal revenue generated from Video Lottery Terminals (VLTs) in 2012 totaled \$195.09 million, an increase of \$92.0 million or 89.17% as compared to 2011. The law allows the Lottery to retain 2% of the gross terminal revenue to help cover the costs of operating the VLT program. The law further requires the Lottery to transfer 33% of the gross terminal revenue to the casino operators and the remainder to various State agencies as described in more detail on page 56. Transfers to the various State agencies totaled \$128.9 million, an increase of \$61.6 million or 91.72% as compared to 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Lottery is an independent agency of 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 Video Lottery Terminals (VLTs) and establishment of five VLT Facility locations (referred to as casinos) in the State. The Lottery is responsible for regulating the operations of the VLTs including the operation of a central system, the

MARYLAND STATE LOTTERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

purchase and/or lease of all VLTs, the licensing of VLT operators, machine manufacturers, employees, vendors and contractors of the VLT facilities, the collection and disbursement of VLT proceeds and compliance with established internal controls and technical standards. Two casinos were opened in 2011. The first casino became operational in September 2010 in Perryville, Maryland with 1,500 VLTs and the second casino became operational in January 2011 in Berlin, Maryland with 750 VLTs. In July 2011, an additional 50 VLTs were added to the casino in Berlin, bringing the total to 800 VLTs. On June 6, 2012, a third casino was opened in Anne Arundel County, Maryland with 3,171 VLTs. Additional VLTs will be added during fiscal year 2013 bringing the total VLTs to 4,750.

The Lottery 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 assets; statements of revenues, expenses, and changes in net assets; and statements of cash flows. The statements of net assets present the assets and liabilities of the Lottery with the difference between the two being reported as net assets. The statements of revenues, expenses, and changes in net assets report the revenues and expenses of the Lottery and are used to measure the success of the Lottery's 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 Lottery 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 50 to 68 of this report.

FINANCIAL ANALYSIS

Table 1 is a summarized version of the statements of net assets as of June 30, 2012, 2011 and 2010. The table reflects the Lottery's overall change in financial resources and claims on those resources. The majority of the Lottery's assets consist of cash held by the State Treasury, investments, capital assets, accounts receivable and cash and cash equivalents – VLT. The Lottery's investments and the majority of accounts receivable, as well as the majority of cash held by the State Treasury, are used to pay Lottery winners or are transferred as income to the State of Maryland. The remaining portion of cash held by the State Treasury is VLT revenue that is to be transferred to other State agencies or paid to the casino operators. The majority of the Cash and cash equivalents – VLT is the operator license fees that were received from applicants applying for casino licenses for the Baltimore City and Rocky Gap casino locations. Most liabilities represent prize awards payables, annuities payable, amounts due to the State of Maryland and amounts due to government agencies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1 — Net Assets (in thousands)

	2012	2011	2010
Current Assets	\$ 176,533	\$ 173,220	\$ 154,228
Non-Current Assets	59,192	70,077	88,694
Capital Assets, net	49,230	38,433	4,470
Total Assets	\$ 284,955	\$ 281,730	\$ 247,392
Current Liabilities	\$ 195,126	\$ 181,655	\$ 146,617
Non-Current Liabilities	77,672	94,128	78,818
Total Liabilities	\$ 272,798	\$ 275,783	\$ 225,435
Net Assets			
Invested in Capital Assets, net of related debt	\$ (6,983)	\$ (6,882)	\$ (792)
Unrestricted	19,140	12,829	22,749
Total Net Assets	\$ 12,157	\$ 5,947	\$ 21,957

Current Assets

The Lottery's current assets increased by \$3.3 million or 1.91% in 2012 compared to 2011 which increased \$18.9 million or 12.31% as compared to 2010. The corresponding increases and decreases are as follows:

Cash and cash equivalents – VLT increased \$24.6 million or 811.71% in 2012 as compared to 2011 which decreased by \$28.6 million or 90.41% as compared to 2010. Cash and cash equivalents – VLT are the funds received from applicants who applied for a VLT operator license and to a lesser extent, funds received from VLT manufacturers and contractors and individuals seeking to receive a VLT license from the Lottery. The increase in 2012 from 2011 is attributed to license fees received for the Baltimore City and Rocky Gap casino locations. The law requires an applicant to submit an initial license fee of \$3 million for every 500 VLTs proposed. In 2012, the Lottery received \$22.5 million in license fees from the Baltimore City applicant who has proposed to install 3,750 VLTs, and \$2.1 million in license fees from the Rocky Gap applicant who proposed to install 850 VLTs. The decrease from 2011 to 2010 is primarily the result of the Lottery transferring \$28.6 million to the State's Education Trust Fund after the Video Lottery Facility Location Commission approved the award for a casino operator's license at the Anne Arundel County location. In accordance with the law, these funds are to be transferred to the State's Education Trust Fund after an award for an operator license is made.

Cash held with the State Treasury decreased by \$28.9 million or 25.0% in 2012 as compared to 2011 which increased by \$49.5 million or 75.04% as compared to 2010. Cash held with the State Treasury primarily represents cash received from Lottery agents from the sale of lottery tickets,

MARYLAND STATE LOTTERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Current Assets (continued)

cash received from casinos for the revenue generated by the VLTs, income waiting to be transferred to the State from the lottery and the VLT proceeds, unpaid prizes and unclaimed prizes. Changes in these balances have a corresponding effect on the Lottery's cash position. At the end of 2012, there was one month worth of Lottery revenue waiting to be transferred in comparison to two months at the end of 2011. The decrease in Cash held with the State Treasury was slightly offset by an increased amount of VLT revenue waiting to be transferred. June's 2012 VLT revenue was higher than June 2011 due to the opening of the third casino. The increase between 2011 and 2010 was due to two months of Lottery revenue waiting to be transferred in at the end of 2011 in comparison to one month at the end of 2010 as well as VLT revenue waiting to be transferred.

Accounts receivables includes amounts due from lottery agents, amounts due related to VLT operations and amounts due from casino operators. Accounts receivable increased by \$10.4 million or 33.49% in 2012 as compared to 2011 which increased \$1.8 million or 6.22% as compared to 2010. Accounts receivable is primarily comprised of amounts due from lottery retailers from the sale of lottery tickets and gross terminal revenue due from the casino operators. Accounts receivable from lottery retailers increased \$5.6 million or 18.24% in 2012 as compared to 2011 which increased by \$1.4 million or 4.74% as compared to 2010. On a weekly basis, amounts due from retailers are collected electronically from the retailers' bank accounts. In 2012, six days of sales activity were waiting to be collected, compared to four days in 2011 and three days in 2010.

Accounts receivable from casino operators increased by \$4.8 million or 1282.58% in 2012 compared to 2011. On a daily basis, the gross terminal revenue generated by the casinos is wired to the Lottery. The primary reason for the increase in 2012 was that there were three casinos generating gross terminal revenue as of the end of 2012 compared to only two casinos as of the end of 2011. In addition, the two casinos in 2011 were much smaller in size.

The increase in current assets was offset by a significant decrease in cash held with the State Treasury and a smaller decrease in the current portion of investments for annuity payments.

The current portion of investments for annuity payments decreased by \$4.3 million or 20.19% in 2102 as compared to 2011 which decreased by \$3.6 million or 14.50% as compared to 2010. The continued decreases during these years resulted from fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that expired.

Non-Current Assets

The Lottery's non-current assets consist of investments for annuity payments, net of current portion and capital assets, net of depreciation. Non-current assets decreased slightly by \$88,000 or .08% in 2012 compared to 2011 which increased by \$15.3 million or 16.47% as compared to 2010.

Capital assets, net of depreciation increased by \$10.8 million or 28.09% in 2012 compared to 2011 which increased by \$33.9 million or 759.87% as compared to 2010. The increase in 2012 is attributed

Non-Current Assets (continued)

primarily to the addition of VLTs for the third casino. Under the law, the Lottery is required to own or lease the VLTs that are in the casinos. The VLTs are capitalized at cost and depreciated over a five-year period. Certain VLTs that are leased are treated as capital leases and have a guaranteed lease period ranging from 12 to 18 months. These VLTs are capitalized at the lower of their fair value or present value of minimum lease payments and are amortized over their guaranteed lease period. The increase in 2011 from 2010 is attributed to the VLTs that were purchased for the two casinos that opened during that year. Details of capital assets, additions and depreciation are included in Note 4 to the financial statements, on page 61.

The Lottery's investments for annuity payments, net of current portion, decreased by \$10.9 million or 15.53% in 2012 as compared to 2011 which decreased by \$18.6 million or 20.99% as compared to 2010. These continued decreases resulted from fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that have expired.

Current Liabilities

Current liabilities increased by \$13.5 million or 7.42% in 2012 compared to 2011 which increased \$35.0 million or 23.90% compared to 2010. The majority of the increase is attributed to VLT Escrow Payable, Transfers due to Other Government Agencies – VLT and current portion of capital lease obligations.

VLT Escrow Payable increased by \$24.6 million or 811.71% in 2012 compared to 2011 which decreased by \$28.6 million or 90.41% compared to 2010. The increase in 2012 from 2011 is attributed to application fees received for the Baltimore City and Rocky Gap casino locations. The decrease in 2011 from 2010 is the result of the Lottery transferring \$28.6 million to the State's Education Trust Fund after the Video Lottery Facility Location Commission approved the award for an operator's license at the Anne Arundel County casino location.

Transfer due to other government agencies – VLT increased by \$20.0 million or 244.28% in 2012 compared to 2011. This amount represents the June VLT revenue waiting to be transferred to other government agencies. This increase is attributed to three casinos operating in 2012 compared to two casinos in 2011. In June 2011, \$8.1 million was waiting to be transferred from the two casinos that had opened that year.

Current portion of capital lease obligations increased by \$16.0 million or 161.59% in 2012 compared to 2011 which increased by \$8.7 million or 749.07% as compared to 2010. The increase in 2012 was attributed to the capitalization of certain VLTs that were leased for the casino that opened in June 2012. These machines have a guaranteed lease period ranging from 12 to 18 months and meet the criteria for a capital lease machine manufacturers are paid on a monthly basis. The increase in 2011 from 2010 is attributed to the purchase of certain machines for the first two casinos. In January 2011, the State Treasurer's Office issued, on behalf of the Lottery, Certificates of Participation to finance the VLTs in operation at the two casinos. These machines are financed over a five year period and the first payment was made in September 2011.

MARYLAND STATE LOTTERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Current Liabilities (continued)

The increases in current liabilities were offset primarily by decreases in Transfer due to the State of Maryland General Fund and the Current portion of annuity prizes payable.

Transfer due to the State of Maryland General Fund decreased by \$38.2 million or 46.94% in 2012 compared to 2011 which increased by \$42.4 million or 108.77% compared to 2010. The decrease from 2012 to 2011 is attributed to one month of lottery revenue waiting to be transferred at the end of 2012 in comparison to two months at the end of 2011. The increase from 2011 to 2010 is attributed to two months of lottery revenue waiting to be transferred at the end of 2011 in comparison to one month at the end of 2010.

The current portion of annuity prizes payable decreased by \$4.3 million or 20.19% in 2012 from 2011 which decreased by \$2.7 million or 11.28% compared to 2010. The continued decreases in the current portion of annuity prizes payable resulted from fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that expired.

Non-Current Liabilities

Non-current liabilities decreased by \$16.5 million or 17.48% in 2012 compared to 2011 which increased by \$15.3 million or 19.43% compared to 2010. The decreases are primarily attributed to decreases in Annuity prizes payable and Capital lease obligations, net of current portion.

Annuity prizes payable decreased by \$11.7 million or 19.99% in 2012 as compared to 2011 which decreased by \$15.7 million or 21.20% compared to 2010. The primary reason for this decrease is fewer jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that expired. A similar decrease in non-current investments for annuity payments is discussed above. Additional information on the Lottery's non-current liabilities may be found in Notes 5, 6, and 7 to the financial statements, beginning on page 62.

Capital lease obligations, net of current portion decreased by \$4.7 million or 13.37% in 2012 as compared to 2011 which increased by \$30.9 million or 754.34% over 2010. The overall decrease in 2012 from 2011 is attributed to the capital leases recognized for the VLTs leased at the casino that opened in June 2012 as well as payments made on existing leases. These VLTs have a specified lease period of 12 to 18 months making the majority of the payment due, current as opposed to non-current. The increase in 2011 from 2010 is attributed to the purchase of certain machines at the first two casinos. These VLTs are financed over a five-year period.

Net Assets

Net assets increased by \$6.2 million or 104.41% in 2012 compared to 2011 which decreased by \$16.0 million or 72.91% compared to 2010. Because the Lottery is required by law to transfer its entire budgetary basis net income to the State of Maryland and its VLT revenue to government agencies, changes in net assets do not reflect the results of the Lottery's operating activities. Rather, changes in net assets reflect differences between budgetary basis net income and net income in accordance with accounting principles generally accepted in the United States and the unclaimed prize fund.

The increase in net assets in 2012 from 2011 is attributed to the increase in unrestricted assets which consist of unrealized gains or losses on investments, outstanding encumbrances and the unclaimed prize fund. The majority of this increase is attributed to the gain on investments.

The decrease in net assets in 2011 from 2010 is attributed to an increase in the deficit in capital assets, net of related debt which was offset by a decrease in unrestricted assets. The deficit in capital assets, net of related debt increased in 2011 by \$6.1 million or 769.54% over 2010. The increase in the deficit is due to the financing of purchase of VLTs for the first two casinos.

Unrestricted net assets decreased in 2011 by \$9.9 million or 43.60% compared 2010. The majority of the decreases in all years are attributed to the unrealized losses on investments.

MARYLAND STATE LOTTERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Table 2 is a summarized version of the statements of revenues, expenses, and changes in net assets for the years ended June 30, 2012, 2011 and 2010.

Table 2 — Revenues, Expenses and Changes in Net Assets (in thousands)			
	2012	2011	2010
Sales			
Online games	\$ 1,288,089	\$ 1,220,854	\$ 1,215,719
Instant games	506,804	493,548	490,853
Total sales	1,794,893	1,714,402	1,706,572
VLT Revenue — Gross Terminal Revenue	195,093	103,133	—
VLT Revenue — State Grant	28,959	9,605	1,121
VLT Revenue — Facility Applicants	1,791	1,342	3,592
VLT Revenue — Machine Assessment	1,709	—	—
Total Revenue	2,022,445	1,828,482	1,711,285
Cost of sales	1,205,646	1,165,134	1,170,274
Gross profit	816,799	663,348	541,011
Operating expenses	125,342	88,841	34,980
Income from operations	691,457	574,507	506,031
Non-operating expenses			
Unrealized gain (loss) on investments	811	(3,785)	(782)
Interest expense	(911)	(120)	(56)
Interest income	—	7	—
Payments to State of Maryland General Fund and Stadium Authority	(556,265)	(519,394)	(510,609)
Payments to Other Government Funds/Agencies — VLT	(128,881)	(67,225)	—
Total non-operating expenses	(685,246)	(590,517)	(511,447)
Change in Net Assets	6,211	(16,010)	(5,416)
Total Net Assets — beginning of year	5,947	21,957	27,373
Total Net Assets — end of year	\$ 12,158	\$ 5,947	\$ 21,957

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sales

Net sales were a record \$1.795 billion in 2012, an increase of \$80.5 million or 4.69% as compared to 2011, which increased \$7.8 million or .46% as compared to 2010.

Lottery sales are categorized as online or instant games. Online games are further categorized as Numbers, Monitor and Matrix games.

Online games sales increased by \$67.23 million or 5.51% in 2012, as compared to 2011, which increased \$5.1 million or .42% as compared to 2010. In 2012, growth occurred in all online game categories with the most significant growth occurring in the Matrix game category. In 2011, the growth in online games sales was attributable to the Monitor and Numbers games which was offset by a slight decline in Matrix games as shown in Table 3.

Table 3 — Net Sales of Online Games (in thousands)

	2012	2011	2010
Numbers	\$ 520,135	\$ 515,463	\$ 513,618
Monitor	521,673	496,731	492,000
Matrix	246,280	208,660	210,101
Total	\$1,288,088	\$1,220,854	\$1,215,719

Sales for the Numbers games, which are Pick 3 and Pick 4, increased by \$4.7 million or .91% as compared to 2011, which increased by \$1.8 million or .36% as compared to 2010. Pick 4 sales increased in both 2012 and 2011 by \$10.9 million and \$8.0 million, respectively, whereas Pick 3 sales decreased in both 2012 and 2011 by \$6.2 million. The increase in Pick 4 sales and the continued decrease in Pick 3 sales can be attributed to the top prize offered in these games. The top prize for Pick 3 is \$500, whereas the top prize for Pick 4 is \$5,000. It is further believed that the continued decrease in Pick 3 could be the result of the continued growth in Racetrax® sales. Racetrax® offers a trifecta bet that plays like Pick 3 but has better odds of winning.

Sales for the Monitor games, which include Keno, Keno Bonus, Keno Super Bonus, Racetrax®, and Racetrax® Bonus increased by \$24.9 million in 2012 or 5.02% as compared to 2011 which increased \$4.7 million or .96% as compared to 2010. The increase in Monitor games during both 2012 and 2011, can be attributed to Racetrax® and Racetrax® Bonus which have become very popular among lottery players.

Sales for Matrix games, which include Mega Millions and Megaplier, Multi-Match, Bonus Match 5, and Powerball and Power Play increased by \$37.6 million or 18.03% in 2012 as compared to 2011 which decreased by \$1.4 million or .69% as compared to 2010.

MARYLAND STATE LOTTERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Sales (continued)

Out of all of the Matrix games, Powerball, combined with Power Play showed the most significant amount of growth in 2012, increasing by \$25.1 million or 45.32% over 2011. The growth in 2012 is attributed to jackpot rolls and game changes. In 2012, jackpots for this game rolled in excess of \$100 million a total of seven times, versus six times in 2011. However, the majority of the increase can be attributed to the game changes. In January 2012, the cost of the Powerball game went from \$1 to \$2. As a result of the price increase, the starting jackpot went from \$20 million to \$40 million, the odds of winning the jackpot went down to 1:175 million from 1:195 million and the prize for matching the five white balls increased from \$200,000 to \$1 million. In 2011, Powerball, combined with Power Play increased by \$28.9 million or 100.03% in comparison to 2010. This growth was attributed to the game being offered for a full year in 2011 versus only six months in 2010.

Mega Millions, combined with Megaplier, increased by \$9.2 million or 9.09% in 2012 as compared to 2011 which decreased by \$23.7 million or 18.88% as compared to 2010. The increase in 2012 is attributed to the jackpot rolling a total of 18 times between January 27, 2012 and March 30, 2012 to set a world record jackpot of \$656 million. The decrease in Mega Millions sales in 2011 can be attributed to the lack of high jackpots in comparison to the Powerball jackpots during that same year. Players generally prefer games with higher jackpots and longer odds. During 2011, the Powerball jackpot rolled in excess of \$100 million a total of six times, whereas the Mega Millions jackpot only rolled in excess of \$100 million four times. In addition, Powerball's starting jackpot in 2011 was \$20 million dollars in comparison to the Mega Millions jackpot of \$12 million and the Powerball jackpot typically rolls at a faster rate.

Bonus Match 5 sales increased by \$478,000 or 2.23% in 2012 compared to 2011 which increased \$628,000 or 3.02% compared to 2010. Multi-Match sales increased by \$2.8 million or 9.81% in 2012 compared to 2011 which decreased by \$7.3 million or 20.66% compared to 2010. The increases/decreases in Multi-Match between the years is attributed to jackpot amounts. Multi-Match jackpots in 2012 were higher than in 2011, which were lower than in 2010.

Instant games are the second type of Lottery game offered to the public. Instant game sales increased by \$13.3 million or 2.69% in 2012 as compared to 2011 which increased \$2.7 million or .55% compared to 2010 as shown in Table 4. The increase in instant ticket sales in 2012 can be attributed to a change in the Lottery's strategy for instant ticket launches. During 2012, the Lottery increased the print run of the instant tickets and concentrated on producing more \$5 price point tickets. The majority of the growth in 2012 is in the \$5 price point tickets. The increase in instant tickets in 2011 from 2010 is primarily attributed to the growth experienced in both the \$3 and \$20 price point tickets. In 2011, the Lottery changed its strategy for its \$3 price point tickets and launched several extended play tickets. Extended play tickets, as its name implies, are designed for players who enjoy longer play games. The increase in the \$20 price point tickets can be attributed in part to the launch of the Black ticket which has been very popular throughout the industry and the Lottery's ability to offer three to five \$1 million annuitized top prizes in each of its \$20 tickets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

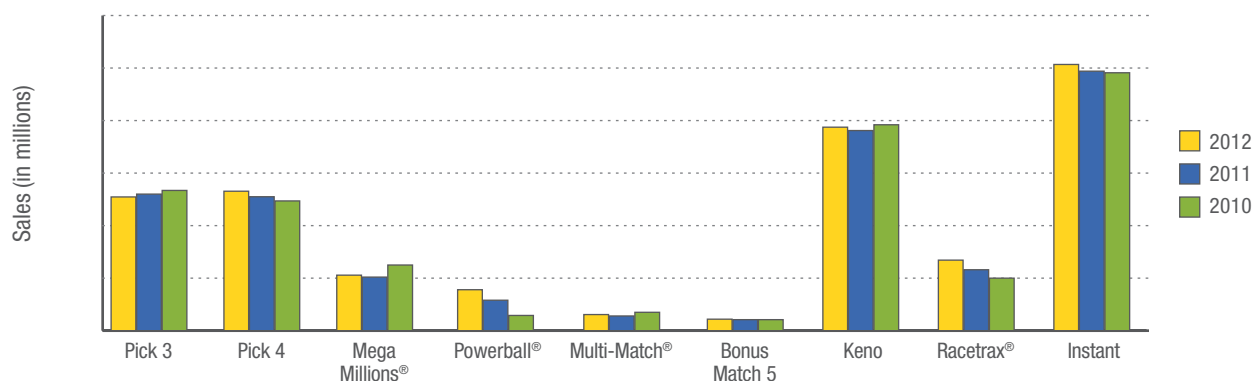
Sales (continued)

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

	2012	2011	2010
\$1	\$ 31,879	\$ 38,541	\$ 43,967
\$2	46,444	51,880	51,995
\$3	44,889	44,970	42,927
\$5	209,574	191,775	197,076
\$10	109,107	100,725	106,714
\$20	64,911	65,657	48,174
Total	\$506,804	\$493,548	\$490,853

The following graph depicts the Lottery's online and instant sales for 2012, 2011, and 2010. Keno, Keno Bonus and Keno Super Bonus sales (labeled as Keno for the chart below) have been combined as have Racetrax[®] and Racetrax[®] Bonus sales (labeled as Racetrax for the chart below) Mega Million and Megaplier (labeled as Mega Millions for the chart below) and Powerball and Power Play (labeled as Powerball for the chart below).

Sales — Fiscal Years 2012, 2011 and 2010



MARYLAND STATE LOTTERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

VLT Revenue — Gross Terminal Revenue, State Grant and Facility Applicants

VLT Revenue – Gross Terminal Revenue (GTR) represents the revenue generated by the VLTs net of prizes paid. Gross Terminal Revenue in 2012 totaled \$195.1 million, an increase of \$92.0 million or 89.17% over 2011. The increase is attributed to a full year of operation for Hollywood Casino Perryville and the Casino at Ocean Downs and the opening of Maryland Live! Casino on June 6, 2012. The following table shows statistics on the casinos.

Table 5 — Casino Statistics

Casinos	Date Opened	Number of Machines as of June 30, 2012	2012 GTR (in millions)	2011 GTR (in millions)
Hollywood Casino Perryville	September 27, 2010	1,500	\$ 118.1	\$ 82.7
Casino at Ocean Downs	January 4, 2011	800	48.0	20.4
Maryland Live! Casino	June 6, 2012	3,171	29.0	—
Total		5,471	\$ 195.1	\$ 103.1

Table 6 — VLT Revenue Disbursements (in millions)

Fund	2012	2011
Maryland Education Trust Fund (48.5%)	\$ 94.6	\$ 49.9
Casino Operators (33%)	64.4	34.0
Horse Purse Dedication (7.0%)	13.7	7.2
Local Impact Grants (5.5%)	10.7	5.7
Race Tracks Facility Renewal Accounts (2.5%)	4.9	2.6
Maryland Lottery (2.0%)	3.9	2.1
Small, Minority and Women-Owned Business (1.5%)	2.9	1.6
Total	\$ 195.1	\$ 103.1

VLT Revenue – State Grant represent funds received by the Lottery from the State of Maryland to help pay for the costs of the VLT operations. VLT Revenue State Grant increased by \$19.35 million or 201.50% in 2012 compared to 2011 which increased \$8.5 million or 757.17% compared to 2010. The increase in both 2012 and 2011 was due to the increased funding needed to pay for the maintenance, purchase and leasing of the VLTs.

Facility Applicants - represents money received by the Lottery to perform background investigations on applicants who have applied for a VLT license. License Related Fees increased by \$449,000 or 33.50% in 2012 compared to 2011 which decreased by \$2.3 million or 62.64% compared to 2010. The increase in 2012 is attributed to more license applications being received as the result of a third casino opening. The decrease in 2011 is attributed to less complex licensing investigations in 2011 than in 2010. In 2010, the majority of the investigations conducted were on the facilities that applied

VLT Revenue — Gross Terminal Revenue, State Grant and Facility Applicants (continued)

for a casino license and the VLT machine manufacturers. These types of investigations are more complex than investigations on employees working at the casinos, which represent the majority of the investigations conducted in 2012 and 2011.

Cost of Sales

Cost of sales consists of prize expense, retailer commissions, costs paid to vendors to operate and maintain the online lottery system, and costs paid for the printing and delivery of instant games. Cost of sales increased by \$40.5 million or 3.48% in 2012 compared to 2011 which decreased by \$5.1 million or .44% compared to 2010. The increase in 2012 is primarily attributed to the increase in prize expense and commissions paid to lottery retailers.

Prize expense increased by \$36.6 million or 3.56% in 2012 from 2011 which decreased by \$5.1 million or .49% as compared to 2010. The increase in 2012 is the direct result of an increase in sales. The decrease in 2011 from 2010 is primarily attributed to lower prize expense in Pick 4 and Mega Millions in 2011 than in 2010. In 2011, Pick 4 prize expense was 50% as compared to 53% in 2010. Similarly, in 2011, the prize expense for Mega Millions was 48% as compared to 50% in 2010. Prize expense for online games is impacted by the "luck of the draw". Over time, such prize payouts generally reflect the design of the game and the odds of winning.

Commissions paid to Lottery retailers increased \$4.6 million or 4.06% in 2012 compared to 2011 which increased by \$557,000 or .49% compared to 2010. The increase in 2012 is attributed to the increase in sales as commissions paid to retailers are a function of sales as retailers receive a percentage of all tickets sold at their location. The decrease in 2011 is attributed to lower overall prize expense. Commissions are also a function of prizes as retailers receive a cashing commission for all winning tickets cashed at their location.

Operating Expenses

Operating expenses increased by \$36.5 million or 41.09% in 2012 compared to 2011 which increased \$53.9 million or 153.98% compared to 2010. Fluctuations in operating expenses are primarily due to changes in the Lottery's budgetary appropriation or the timing of liquidating prior year encumbrances. While the Lottery's operating expenses and encumbrances have remained relatively stable for the past several years, the operating expenses of the VLT program increased significantly in 2012 and 2011 due to the opening of the three casinos.

Administrative Expenses – VLT increased by \$51.7 million or 110.28% in 2012 compared to 2011 which increased \$42.2 million or 895.71% compared to 2010. The majority of the increases in both 2012 and 2011 are attributed to payments made for the maintenance, lease and purchase of the VLTs and payments made to the casino operators for their share of the VLT revenue. Under the law, the casinos transfer 100% of the gross terminal revenue to the Lottery on a daily basis. The Lottery then returns 33% of the gross terminal revenue to the casinos as their share and records this as an

MARYLAND STATE LOTTERY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses (continued)

operational expense to the Lottery. During 2012 and 2011, the casinos' share of the gross terminal revenue totaled \$64.4 million and \$34 million, respectively.

Depreciation and amortization also contributed to the increase in the total operating expenses. Depreciation and amortization increased by \$3.6 million or 49.06% in 2012 compared to 2011 which increased \$5.9 million or 454.78% as compared to 2010. The increase in 2012 is attributed to a full year's worth of depreciation for the VLTs purchased in 2011 and one month of amortization for certain VLTs leased at the casino that opened in June 2012. The increase in 2011 is attributed to the depreciation recognized on the VLTs that were purchased for the two casinos in 2011.

Non-operating Expenses

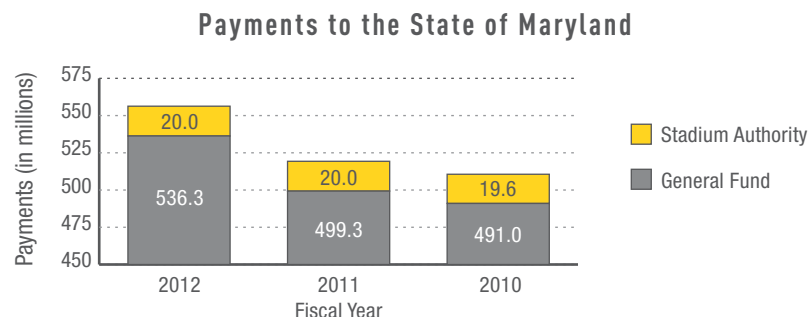
Non-operating expenses increased by \$94.7 million or 16.04% in 2012 compared to 2011 which increased \$79.1 million or 15.46% in 2011 compared to 2010. Non-operating expenses primarily consist of unrealized gains and losses on investments held to fund obligations to annuitants and payments to the State of Maryland General Fund, the Stadium Authority and Other Government Funds/Agencies.

The Lottery 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 Lottery is discussed in more detail on pages 58-60.

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

The primary increases in 2012 were payments made to the State of Maryland General Fund and Transfers to other government agencies.

Transfers to the State of Maryland totaled \$556.3 million in 2012, an increase of \$36.9 million or 7.10% compared to 2011 which increased \$8.8 million or 1.72% compared to 2010. The increase in both 2012 and 2011 resulted from an increase in sales and revenues. The graph below depicts the payments made to the State of Maryland for 2012, 2011, and 2010.



Non-operating Expenses (continued)

Payments to other government funds/agencies increased by \$61.7 million or 91.72% compared to 2011. For the VLT operations, the Lottery is required to transfer a portion of the gross terminal revenue to specified Government agencies to be used for certain purposes defined in the law. These transfers represent payment to other governmental entities and include payments to the following accounts: Horse Purse Dedication, Local Impact Grants, Race Tracks Facility Renewal, Small, Minority and Women-Owned Business, and the Maryland Lottery (to help cover its costs of operations). In addition, these transfers represent any funds returned to the State's General Fund from the Lottery's 2% of VLT revenue and payments to the Department of Health and Mental Hygiene's Problem Gambling Fund.

The increase is attributed to two casinos opened in 2012 for a full year and the third casino opened for one month in 2012 compared to only two casinos opened in 2011 for nine months and six months, respectively.

Contacting the Lottery's Financial Management

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

MARYLAND STATE LOTTERY AGENCY
STATEMENTS OF NET ASSETS

	As of June 30	
	2012	2011
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,024,180	\$ 1,984,046
Cash and cash equivalents — VLT	27,633,026	3,030,894
Cash and cash equivalents — Restricted - VLT Licensing Deposits	605,632	—
Cash and cash equivalents — Agent	125,703	166,659
Cash and cash equivalents — VLT Acquisition	—	114,782
Cash held with State Treasury	86,593,206	115,447,938
Accounts receivable	36,054,797	30,493,871
Accounts receivable — VLT	210,825	192,830
Accounts receivable — Casino Operators	5,201,275	376,202
Prepaid commissions	35,106	48,683
Current portion of investments for annuity payments	17,049,540	21,363,698
Total current assets	176,533,290	173,219,603
Non-current assets:		
Capital assets, net of accumulated depreciation and amortization	49,229,808	38,433,711
Investments for annuity payments, net of current portion	59,192,221	70,076,842
Total non-current assets	108,422,029	108,510,553
Total assets	\$ 284,955,319	\$ 281,730,156
Liabilities and Net Assets:		
Current liabilities:		
Current portion of annuity prizes payable	\$ 17,062,996	\$ 21,379,996
Current portion of employee related payables	1,473,326	1,232,838
Current portion of capital lease obligation	25,909,450	9,904,518
Current portion of long-term debt — other	—	20,773
Transfer due to State of Maryland General Fund	43,226,579	81,473,039
Transfer due to Other Government Agencies — VLT	28,222,797	8,197,727
Prize awards payable	42,818,322	45,447,457
Accounts payable and accrued expenses	3,150,247	6,883,695
Accounts payable and accrued expenses — VLT	1,589,418	235,239
VLT Licensing Deposits	396,259	—
VLT Escrow Payable	27,633,026	3,030,894
Agent Escrow Payable	125,703	166,659
Unearned revenue	2,469,684	2,880,715
Unearned revenue — VLT	214,754	—
Taxes and other liabilities	833,184	371,840
VLT Purchase Accrual	—	429,144
Total current liabilities	195,125,745	181,654,534
Non-current liabilities:		
Annuity prizes payable, net of current portion	46,796,907	58,489,780
Employee related payables, net of current portion	571,773	569,033
Capital lease obligation, net of current portion	30,303,350	34,981,921
Long-Term obligation — other	—	87,396
Total non-current liabilities	77,672,030	94,128,130
Total liabilities	\$ 272,797,775	\$ 275,782,664
Net Assets:		
Invested in capital assets, net of related debt	\$ (6,982,992)	\$ (6,881,872)
Unrestricted	19,140,536	12,829,364
Total net assets	12,157,544	5,947,492
Total liabilities and net assets	\$ 284,955,319	\$ 281,730,156

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

MARYLAND STATE LOTTERY AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Years ended June 30	
	2012	2011
Sales:		
Online games	\$ 1,288,088,749	\$ 1,220,854,256
Instant games	506,803,706	493,548,322
Total Sales	1,794,892,455	1,714,402,578
VLT Revenue — Gross Terminal Revenue	195,093,073	103,132,793
VLT Revenue — State Grant	28,959,177	9,605,152
VLT Revenue — Facility Applicants	1,791,260	1,341,779
VLT Revenue Assessment	1,708,825	—
Total Revenue	2,022,444,790	1,828,482,302
Cost of sales:		
Prize expense	1,065,653,665	1,029,040,616
Retailer commissions	118,305,427	113,687,526
Gaming vendor and data processing fees	15,480,593	16,129,925
Instant ticket printing and delivery	6,206,543	6,275,995
Total Cost of Sales	1,205,646,228	1,165,134,062
Gross Profit	816,798,562	663,348,240
Operating expenses:		
Salaries, wages and benefits	12,625,473	12,896,314
Advertising and promotions	12,592,589	13,811,939
Depreciation and amortization	10,817,070	7,256,951
Other general and administrative expenses	(9,364,073)	7,952,504
Administrative Expense — VLT	98,671,123	46,922,761
Total Operating Expenses	125,342,182	88,840,469
Income from Operations	691,456,380	574,507,771
Non-operating revenues (expenses):		
Investment revenue	5,438,482	2,058,860
Amortization of discount for annuity prize liabilities	(4,627,389)	(5,844,335)
Interest expense	(911,404)	(119,780)
Interest income	—	6,613
Payments to State of Maryland General Fund	(536,264,804)	(499,393,853)
Payments to State of Maryland Stadium Authority	(20,000,000)	(20,000,000)
Payments to Other Governmental Funds/Agencies — VLT	(128,881,213)	(67,225,143)
Total Non-Operating Revenues (expenses)	(685,246,328)	(590,517,638)
Change in Net Assets	6,210,052	(16,009,867)
Total Net Assets — Beginning of year	5,947,492	21,957,359
Total Net Assets — End of year	\$ 12,157,544	\$ 5,947,492

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

MARYLAND STATE LOTTERY AGENCY
STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2012	2011
Cash flows from operating activities:		
Receipts from customers	\$ 2,037,011,327	\$ 1,828,387,088
Payments to suppliers	(61,320,753)	(52,524,732)
Payments to employees	(12,382,245)	(12,813,268)
Payments to agents	(184,179,986)	(147,932,541)
Prize payments/awards to players	(1,067,073,409)	(1,027,847,773)
Net cash and cash equivalents provided by operating activities	712,054,934	587,268,774
Cash flows from noncapital financing activities:		
Transfers to the State of Maryland General Fund and Stadium Authority	(594,497,091)	(476,948,894)
Transfers to the State of Maryland Education Fund	—	(28,635,733)
Transfers to Other Government Funds/Agencies — VLT	(108,856,144)	(60,901,244)
Transfers from VLT Special Fund to General Fund	361,890	1,873,828
Long-term Debt in Excess of Capital Lease Equipment Acquisitions	—	108,169
Interest Income	—	6,613
Prize payments/awards	(21,379,996)	(25,001,996)
Net cash and cash equivalents used in noncapital financing activities	(724,371,341)	(589,499,257)
Cash flows from capital and related financing activities:		
Payments of capital lease obligations	(10,286,806)	(1,166,514)
Interest payments	(796,621)	(119,780)
Net cash and cash equivalents used in capital and related financing activities	(11,083,427)	(1,286,294)
Cash flows from investing activities:		
Coupon bonds purchased	(742,734)	(702,473)
Proceeds from matured annuities and bonds	21,379,996	25,001,996
Net cash and cash equivalents provided by investing activities	20,637,262	24,299,523
Net increase (decrease) in cash and cash equivalents	(2,762,572)	20,782,746
Cash and cash equivalents, beginning of year	120,744,319	99,961,573
Cash and cash equivalents, end of year	\$ 117,981,747	\$ 120,744,319
Noncash investing and financing activities:		
Acquisition of equipment through capital lease	\$ 21,613,167	\$ 40,791,831
Change in fair value of investments	\$ 811,093	\$ (3,785,475)

MARYLAND STATE LOTTERY AGENCY
STATEMENTS OF CASH FLOWS (CONTINUED)

	Years ended June 30	
	2012	2011
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 691,456,380	\$ 574,507,771
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	10,817,070	7,256,951
Deferred prize payments	742,734	702,473
Due to DHMH Problem Gambling Program	(1,708,825)	—
Effect of changes in operating assets and liabilities:		
Accounts receivable	(10,403,994)	(1,817,742)
Prepaid commissions	13,577	(13,866)
Accounts payable and accrued expenses	23,258,832	(23,135,046)
Employee related payables	243,228	83,046
Taxes and other liabilities	461,344	(646,498)
Prize awards payable	(2,629,135)	1,137,025
Unearned revenue	(196,277)	558,927
Due to other funds	—	28,635,733
Net cash and cash equivalents provided by operating activities	<u>\$ 712,054,934</u>	<u>\$ 587,268,774</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LEGISLATIVE ENACTMENT

The Maryland State Lottery Agency (the Lottery) 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 Lottery commenced operations on January 2, 1973. The Lottery 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 mandate of the Lottery 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 nine Commission members.

During the 2007 special session of the Maryland General Assembly, Chapter 4 was enacted relating to the legalization of video lottery terminals (VLTs) in the State subject to the passage of a voters' constitutional referendum. In 2008, voters approved the installation of up to 15,000 VLTs at five privately owned facilities at specified locations throughout the State. In November 2008, the Video Lottery Facility Location Commission was established to conduct a competitive bidding process to award up to five licenses to operate a video lottery facility. The Video Lottery Facility Commission is made up of seven members, three of which are appointed by the Governor, two by the Senate President and two by the House Speaker. The Lottery provides staff to this Commission for assistance in administrative tasks.

The Lottery, in conjunction with the Lottery Commission, serves as the regulator of the VLT program and is responsible for regulating the licensing of VLT operators, VLT manufacturers, employees, contractors and vendors of the VLT facilities (referred to as casinos), the purchase or lease of all VLTs, the collection and disbursement of VLT gross terminal revenue and compliance with established internal controls and technical standards.

The State of Maryland prepares a comprehensive annual financial report (CAFR). The Lottery is an enterprise fund of the State of Maryland and is included in the basic financial statements of the CAFR of the State of Maryland.

BASIS OF ACCOUNTING AND PRESENTATION

The Lottery 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. As permitted by GASB No. 20, *Accounting and*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the Lottery has elected to not adopt Financial Accounting Standard Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

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 two product lines: online games and instant games. The Lottery 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 online and instant lottery sales to the general public. For the years ended June 30, 2012 and 2011, retailers received a sales commission of 5% of net sales and a cashing commission of 3% of prizes redeemed.

Licensed Lottery agents sell online lottery tickets to the public through the use of computerized terminals. Online games include: Numbers (Pick 3 and Pick 4), Matrix (Multi-Match, Mega Millions/Megaplier, Powerball/Power Play, and Bonus Match 5), Monitors (Keno, Keno Bonus®, Keno Super Bonus, Racetrax®, and Racetrax® Bonus). Online game revenue is recognized in the month in which the related drawings are held. Revenue from the sale of tickets and commissions paid for future drawings are deferred until the drawings are held. Revenue from instant games is recognized when the retailer activates the book of tickets.

Prize obligations for online games are determined and recognized after each drawing is held. For all online games, winners are paid a certain amount depending upon the number of winners and the order of the winning numbers drawn. The Multi-Match, Mega Millions and Powerball jackpots are calculated as a percentage of total game revenue (16.22% Multi-Match, 31.80% Mega Millions and 32.53% Powerball). If there is not a jackpot winner, the prize pool is carried forward until there is a winner. The remaining Multi-Match, Mega Millions and Powerball prize levels are based on a predetermined set amount. Prize obligations are recognized monthly for instant games based on the books activated by retailers and the related prize expense based on the specific game's prize structure.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

VLT (CASINO) OPERATIONS — REVENUE RECOGNITION AND PRIZE OBLIGATIONS

As of the end of fiscal year 2012, all five casino operator licenses had been issued and three casinos had opened. The first casino opened to the public on September 27, 2010 with 1,500 VLTs and the second casino opened to the public on January 4, 2011 with 750 VLTs. In July 2011, the second casino added an additional 50 VLTs bringing its total VLTs to 800. The third casino opened on June 6, 2012 with 3,171 VLTs. This casino plans to add an additional 1,579 VLTs by the end of September 2012 to bring its total VLT count to 4,750. VLTs are a self-activated video version of lottery games which allow for a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The prize structures of these video lottery games are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expenses are netted against total video credits played. The Lottery recognizes VLT revenue as “gross terminal revenue” equivalent to all wagers, net of related prizes.

Licensed casino operators receive 33% of the gross terminal revenue to operate their casinos. Payments to the casino operators are recorded as an operating expense. The Lottery retains 2% of the gross terminal revenue to help fund the operations of the VLT program. The enabling legislation requires the Lottery to disburse the remainder of the gross terminal revenue to other State agencies, which in turn are responsible for making further distributions.

To further help fund the operations of the VLT program, the State provided grants to the Lottery during fiscal years 2012 and 2011 in the amounts of \$28,959,177 and \$9,605,152, respectively.

Administrative expenses for the VLT program are recognized as they are incurred. Other than the payments to casino operators, the majority of the expenses incurred for the VLT program are for the purchase and lease of the VLTs. For the first two casinos, the Lottery purchased the majority of the VLTs from the manufacturers. The purchase was financed through the State Treasurer’s Office and is treated as a capital lease for financial statement purposes. The remaining VLTs are leased directly from the manufacturers and have no minimum lease period. The manufacturers are paid either a daily fee or a percentage of the gross terminal revenue. The Lottery treats these payments as an administrative expense and recognizes the expense when incurred.

For the third casino, the Lottery leases all of the VLTs directly from the manufacturers. The manufacturers are paid either a fixed daily rate or a percentage of the gross terminal revenue. The majority of the leases contain a minimum lease period of either 12 or 18 months and meet the criteria for capital leases and are treated as such for financial statement purposes. For the remaining VLTs that did not meet the criteria for capital leases and the VLTs that did not contain a minimum lease period, the Lottery treats these payments as an administrative expense and recognizes the expense when incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING AND NON-OPERATING REVENUES AND EXPENSES

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

CASH AND CASH EQUIVALENTS — VLT

Cash and Cash Equivalents – VLT consists of funds deposited in escrow with a financial institution and the related interest earned. The monies deposited are primarily application fees received from VLT Facility Operator License applicants that are held in separate escrow sub accounts until the application review process is complete and the license is either awarded or denied. If the license is awarded, the monies being held are transferred to the Education Trust Fund of the State of Maryland. If the license is denied, the monies received are returned to the applicant. During fiscal year 2012, the Lottery received \$24,600,000 in application fees for the Baltimore City and Rocky Gap casino locations. During fiscal year 2011, the Lottery transferred \$28,635,733 to the State's Education Trust Fund after the Video Lottery Facility Location Commission approved the license for the casino that opened in June 2012.

Secondarily, the account is used to facilitate the receipt of other license fees that are received from applicants wanting to obtain a VLT license from the Lottery. Under the law, the Lottery is charged with issuing the following licenses: manufacturer, contractor, vendor, principal employee, gaming employee and non gaming employee. For each license, the Lottery receives the following fees: application, license and fingerprint to help cover the costs of its investigation. The total amount of the fees varies based on the type of license to be issued. Such amounts are temporarily deposited into a separate VLT Escrow sub account and are subsequently withdrawn and deposited into the VLT Special Fund account that is held by the State Treasurer. Amounts remaining in the escrow accounts are generally small at month end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS — AGENT

Cash and Cash Equivalents – Agent consists of funds deposited in escrow with a financial institution and the related interest earned. Monies deposited into the escrow accounts were received from select agents who deposited monies with the Lottery in lieu of obtaining a bond.

ACCOUNTS RECEIVABLE

Accounts Receivable represents the amounts due from Lottery retailers from the sale of Lottery tickets. The Lottery utilizes the allowance method to provide for doubtful accounts based on management's evaluation of the collectibility of accounts receivable. The Lottery 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, 2012 and 2011, management believes all accounts receivable are collectible, and, as such, no allowance for doubtful accounts has been recorded.

ACCOUNTS RECEIVABLE — VLT

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

Prior to fiscal year 2012, Accounts receivable – VLT represented the difference between all costs incurred by the Lottery to investigate and license applicants and the revenue received (e.g., fees and 2% of gross terminal revenue) to cover the cost of licensing applicants. To the extent that the monies received from all funding sources in any particular fiscal year exceeded the costs incurred, the excess funds were returned to the State.

ACCOUNTS RECEIVABLE — CASINO OPERATORS

Accounts Receivable – Casino Operators represents the amount of gross terminal revenue due from the casino operators. Gross terminal revenue is collected on a daily basis. Also included in the June 2012 balance is the amount due from the casino operators for the \$425 VLT assessment per machine that is due to the Problem Gambling Fund. Management believes that all accounts receivable are collectable, and as such, no allowance for doubtful accounts has been recorded.

CAPITAL ASSETS AND LEASEHOLD IMPROVEMENTS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Lottery and stated at fair value based on quoted market prices. Investments in annuity contracts are purchased in the name of the Lottery and stated at present value, which approximates fair value.

COMPENSATED ABSENCES

The Lottery accrues compensated absences in accordance with GASB No. 16, *Accounting for Compensated Absences*. All full-time Lottery employees except contractual employees accrue annual leave at variable rates based on the number of years employed by the State of Maryland. The maximum annual leave an employee can earn per calendar year is 25 days. At the end of each calendar year, an employee's accrued annual leave may not exceed 75 days. Accrued annual leave is included in the employee related payables in the accompanying statements of net assets. All full-time Lottery employees, except contractual employees, also accrue sick pay benefits. However, the Lottery does not record a liability for accrued sick pay benefits as neither the State of Maryland nor the Lottery 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 Lottery to transfer its revenue in excess of funds allocated to prize awards, operating expenses, and the Maryland Stadium Authority to the State of Maryland General Fund. The 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 assets.

The VLT law requires the Lottery to collect, on a daily basis, 100% of the gross terminal revenue generated by the VLTs. On a monthly basis, the Lottery transfers these funds as follows:

- A transfer of 48.5% of the gross terminal revenue is made to the State's Department of Education into the Education Trust Fund.
- A transfer of 5.5% of the gross terminal revenue is made to the State's Racing Commission into an account for local impact grants.
- A transfer of 7% of the gross terminal revenue, not to exceed a total of \$100 million annually, is made to the State's Racing Commission into the Purse Dedication Account.
- A transfer of 2.5% of the gross terminal revenue, not to exceed a total of \$40 million annually, is made to the State's Racing Commission into the Racetrack Facility Renewal Account.
- A transfer of 1.5% of the gross terminal revenue is transferred to the State's Board of Public Works into the Small, Minority, and Women-Owned Businesses Account.

MARYLAND STATE LOTTERY AGENCY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These distributions are recorded as non-operating expenses in the accompanying statements of revenues, expenses and changes in net assets.

In addition to the aforementioned transfers, the Lottery retains 2% of the gross terminal revenue to help fund the costs of operations and the casinos receive 33% of the gross terminal revenue. The Lottery returned \$361,890 of its 2% share of the gross terminal revenue to the General Fund at the end of the fiscal year. A summary of the distributions for the year ended June 30, 2012 follows:

	2012
Education Trust Fund	\$ 94,620,140
Casino Operators	64,380,714
Purse Dedication	13,656,515
Local Impact Grants	10,730,119
Race Tracks Facility Renewal	4,877,327
Maryland Lottery	3,901,862
Small, Minority and Women-Owned Businesses	2,926,396
Total	195,093,073
Maryland Lottery 2% Return to General Fund	(361,890)
Total Distribution-Net of Return	\$ 194,731,183

RESTRICTED ASSETS

State law restricts the Lottery's assets in their entirety. The Lottery's assets are not reported as restricted on the statements of net assets since the restriction created by State law is as broad as the Lottery operations.

NET ASSETS

Net assets are presented as either unrestricted or invested in capital assets, net of related debt. Net assets invested in capital assets, net of related debt, represents the difference between capital assets net of accumulated depreciation and amortization and the related capital lease obligations. Unrestricted net assets represent the net assets 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 or State of Maryland General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS

The Lottery has implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* and GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* for the fiscal year ended June 30, 2012. Implementation of these standards had no impact on the Lottery's financial position.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. All of these statements will be effective for the Lottery for fiscal year ended June 30, 2013. The Lottery is in the process of assessing the impact of these statements and will implement them as of the effective date.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections – 2012— an amendment of GASB Statement No. 10 and No. 62*. All of these statements will be effective for the Lottery for fiscal year ended June 30, 2014. The Lottery is in the process of assessing the impact of these statements and will implement them as of the effective date.

2. CASH AND CASH EQUIVALENTS

As of June 30, 2012 and June 30, 2011, the carrying amounts of deposits with financial institutions were \$31,388,541 and \$5,296,381, respectively. The corresponding bank balances were \$30,863,211 and \$4,891,452 as of June 30, 2012 and June 30, 2011, respectively.

As of June 30, 2012 and June 30, 2011, the amount on deposit with the Maryland State Treasury was \$86,593,206 and \$115,447,938, respectively. The corresponding Maryland State Treasury balances were \$16,859,587 and \$25,492,124, 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 Treasury maintains these and other Maryland State agency funds on a pooled basis in accordance with State statute. The Lottery does not obtain interest on funds deposited with the State Treasury. As of June 30, 2012 and 2011, the Lottery's deposits with the State Treasury were less than 2% of the total deposits with the State Treasury.

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the Lottery's deposits will not be returned to it. The Lottery'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

2. CASH AND CASH EQUIVALENTS (CONTINUED)

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.

Federal depository insurance covers a portion of the Lottery's deposits with a financial institution, and the remaining balance is collateralized with securities that are held by the State of Maryland's agent in the State's name. These deposits are invested in overnight repurchase agreements. As of June 30, 2012 and 2011, the collateral for the repurchase agreements were Federal National Mortgage Association (FNMA) Mortgage-Backed Securities which are not rated; however, the amount of collateral meets or exceeds the deposit insurance.

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. More than 5% of government fund investments are in the FNMA and the Federal Home Loan Mortgage Corporation. As of June 30, 2012, these investments are 40.54% and 46.35% of the State of Maryland's internal investment pool total investments, respectively.

3. INVESTMENTS

UNITED STATES GOVERNMENT TREASURY BONDS

It is the Lottery'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 Lottery to hold these investments to maturity. The investment maturities approximate the annuity prizes payable installment due dates.

The Lottery has purchased long-term investments to fund jackpot and lifetime prize awards. The majority of these investments are United States Government Treasury Bonds, which carry a yield to maturity of approximately .321% to 8.4%. As of June 30, 2012 and June 30, 2011, the Lottery's United States Government Treasury Bonds totaled \$75,972,649 and \$91,131,707, 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 assets, and the related unrealized gains (losses)

3. INVESTMENTS (CONTINUED)

and interest income are recorded as investment revenue (loss) on the accompanying statements of revenues, expenses, and changes in net assets.

Through the State securities lending program, authorized under section 2-603 of the State's Finance and Procurement Article of the Annotated Code of Maryland, the State Treasurer's Office lends United States Government securities to broker-dealers and other entities (borrowers). As of June 30, 2012 and June 30, 2011, Lottery United States Government Treasury Bonds totaling \$59,688,802 and \$74,400,588, respectively, were lent as part of this program. The State Treasurer's Office controls the program and authorizes all transactions. The State's (and Lottery's) custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities by the next business day if the aggregate value of the collateral falls to less than 100% of the market value of the securities lent against the collateral. Cash collateral is initially pledged at greater than the market value of the securities.

At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2012 and 2011, the related collateral for the Lottery securities lent totaled \$60,940,096 and \$75,996,161, respectively, resulting in 102.1% as of June 30, 2012 and 2011 of collateralization of the fair value of the Lottery securities lent. The benefit of collateral received or income earned is not passed onto the Lottery and therefore not reflected in the Lottery's financial statements.

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of the lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. The State's custodial bank is obligated to indemnify the State against liability for any suits, actions, or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State. The State did not experience any losses on their securities lending transactions for the years ended June 30, 2012 and 2011.

ANNUITY CONTRACTS

Certain investments are held in annuity contracts that return guaranteed interest ranging from 7.6% to 12.1%. As of June 30, 2012 and June 30, 2011, the annuity contracts totaled \$269,112 and \$308,833, respectively. The annuity contracts were purchased in 1976 to satisfy the Lottery'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.

MARYLAND STATE LOTTERY AGENCY
NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

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 Lottery is not subject to interest rate risk because it is the Lottery's policy to hold the investments until maturity, unless an annuitant through a court order forces the sale of an investment to settle the Lottery's obligation to the annuitant at which time the annuitant would be paid the proceeds received from the sale of the investments.

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

As of June 30, 2012, the Lottery 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	\$75,972,649	1	99.6%	\$16,998,433	\$35,627,323	\$15,153,372	\$8,193,521	\$ –
Annuity Contracts	269,112	2	.4%	51,107	164,187	35,079	18,739	–
Total Investments	\$76,241,761		100.0%	\$17,049,540	\$35,791,510	\$15,188,451	\$8,212,260	\$ –

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.

MARYLAND STATE LOTTERY AGENCY
NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

A summary of capital asset activity for the years ended June 30, 2012 and 2011 is as follows:

	2011	Increases	Decreases	2012
Capital Assets				
Machinery and Equipment	\$48,513,767	\$ 21,613,167	\$ —	\$70,126,934
Leasehold Improvements	613,240	—	—	613,240
Total Capital Assets	49,127,007	21,613,167	—	70,740,174
Less Accumulated Depreciation and Amortization				
Machinery and Equipment	10,166,930	10,755,745	—	20,922,675
Leasehold Improvements	526,366	61,325	—	587,691
Total Accumulated Depreciation and Amortization	10,693,296	10,817,070	—	21,510,366
Net Capital Assets	<u>\$38,433,711</u>	<u>\$ 10,796,097</u>	<u>\$ —</u>	<u>\$ 49,229,808</u>
	2010	Increases	Decreases	2011
Capital Assets				
Machinery and Equipment	\$ 7,292,793	\$41,220,974	\$ —	\$ 48,513,767
Leasehold Improvements	613,240	—	—	613,240
Total Capital Assets	7,906,033	41,220,974	—	49,127,007
Less Accumulated Depreciation and Amortization				
Machinery and Equipment	2,971,304	7,195,626	—	10,166,930
Leasehold Improvements	456,041	61,325	—	526,366
Total Accumulated Depreciation and Amortization	3,436,345	7,256,951	—	10,693,296
Net Capital Assets	<u>\$ 4,469,688</u>	<u>\$ 33,964,023</u>	<u>\$ —</u>	<u>\$ 38,433,711</u>

MARYLAND STATE LOTTERY AGENCY
NOTES TO FINANCIAL STATEMENTS

5. ANNUITY PRIZE OBLIGATIONS

The Lottery 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:

Fiscal Year	Principal	Interest	Total
2013	\$ 16,453,027	\$ 609,969	\$ 17,062,996
2014	12,491,114	1,302,882	13,793,996
2015	9,151,498	1,555,498	10,706,996
2016	5,873,031	1,419,128	7,292,159
2017	3,427,889	1,008,103	4,435,992
2018-2022	10,926,136	5,939,169	16,865,305
2023-2027	4,784,226	4,441,754	9,225,980
2028-2031	752,982	909,039	1,662,021
Total	<u>\$ 63,859,903</u>	<u>\$17,185,542</u>	<u>\$ 81,045,445</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 Lottery has purchased United States Government Treasury Bonds and annuity contracts that fully fund these obligations.

Long-term liability activity of annuity prize payments for the years ended June 30, 2012 and 2011 was as follows:

Fiscal Year Ending	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
June 30, 2012	\$ 79,869,776	\$ 5,370,123	\$ 21,379,996	\$ 63,859,903	\$ 17,062,996
June 30, 2011	\$ 98,324,961	\$ 6,546,811	\$ 25,001,996	\$ 79,869,776	\$ 21,379,996

MARYLAND STATE LOTTERY AGENCY
NOTES TO FINANCIAL STATEMENTS

6. EMPLOYEE RELATED PAYABLES

Changes in long-term employee related payables were as follows for the years ended June 30, 2012 and 2011. 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 assets, which also includes salaries payable in the amount of \$749,766 and \$544,020 as of June 30, 2012 and 2011, respectively.

	2012		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 1,071,930	\$ 185,921	\$ 1,257,851
Additions	798,075	(28,374)	769,701
Reductions	(726,672)	(5,547)	(732,219)
Ending Balance	<u>\$ 1,143,333</u>	<u>\$ 152,000</u>	<u>\$ 1,295,333</u>
Amount Due Within One Year	\$ 700,000	\$ 23,560	\$ 723,560
Non-Current Portion	443,333	128,440	571,773
	<u>\$ 1,143,333</u>	<u>\$ 152,000</u>	<u>\$ 1,295,333</u>

	2011		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 1,002,532	\$ 206,056	\$ 1,208,588
Additions	727,556	1,129	728,685
Reductions	(658,158)	(21,264)	(679,422)
Ending Balance	<u>\$ 1,071,930</u>	<u>\$ 185,921</u>	<u>\$ 1,257,851</u>
Amount Due Within One Year	\$ 660,000	\$ 28,818	\$ 688,818
Non-Current Portion	411,930	157,103	569,033
	<u>\$ 1,071,930</u>	<u>\$ 185,921</u>	<u>\$ 1,257,851</u>

MARYLAND STATE LOTTERY AGENCY
NOTES TO FINANCIAL STATEMENTS

7. COMMITMENTS AND CONTINGENCIES

LEASES

The Lottery leases office space, warehouse facilities, and online and instant product equipment over periods extending through July 2023. Rent expense for each of the years ended June 30, 2012 and 2011 totaled \$650,323 and \$737,827, respectively. Certain leases contain a bargain purchase option and are accounted for as capital leases.

The assets acquired under capital leases include:

	June 30, 2012	June 30, 2011
Machinery and Equipment	\$ 68,286,448	\$ 46,673,282
Accumulated Amortization	(18,425,506)	(8,765,007)
	<u>\$48,860,942</u>	<u>\$ 37,908,275</u>

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

Year Ending June 30:	Operating Leases	Capital Leases
2013	\$ 723,846	\$ 25,909,450
2014	752,800	14,110,640
2015	782,912	9,286,893
2016	814,228	8,679,860
2017	846,798	—
2018	880,669	—
2019	915,897	—
2020	952,532	—
2021	990,633	—
2022	1,030,259	—
2023	530,533	—
Total	\$ 9,221,107	\$ 57,986,843
Less amount representing interest		1,774,043
Present value of minimum lease payments		56,212,800
Less current maturities		25,909,450
Long-term portion of capital lease obligations		<u>\$ 30,303,350</u>

MARYLAND STATE LOTTERY AGENCY
NOTES TO FINANCIAL STATEMENTS

7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

	2012	2011
Beginning Balance	\$ 44,886,439	\$ 5,261,122
Acquisitions	21,613,167	40,791,831
Payments	(10,286,806)	(1,166,514)
Ending Balance	<u>\$ 56,212,800</u>	<u>\$ 44,886,439</u>

CONTRACTS

As of June 30, 2012, the Lottery has entered into various contracts totaling approximately \$517,559,505 for services to be rendered. These services relate principally to the operation of, and advertising for, the Lottery's games and the operation of the VLT program.

8. PARTICIPATION IN MULTI-STATE GAMES — MEGA MILLIONS® AND POWERBALL®

The Lottery is a member of the multi-state game Mega Millions. Mega Millions is a lottery game conducted as a cooperative venture by 12 states: Georgia, Illinois, Massachusetts, Michigan, New Jersey, New York, Ohio, Texas, Virginia, Washington, California, and Maryland. Effective January 31, 2010, 22 Powerball states and Washington D.C. began selling the Mega Millions game. Also on January 31, 2010, the Lottery began selling the Powerball game. Powerball is a lottery game currently sold in 41 states, Washington D.C. and the US Virgin Islands. The Mega Millions states have agreed to a common set of game rules for both Mega Millions and Powerball and share in a common prize pool for each game. The prize pools are shared on a percent of sales basis. Game accounting is conducted after each semi-weekly drawing. Settlements between the states occur after each jackpot win and annually for all other prizes, unless a state's non-jackpot prize settlement amount exceeds \$1,500,000, at which time the states conduct a mid-year settlement. Settlements occur annually for unclaimed non-jackpot prizes and after the claiming period has expired for unclaimed jackpot prizes.

9. RETIREMENT BENEFITS

The Lottery 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 Lottery's only obligation to the System is its required annual contribution. The System is administered by a Board of Trustees in accordance with State Personnel and the Pension Article of the Annotated Code of Maryland. The System prepares a separately audited CAFR, which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202.

9. RETIREMENT BENEFITS (CONTINUED)

PLAN DESCRIPTIONS

Lottery 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. Changes were made to the Pension Plan that impact both existing members and new hires on or after July 1, 2011 differently. These changes are described in more detail below.

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

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

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

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

9. 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 Lottery'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 Employees' Pension System are required to contribute 7% of earnable compensation.

The Lottery contributions, which equal 100% of the required contributions, for the three years ended June 30, 2012, 2011, and 2010 are as follows:

	2012	2011	2010
Lottery contribution	\$1,222,917	\$1,139,690	\$ 899,000
Percentage of payroll	7.91%	7.88%	7.00%

10. OTHER POST-EMPLOYMENT BENEFITS

Members of the State Retirement and Pension Systems and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (Plan). The Plan is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees, and their dependents. A separate valuation is not performed for the Lottery. The Lottery's only obligation to the Plan is its required annual contribution.

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

PLAN DESCRIPTION

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

10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

FUNDING POLICY

Beginning in fiscal year 2008, State law requires the State's Department of Budget and Management to transfer any subsidy received as a result of the Federal Medicare Prescription Drug Improvement and Modernization Act of 2003 or similar subsidy to the OPEB Trust to prefund OPEB benefits. To further prefund benefits, during fiscal year 2008, the State transferred funds from the State Reserve Fund Dedicated Purpose Account. Additionally, the State is required by law to provide funding each year for the Plan for the State's share of the pay-as-you-go amount necessary to provide current benefits to active and retired employees and their dependents. Funds may also be separately appropriated in the State's budget for transfer to the OPEB Trust.

Based on current practice, the State subsidizes approximately 50% to 85% of covered medical, dental, prescription, and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for postemployment health care benefits, which is based on health care insurance charges for current employees. Costs for post retirement benefits are for State of Maryland retirees. The State does not distinguish employees by employer/State agency. Instead, the State allocates the postemployment health care costs to all participating employers. The cost of these benefits is expensed when paid. For the years ended June 30, 2012 and June 30, 2011, the State did not allocate postemployment health care costs to participating employers and as a result no contribution was made by the Lottery.

11. RISK MANAGEMENT

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

To minimize risks associated with game liabilities, the Lottery 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.

MARYLAND STATE LOTTERY AGENCY
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS —
BUDGET AND ACTUAL**

	For the Year ended June 30, 2012			
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Budget over (under)
Revenues:				
Cash Revenue Receipts from all Sources	\$ 1,625,670,499	\$1,626,107,228	\$2,037,011,327	\$ 410,904,099
Expenditures and encumbrances:				
Gaming Vendor and Information Technology Fees	16,494,625	16,494,625	17,296,892	802,267
Instant Ticket Printing and Delivery	6,841,519	6,841,519	6,206,543	(634,976)
Salaries, Wages and Benefits	13,319,698	13,345,196	12,858,273	(486,923)
Advertising and Promotions	12,399,990	12,399,990	12,129,677	(270,313)
Other General and Administrative Expenses	4,836,469	4,827,977	4,727,723	(100,254)
VLT Special Fund	139,758,900	139,765,356	69,711,945	(70,053,411)
VLT General Fund	29,362,923	29,333,575	28,614,996	(718,579)
Reversions — VLT Special Fund	—	(69,553,411)	—	69,553,411
Reversions — VLT General Fund	—	(374,398)	—	374,398
Reversions — Lottery	—	(52,680)	—	52,680
Total expenditures and encumbrances	223,014,124	153,027,749	151,546,049	(1,481,700)
Excess of Revenues over (under) expenditures	1,402,656,375	1,473,079,479	1,885,465,278	412,385,799
Other Sources (uses) of financial resources:				
Transfers in (out):				
State of Maryland Stadium Authority	(20,000,000)	(20,000,000)	(20,000,000)	—
State of Maryland General Fund	(503,549,000)	(502,693,000)	(536,264,804)	(33,571,804)
Other Government Agencies/Funds — VLT	—	—	(128,881,213)	(128,881,213)
Excess of revenues over expenditures and other sources of financial resources	\$ 879,107,375	\$ 950,386,479	\$1,200,319,261	\$ 249,932,782
Change in Net Assets	\$ 6,210,052			
Non-budgetary expenditures:				
Prize Expense	\$ 1,065,653,665			
Retailer Commissions	118,305,427			
Depreciation and Amortization	10,817,070			
Bad Debt	153,240			
Accounting principle differences:				
Accounts Receivable	(10,403,994)			
Unearned Revenue	(196,277)			
Increase in Fair Value of Investments	(5,438,482)			
Amortization of Discount Prize Liabilities	4,627,389			
Compensated absences	71,403			
Workers' Compensation	(34,000)			
Due to other funds	—			
Capital lease payments and related interest	(14,613,040)			
Cash received for VLT/agents	25,166,808			
Excess of Revenues over Expenses	\$ 1,200,319,261			

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 Lottery prepares its annual budget and submits it to the Governor. The Governor then presents the State's annual budget (including the Lottery's) to the General Assembly in accordance with Constitutional requirements. The General Assembly is required to then enact a balanced budget.

The Maryland Lottery'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;
- 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 Maryland Lottery maintains budgetary control by not permitting the total expenditures to exceed appropriations without executive and legislative branch approval.

**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 State Lottery Agency:

We have audited the financial statements of the Maryland State Lottery Agency (an agency of the State of Maryland) (the Lottery), as of and for the year ended June 30, 2012 and have issued our report thereon dated September 29, 2012. 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*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Maryland State Lottery Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Lottery's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lottery's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Maryland State Lottery 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*.

We noted certain matters that we reported to management of the Maryland State Lottery Agency, in a separate letter dated September 29, 2012.

This report is intended solely for the information and use of the management of the Maryland State Lottery Agency and the State of Maryland and is not intended to be and should not be used by anyone other than these specified parties.

Stout, Causey & Horning, P.A.

September 29, 2012



STATISTICAL SECTION

IN FISCAL YEAR 2012, THE MARYLAND STATE LOTTERY CONTRIBUTED \$556.3 MILLION IN REVENUE TO THE STATE OF MARYLAND, AN INCREASE OF ALMOST \$36.9 MILLION OVER THE LAST FISCAL YEAR. SINCE ITS INCEPTION IN 1973, THE LOTTERY HAS CONTRIBUTED MORE THAN \$12.8 BILLION TO THE STATE, WHICH IS USED TO SUPPORT IMPORTANT PROGRAMS, INCLUDING EDUCATION, PUBLIC HEALTH, PUBLIC SAFETY AND ENVIRONMENT.

MARYLAND STATE LOTTERY AGENCY
STATISTICAL INFORMATION SECTIONS

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

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FINANCIAL TRENDS	75
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These schedules contain trend information to help readers understand how the Lottery's financial performance and position have changed over time. The information presented includes changes in net assets, sales and contribution/transfer data specific to the Lottery as well as the lottery industry as a whole.

REVENUE CAPACITY	89
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These schedules contain information to help readers assess the Lottery's most significant revenue sources. The Lottery's statewide retailer network determines the market exposure for the Lottery's games.

DEBT CAPACITY	99
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This schedule presents information to help readers assess the Lottery's debt burden and the Lottery's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION	100
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These schedules offer demographic and economic indicators to help readers understand the environment within which the Lottery operates.

OPERATING INFORMATION	101
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These schedules contain information about the Lottery's organization and efficiency.

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

MARYLAND STATE LOTTERY AGENCY
NET ASSETS AND CHANGES IN NET ASSETS – FISCAL YEARS 2003 THROUGH 2012

NET ASSETS BY COMPONENT – FISCAL YEARS 2003 THROUGH 2012

FISCAL YEAR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Invested in capital assets, net of related debt	\$ 758,018	\$ 376,882	\$ 436,229	\$ 292,874	\$ 341,314	\$ 189,292	\$ 29,504	\$ (791,434)	\$ (6,881,872)	\$ (6,982,992)
Unrestricted	3,268,380	43,845,534	44,909,438	26,719,381	13,830,745	28,739,711	27,343,816	22,748,793	12,829,364	19,140,536
Total net assets	\$ 4,026,398	\$ 44,222,416	\$ 45,345,667	\$ 27,012,255	\$ 14,172,059	\$ 28,929,003	\$ 27,373,320	\$ 21,957,359	\$ 5,947,492	\$ 12,157,544

CHANGE IN NET ASSETS – FISCAL YEARS 2003 THROUGH 2012

OPERATING REVENUES:										
Numbers games	\$ 500,378,009	\$ 499,968,605	\$ 521,555,497	\$ 534,578,721	\$ 531,992,424	\$ 509,185,489	\$ 525,522,017	\$ 513,618,529	\$ 515,463,163	\$ 520,134,881
Monitor games	377,419,953	389,796,257	417,458,505	436,527,806	462,551,365	460,795,521	483,177,817	491,999,734	496,730,733	521,672,673
Matrix games	127,783,484	147,728,145	155,750,154	174,467,430	151,186,911	184,017,335	182,317,198	210,101,223	208,660,360	246,281,195
Instant games	316,657,091	355,016,755	390,968,694	415,331,827	425,085,365	513,859,583	507,057,024	490,853,089	493,548,322	506,803,706
Raffle games	—	—	—	—	6,495,000	5,180,800	—	—	—	—
Other games	—	2,898,696	—	—	—	—	—	—	—	—
Total sales	1,322,238,537	1,395,408,458	1,485,732,850	1,560,905,784	1,577,311,065	1,673,038,728	1,698,074,056	1,706,572,575	1,714,402,578	1,794,892,455
VLT Gross Terminal Revenue	—	—	—	—	—	—	—	—	103,132,793	195,093,073
VLT Revenue — State Grant	—	—	—	—	—	—	185,724	1,120,566	9,605,152	28,959,177
VLT Revenue — Facility Applicants	—	—	—	—	—	—	896,234	3,591,922	1,341,779	1,791,260
VLT Machine Assessment	—	—	—	—	—	—	—	—	—	1,708,825
Total operating revenues	1,322,238,537	1,395,408,458	1,485,732,850	1,560,905,784	1,577,311,065	1,673,038,728	1,699,156,014	1,711,285,063	1,828,482,302	2,022,444,790

COST OF SALES:

Prize expense	743,416,525	786,801,576	856,231,700	904,077,713	927,009,794	956,887,051	1,025,901,163	1,034,157,126	1,029,040,616	1,065,653,665
Retailer commissions	87,118,213	91,298,325	97,592,346	102,704,705	112,187,831	117,824,367	121,888,107	113,130,686	113,687,526	118,305,427
Gaming vendor and data processing fees	14,261,693	14,576,720	15,243,781	15,638,778	14,778,613	15,615,384	15,975,142	16,201,910	16,129,925	15,480,593
Instant ticket printing and delivery	5,677,449	6,810,615	4,938,585	6,199,964	5,261,387	6,910,073	6,621,144	6,784,297	6,275,995	6,206,543
Total cost of sales	850,473,880	899,487,236	974,006,412	1,028,621,160	1,059,237,625	1,097,236,875	1,170,385,556	1,170,274,019	1,165,134,062	1,205,646,228

OPERATING EXPENSES:

Salaries, wages and benefits	10,351,706	10,275,844	10,583,585	11,402,287	12,355,212	12,224,124	12,981,499	12,870,370	12,896,314	12,625,473
Advertising and promotions	16,907,207	14,013,399	14,889,419	15,859,308	18,332,963	19,805,039	19,036,583	13,767,713	13,811,939	12,592,589
Other general and administrative expenses	4,487,413	4,261,383	4,205,133	4,807,627	3,447,049	3,663,424	3,019,878	2,320,982	7,952,504	(9,364,073)
Administrative expense — VLT	—	—	—	—	—	—	1,081,958	4,712,488	46,922,761	98,671,123
Depreciation and amortization	1,830,956	1,623,609	1,500,135	560,257	657,431	627,947	649,441	1,308,073	7,256,951	10,817,070
Total operating expenses	33,577,282	30,174,235	31,178,272	32,629,479	34,792,655	36,320,534	36,769,359	34,979,626	88,840,469	125,342,182

NON-OPERATING REVENUES (EXPENSES):

Unrealized gains (losses) on investments	—	(25,411,268)	(2,236,689)	(16,973,874)	(1,966,256)	4,709,628	(334,042)	(782,726)	(3,785,475)	(811,093)
Cumulative effect of change in accounting principles (1)	2,333,496	58,351,461	—	—	—	—	—	—	—	—
Interest income (expense)	(179,456)	(118,156)	(89,863)	(44,066)	(35,452)	(30,449)	(16,480)	(56,021)	(113,167)	(911,404)
Payments to State of Maryland	(444,896,934)	(458,373,006)	(477,098,363)	(500,970,617)	(494,119,273)	(529,403,554)	(493,206,260)	(510,608,632)	(519,393,853)	(556,264,804)
Payments to other Government Funds/Agencies — VLT	—	—	—	—	—	—	—	—	(67,225,143)	(128,881,213)
Total non-operating revenues (expenses)	(442,742,894)	(425,550,969)	(479,424,915)	(517,988,557)	(496,120,981)	(524,724,375)	(493,556,782)	(511,447,379)	(590,517,638)	(685,246,328)

CHANGES IN NET ASSETS:

Total net assets, beginning of year:	(4,555,519)	40,196,018	1,123,251	(18,333,412)	(12,840,196)	14,756,944	(1,555,683)	(5,415,961)	(16,009,867)	6,210,052
Total net assets, end of year:	\$ 4,026,398	\$ 44,222,416	\$ 45,345,667	\$ 27,012,255	\$ 14,172,059	\$ 28,929,003	\$ 27,373,320	\$ 21,957,359	\$ 5,947,492	\$ 12,157,544

(1) The Lottery changed its treatment of costs associated with printing instant tickets in fiscal year 2004. Previously, these costs were expensed as incurred. In fiscal year 2005, the Lottery changed its method of accounting for investments held to fund annuity prizes payable. These investments are reported at their fair value as permitted by GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The cumulative effect of the applicable adjustments are reflected in the preceding fiscal year.

MARYLAND STATE LOTTERY AGENCY **SALES – FISCAL YEARS 2003 THROUGH 2012**

SALES BY CATEGORY AND GAME

FISCAL YEAR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NUMBERS:										
Pick 3	\$ 296,702,479	\$ 290,754,971	\$ 296,102,946	\$ 298,075,249	\$ 291,917,229	\$ 274,291,763	\$ 276,347,705	\$ 266,948,839	\$ 260,815,333	\$ 254,590,816
Pick 4	203,675,530	209,213,634	225,452,551	236,503,472	240,075,195	234,893,726	249,174,312	246,669,690	254,647,830	265,544,065
Numbers Total	500,378,009	499,968,605	521,555,497	534,578,721	531,992,424	509,185,489	525,522,017	513,618,529	515,463,163	520,134,881
MONITOR:										
Keno	265,922,974	268,308,259	279,934,456	287,249,705	268,132,183	248,684,056	247,910,424	206,957,090	202,589,646	203,853,846
Keno Bonus®	111,496,979	121,487,998	136,579,121	149,009,769	144,546,887	137,893,276	134,361,213	48,713,189	45,186,127	43,746,000
Keno Super Bonus™	-	-	-	-	-	-	11,910,933	136,129,031	132,789,271	139,808,393
Racetrax®	-	-	944,928	268,332	49,844,937	72,876,083	88,511,360	90,826,725	102,471,436	117,329,306
Racetrax® Bonus	-	-	-	-	-	-	-	9,373,699	13,694,253	16,935,128
Maryland Hold 'Em	-	-	-	-	27,358	1,342,106	463,887	-	-	-
Monitor Total	377,419,953	389,796,257	417,458,505	436,527,806	462,551,365	460,795,521	483,177,817	491,999,734	496,730,733	521,672,673
MATRIX:										
Mega Millions®	69,153,072	90,312,228	99,737,552	116,249,659	98,191,153	129,402,134	125,960,400	125,262,563	98,654,558	105,655,325
Megaplier®	-	-	-	-	-	-	-	-	2,959,179	5,191,647
Lotto	34,178,932	36,179,993	34,096,337	19,975,438	-	-	-	-	-	-
Multi-Match®	-	-	-	15,816,995	30,116,058	31,200,692	32,896,776	35,226,810	27,949,729	30,709,705
Bonus Match 5	21,250,620	21,235,924	21,916,265	22,425,338	22,879,700	23,414,509	23,460,022	20,761,956	21,389,572	21,867,458
Powerball®	-	-	-	-	-	-	-	26,512,016	52,734,546	78,014,723
Power Play®	-	-	-	-	-	-	-	2,337,878	4,972,776	4,842,337
Cash In Hand	3,200,860	-	-	-	-	-	-	-	-	-
Matrix Total	127,783,484	147,728,145	155,750,154	174,467,430	151,186,911	184,017,335	182,317,198	210,101,223	208,660,360	246,281,195
INSTANT:	316,657,091	355,016,755	390,968,694	415,331,827	425,085,365	513,859,583	507,057,024	490,853,089	493,548,322	506,803,706
RAFFLE:	-	-	-	-	6,495,000	5,180,800	-	-	-	-
OTHER:	-	2,898,696	-	-	-	-	-	-	-	-
TOTAL SALES:	\$ 1,322,238,537	\$ 1,395,408,458	\$ 1,485,732,850	\$ 1,560,905,784	\$ 1,577,311,065	\$ 1,673,038,728	\$ 1,698,074,056	\$ 1,706,572,575	\$ 1,714,402,578	\$ 1,794,892,455

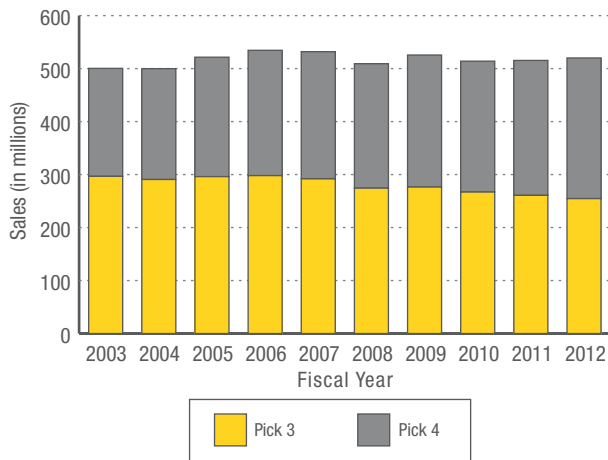
PRODUCT MIX BY CATEGORY

FISCAL YEAR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Numbers Games	37.84%	35.83%	35.10%	34.25%	33.73%	30.44%	30.95%	30.10%	30.07%	28.98%
Monitor Games	28.54%	27.93%	28.10%	27.96%	29.33%	27.54%	28.45%	28.83%	28.97%	29.06%
Matrix Games	9.67%	10.59%	10.48%	11.18%	9.58%	11.00%	10.74%	12.31%	12.17%	13.72%
Instant Games	23.95%	25.44%	26.32%	26.61%	26.95%	30.71%	29.86%	28.76%	28.79%	28.24%
Raffle Games	0.00%	0.00%	0.00%	0.00%	0.41%	0.31%	0.00%	0.00%	0.00%	0.00%
Other Games	0.00%	0.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

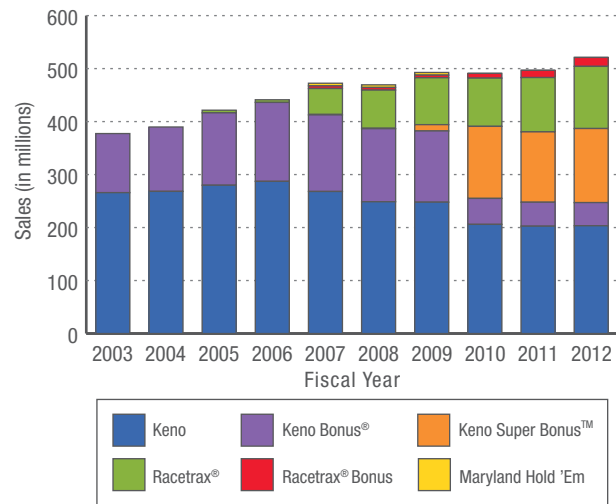
MARYLAND STATE LOTTERY AGENCY

SALES – FISCAL YEARS 2003 THROUGH 2012 (CONTINUED)

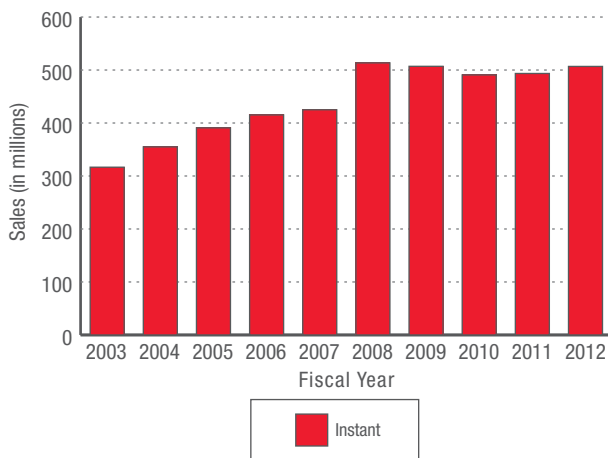
NUMBERS GAMES



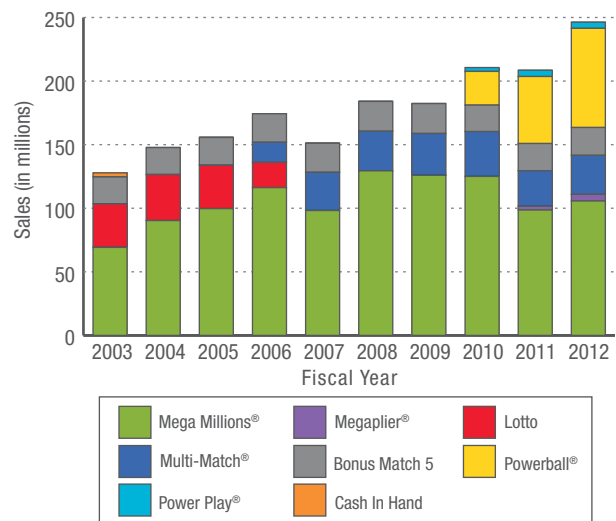
MONITOR GAMES



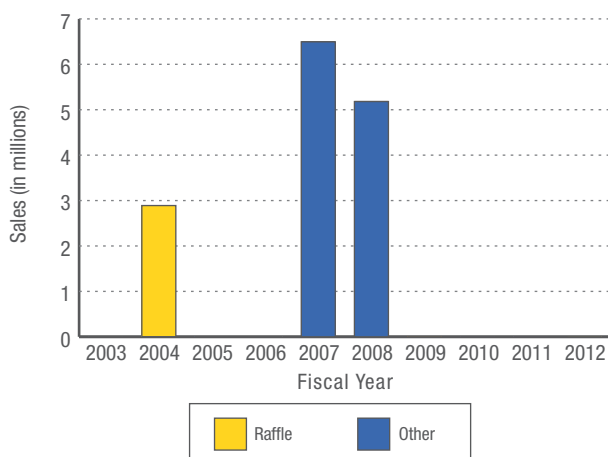
INSTANT GAMES



MATRIX GAMES

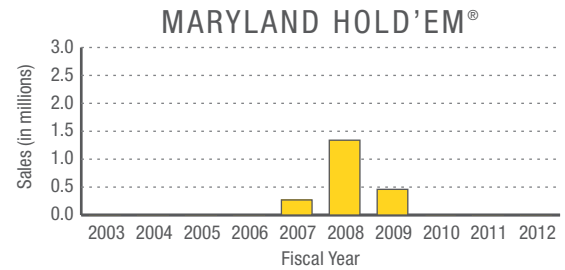
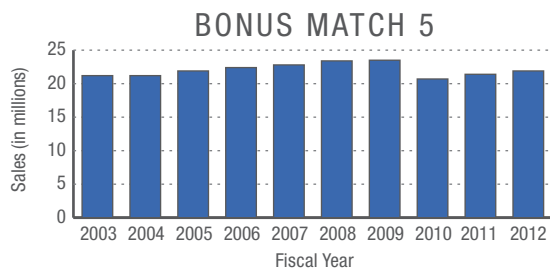
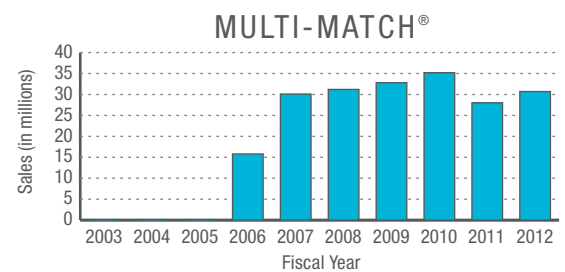
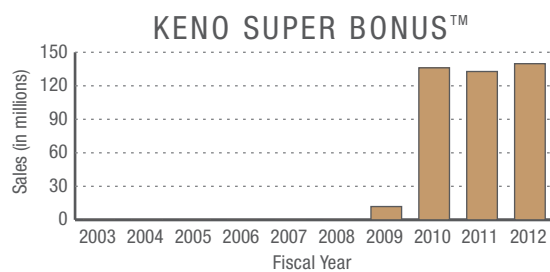
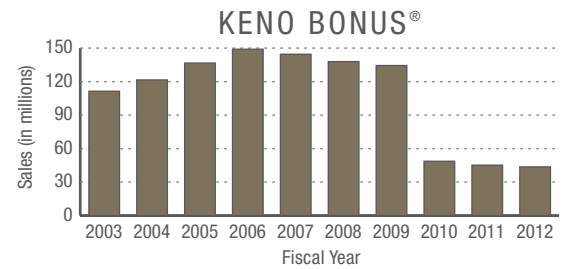
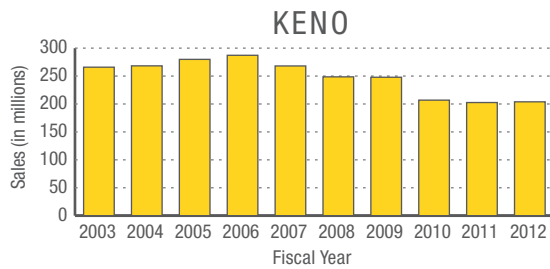
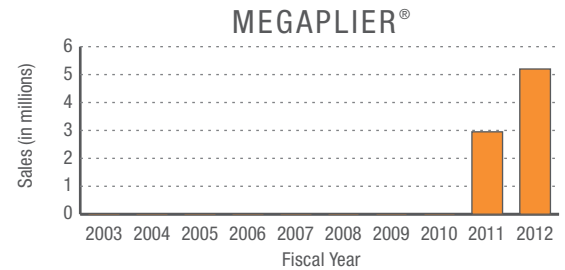
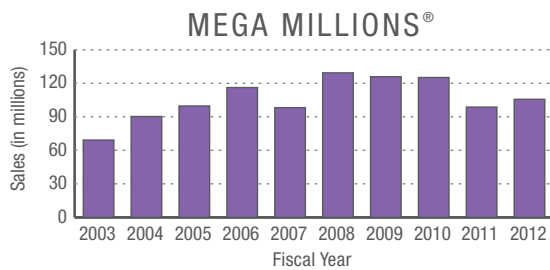
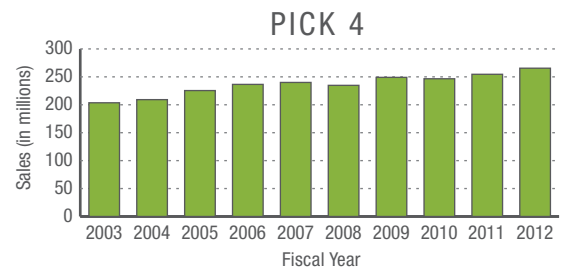
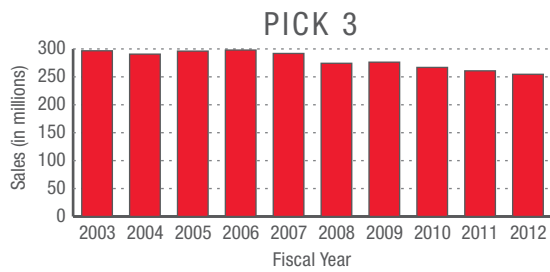


OTHER GAMES



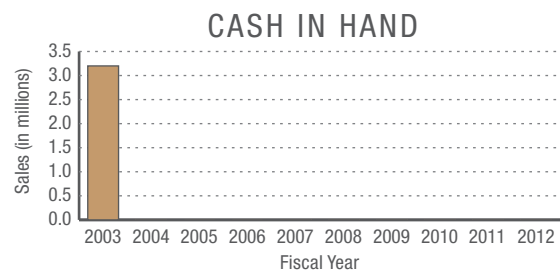
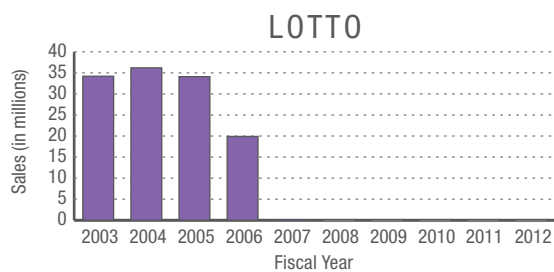
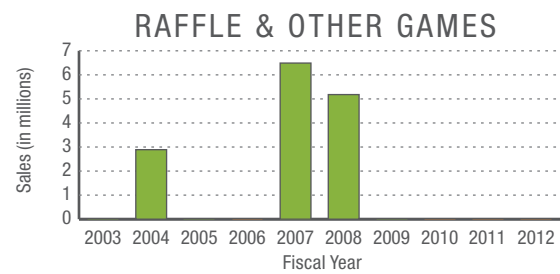
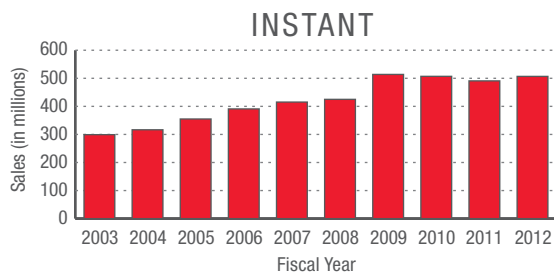
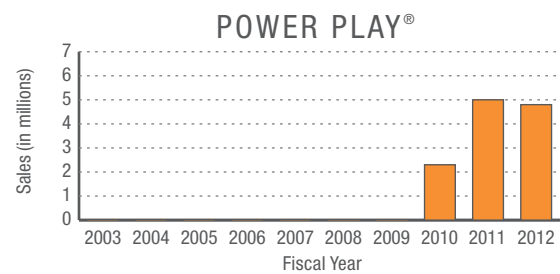
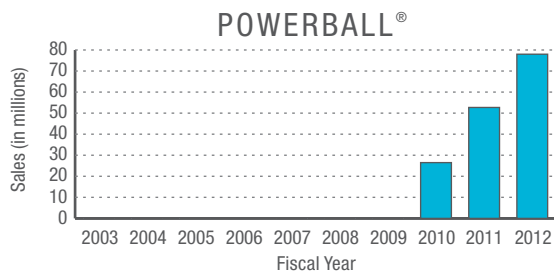
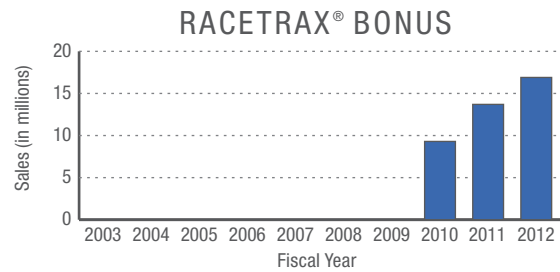
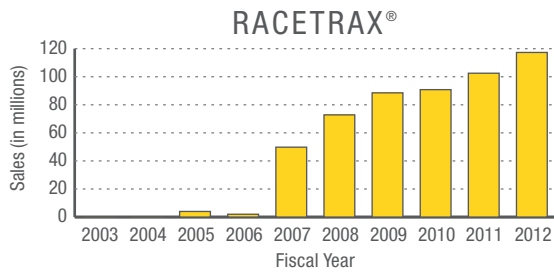
MARYLAND STATE LOTTERY AGENCY

SALES – FISCAL YEARS 2003 THROUGH 2012 (CONTINUED)



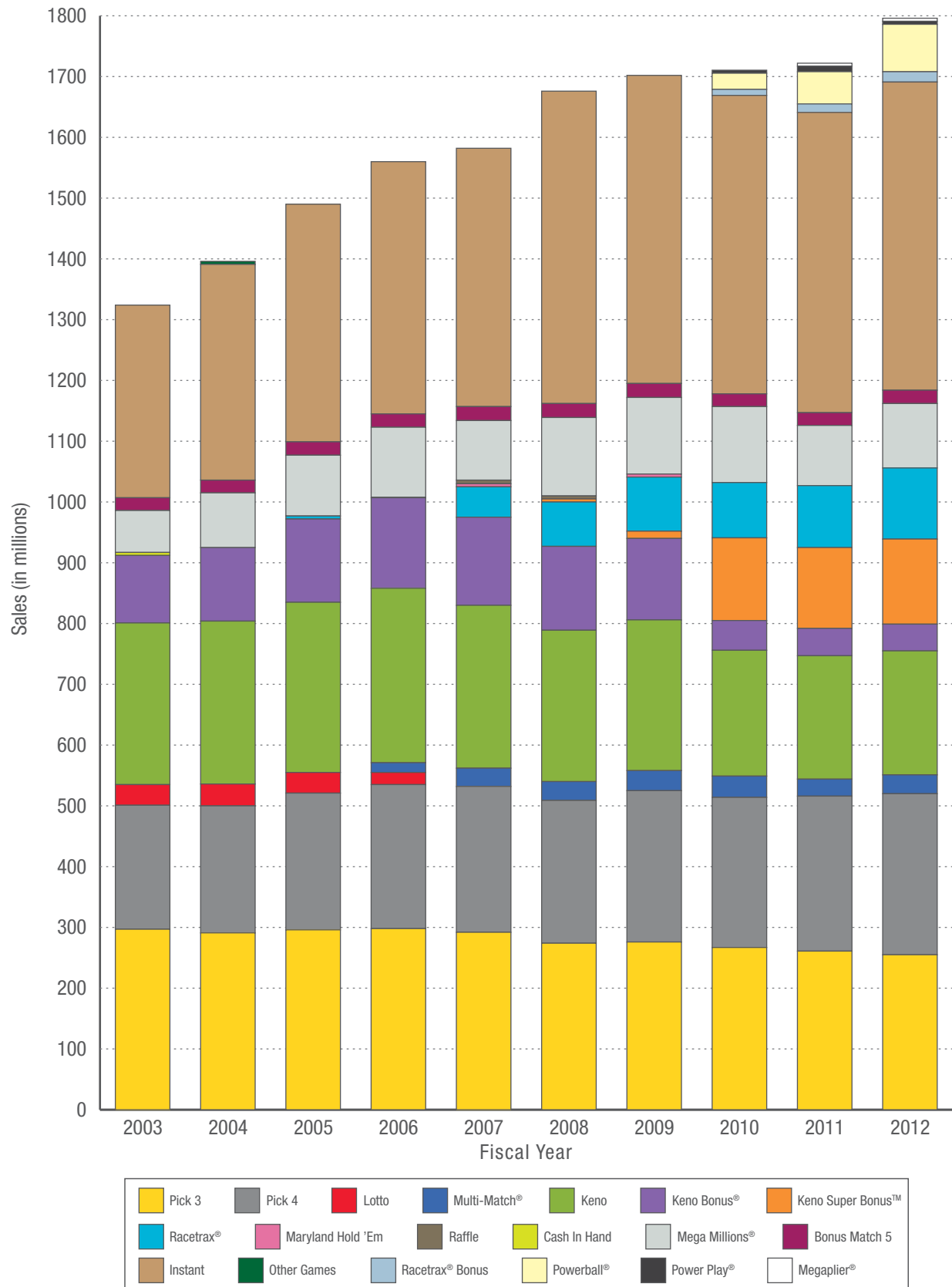
MARYLAND STATE LOTTERY AGENCY

SALES – FISCAL YEARS 2003 THROUGH 2012 (CONTINUED)



MARYLAND STATE LOTTERY AGENCY

SALES – FISCAL YEARS 2003 THROUGH 2012 (CONTINUED)



MARYLAND STATE LOTTERY AGENCY

U.S. LOTTERIES PER CAPITA SALES – FISCAL YEAR 2012

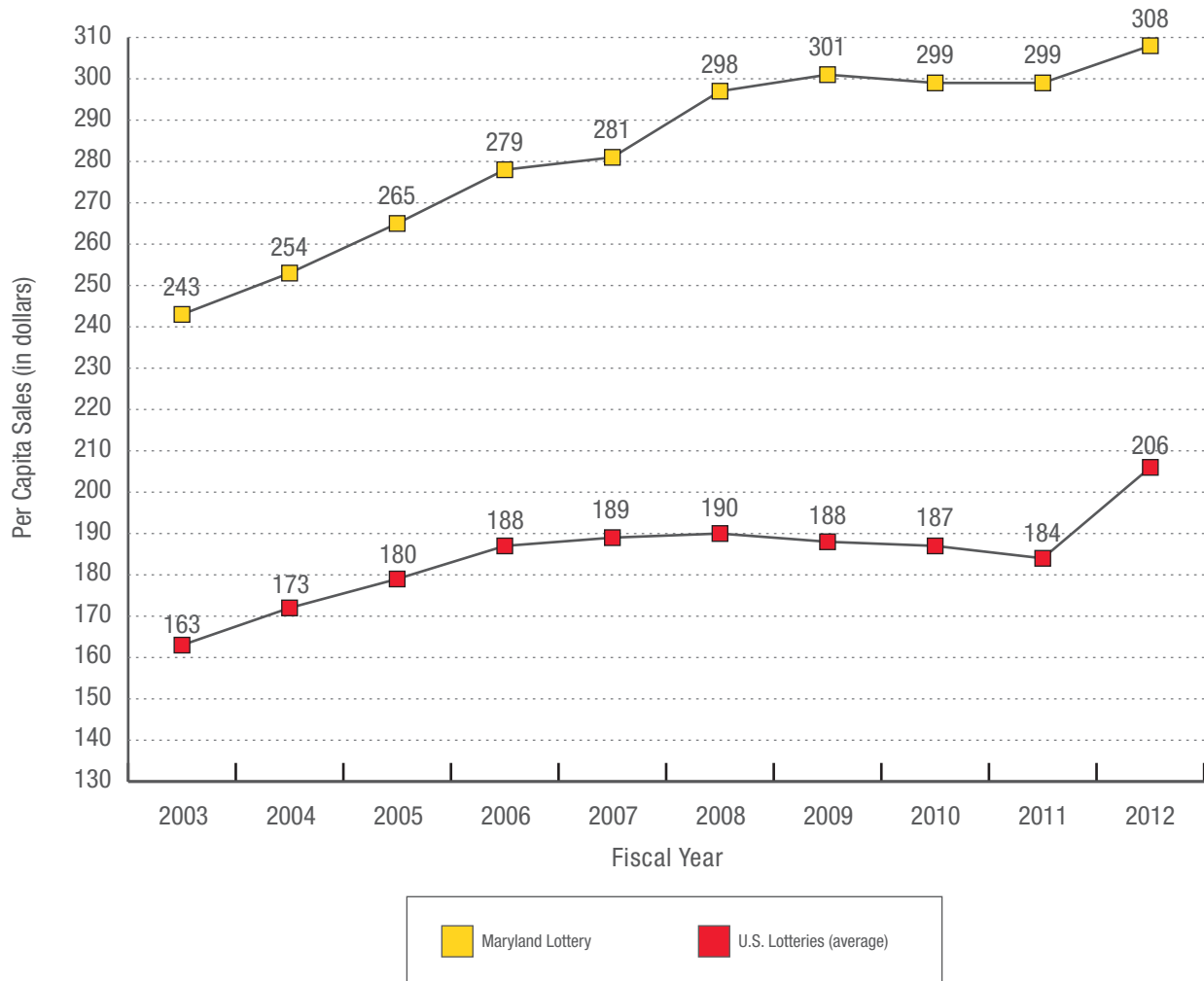
Rank	State	Population (M)	Total Sales (\$M)	Per Capita*
1	Massachusetts	6.6	\$ 4,774.1	\$ 725
2	D.C. (end 6/30)	0.6	245.0	397
3	Georgia	9.8	3,834.7	391
4	New York	19.5	7,012.7	360
5	New Jersey	8.8	2,754.9	312
6	MARYLAND	5.8	1,794.9	308
7	Connecticut	3.6	1,081.7	203
8	Pennsylvania	12.7	3,480.9	273
9	Michigan (est)	9.9	2,413.3	244
10	South Carolina	4.7	1,135.6	243
11	Rhode Island	1.1	249.5	237
12	Ohio	11.5	2,733.3	237
13	Florida	19.1	4,449.9	233
14	Illinois	12.9	2,670.4	208
15	Tennessee	6.4	1,311.2	205
16	Virginia	8.1	1,616.0	200
17	New Hampshire	1.3	257.9	196
18	Kentucky	4.4	818.8	187
19	Missouri	6.0	1,099.7	183
20	Maine	1.3	227.7	171
21	North Carolina	9.7	1,596.7	165
22	Texas	25.7	4,171.5	162
23	Vermont	0.6	101.1	161
24	Arkansas	2.9	473.1	161
25	Delaware	0.9	136.0	150
26	Indiana	6.5	855.8	131
27	California	37.7	4,371.5	116
28	Idaho	1.6	175.8	111
29	West Virginia	1.9	201.3	109
30	Colorado	5.1	545.3	107
31	Iowa	3.1	310.9	102
32	Arizona	6.5	646.7	100
33	Minnesota	5.3	520.0	97
34	Wisconsin	5.7	547.4	96
35	Louisiana	4.6	429.6	94
36	Kansas	2.9	253.3	88
37	Oregon	3.9	323.2	83
38	Nebraska	1.8	150.1	81
39	Washington	6.8	535.2	78
40	New Mexico	2.1	133.7	64
41	South Dakota	0.8	52.9	64
42	Montana	1.0	52.7	53
43	Oklahoma	3.8	199.9	53
44	North Dakota	0.7	26.0	38
Total		295.7	\$60,771.80	\$ 205.518

Source: *La Fleur's Magazine*, September/October 2012 Edition

* Subject to rounding.

MARYLAND STATE LOTTERY AGENCY

U.S. LOTTERIES PER CAPITA SALES – FISCAL YEARS 2003 THROUGH 2012



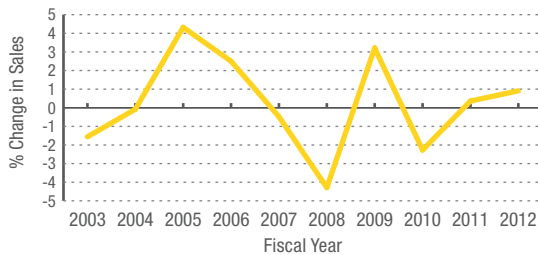
Sources: *LaFleur's Magazine*, September/October 2012 Edition

MARYLAND STATE LOTTERY AGENCY

PERCENTAGE CHANGE IN SALES – FISCAL YEARS 2003 THROUGH 2012

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Numbers Games	-1.56%	-0.08%	4.32%	2.50%	-0.48%	-4.29%	3.21%	-2.27%	0.36%	0.91%
Monitor Games	6.10%	3.28%	7.10%	4.57%	5.96%	-0.38%	4.86%	1.83%	0.96%	5.02%
Matrix Games	-10.01%	15.61%	5.43%	12.02%	-13.34%	21.72%	-0.92%	15.24%	0.69%	18.03%
Instant Games	5.83%	12.11%	10.13%	6.23%	2.35%	20.88%	-1.32%	-3.20%	0.55%	2.69%
Raffle & Other Games	-100.00%	100.00%	-100.00%	0.00%	100.00%	-20.23%	-100.00%	0.00%	0.00%	0.00%
Total Sales	1.20%	5.53%	6.47%	5.06%	1.05%	6.07%	1.50%	0.50%	0.46%	4.70%

NUMBERS GAMES



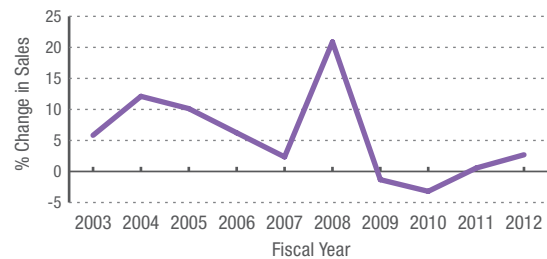
MONITOR GAMES



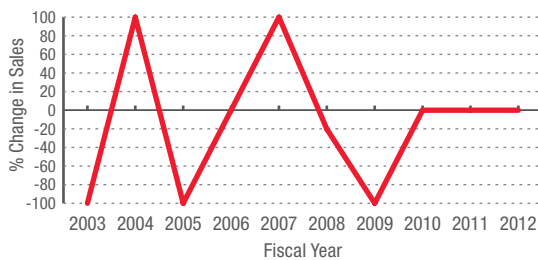
MATRIX GAMES



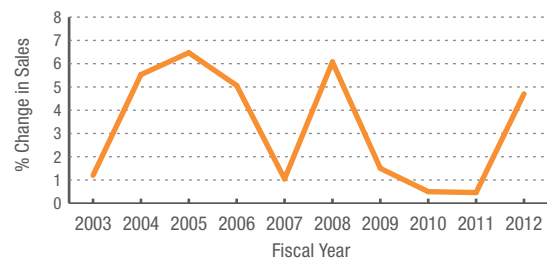
INSTANT GAMES



RAFFLE & OTHER GAMES



TOTAL SALES



MARYLAND STATE LOTTERY AGENCY

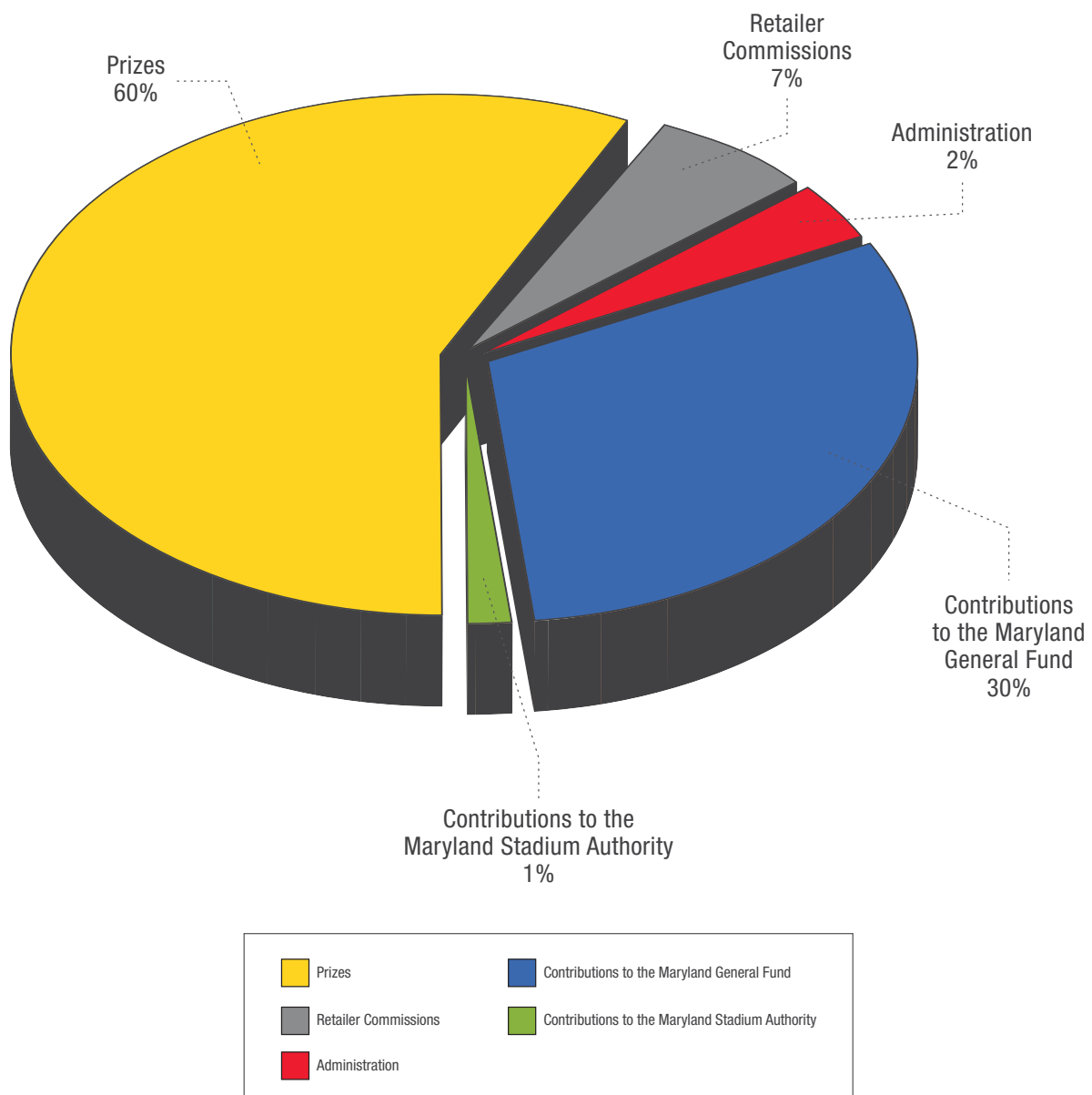
U.S. LOTTERIES PERCENTAGE CHANGE IN SALES – FISCAL YEAR 2012

Rank	State	Total Sales (\$M)	% Change
1	California	\$ 4,371.5	27%
2	Idaho	175.8	20%
3	Illinois	2,670.4	18%
4	Iowa	310.9	15%
5	Montana	52.7	14%
6	Nebraska	150.1	14%
7	North Dakota	26.0	13%
8	South Dakota	52.9	12%
9	Louisiana	429.6	12%
10	Florida	4,449.9	11%
11	Arizona	646.7	11%
12	New Hampshire	257.9	11%
13	Tennessee	1,311.2	11%
14	Missouri	1,099.7	10%
15	Delaware	136.0	10%
16	Texas	4,171.5	9%
17	North Carolina	1,596.7	9%
18	Virginia	1,616.0	9%
19	Wisconsin	547.4	9%
20	Pennsylvania	3,480.9	9%
21	South Carolina	1,135.9	8%
22	Rhode Island	249.5	8%
23	Indiana	855.8	8%
24	Massachusetts	4,774.1	8%
25	Georgia	3,834.7	7%
26	Connecticut	1,081.7	6%
27	Kentucky	818.8	6%
28	D.C.	245.0	6%
29	Vermont	101.0	6%
30	Ohio	2,733.3	5%
31	Maine	227.7	5%
32	Colorado	545.3	5%
33	Washington	535.2	5%
34	MARYLAND	1,794.9	5%
35	New Jersey	2,754.9	4%
36	West Virginia	201.3	4%
37	Kansas	253.3	4%
38	New York	7,012.7	4%
39	Michigan	2,413.3	3%
40	Minnesota	520.0	3%
41	Arkansas	473.1	2%
42	Oregon	323.2	2%
43	Oklahoma	199.9	1%
44	New Mexico	133.7	-1%
Total		\$ 60,771.80	

Source: *La Fleur's Magazine*, September/October 2012 Edition

MARYLAND STATE LOTTERY AGENCY

EXPENSES AND CONTRIBUTIONS – CUMULATIVE FOR FISCAL YEARS 2003 THROUGH 2012



MARYLAND STATE LOTTERY AGENCY

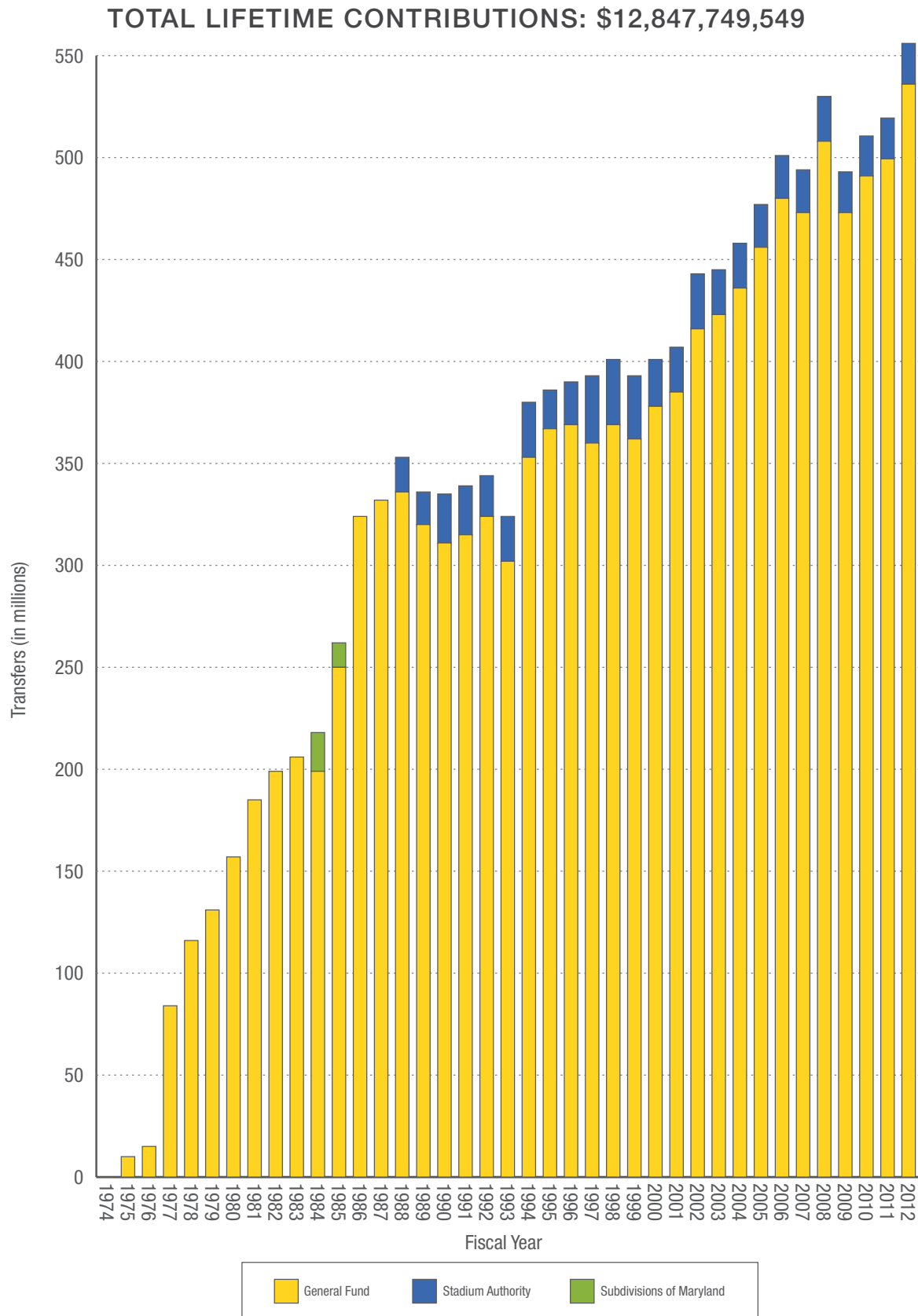
CONTRIBUTIONS TO THE STATE OF MARYLAND – INCEPTION TO DATE

Fiscal Year	The State of Maryland General Fund	The Maryland Stadium Authority	Subdivisions of Maryland	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
Total	\$ 12,251,765,549	\$ 564,731,000	\$ 31,253,000	\$ 12,847,749,549
TOTAL LIFETIME CONTRIBUTIONS				\$ 12,847,749,549

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

MARYLAND STATE LOTTERY AGENCY

CONTRIBUTIONS TO THE STATE OF MARYLAND – INCEPTION TO DATE (CONTINUED)



MARYLAND STATE LOTTERY AGENCY

U.S. LOTTERIES TRANSFERS TO STATE – FISCAL YEAR 2011*

Rank	State	Transfer Amount (\$M)	Transfers to State as % of Sales
1	Louisiana	\$ 136.36	35.5%
2	New Jersey	930.00	35.3%
3	Oklahoma	69.90	35.3%
4	California	1,102.86	32.1%
5	Michigan	737.67	31.5%
6	Kansas	71.51	30.8%
7	New Mexico	41.31	30.5%
8	MARYLAND	519.40	30.3%
9	Pennsylvania	960.61	29.9%
10	North Carolina	437.31	29.9%
11	Florida	1,191.82	29.7%
12	Illinois	668.42	29.5%
13	Kentucky	212.25	29.5%
14	Virginia	435.20	29.4%
15	Washington	150.13	29.4%
16	Wisconsin	144.87	28.8%
17	Connecticut	291.20	28.6%
18	Ohio	738.81	28.4%
19	New Hampshire	62.21	27.2%
20	Texas	1,023.78	26.9%
21	D.C.	62.18	26.8%
22	Tennessee	293.49	26.6%
23	Missouri	265.18	26.5%
24	South Carolina	271.39	25.9%
25	North Dakota	5.92	25.7%
26	Georgia	846.11	25.4%
27	Idaho	37.11	25.2%
28	Arizona	146.33	25.1%
29	Iowa	68.00	25.1%
30	Nebraska	32.06	24.3%
31	Minnesota	121.89	24.2%
32	Indiana	188.23	23.8%
33	Montana	10.82	23.5%
34	Maine	50.19	23.2%
35	Vermont	21.44	22.4%
36	Colorado	113.36	21.8%
37	Massachusetts	887.91	20.1%
38	Arkansas	74.43	16.0%
39	Delaware	339.90	-
40	New York	3,049.15	-
41	Oregon	548.44	-
42	Rhode Island	354.86	-
43	South Dakota	107.98	-
44	West Virginia	594.61	-
Total		**\$ 18,483.82	

Source: *La Fleur's 2012 World Lottery Almanac* (18th Edition)

* Data for fiscal year 2012 is not available at this time.

** Subject to rounding.

– Percentage of transfers to the state as a percentage of lottery sales is not available because lottery transfers and transfers associated with Video Lottery Terminals (i.e., slot machines) are commingled.

MARYLAND STATE LOTTERY AGENCY
RETAILERS, POPULATION AND SALES BY REGION

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%

Note: Information is accumulated and retained in this format only for fiscal years 2006–2012. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.

MARYLAND STATE LOTTERY AGENCY

RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2011

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

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

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

Note: Information is accumulated and retained in this format only for fiscal years 2006–2012. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.

MARYLAND STATE LOTTERY AGENCY

RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2010

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

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

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

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MARYLAND STATE LOTTERY AGENCY

RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2009

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

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

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

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MARYLAND STATE LOTTERY AGENCY

RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2008

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

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

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

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MARYLAND STATE LOTTERY AGENCY

RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2007

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

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

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

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MARYLAND STATE LOTTERY AGENCY

RETAILERS, POPULATION AND SALES BY REGION (CONTINUED)

Fiscal Year 2006

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

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

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

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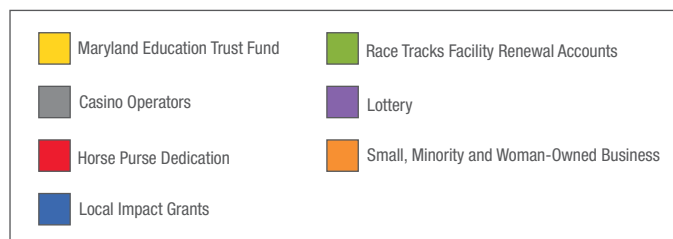
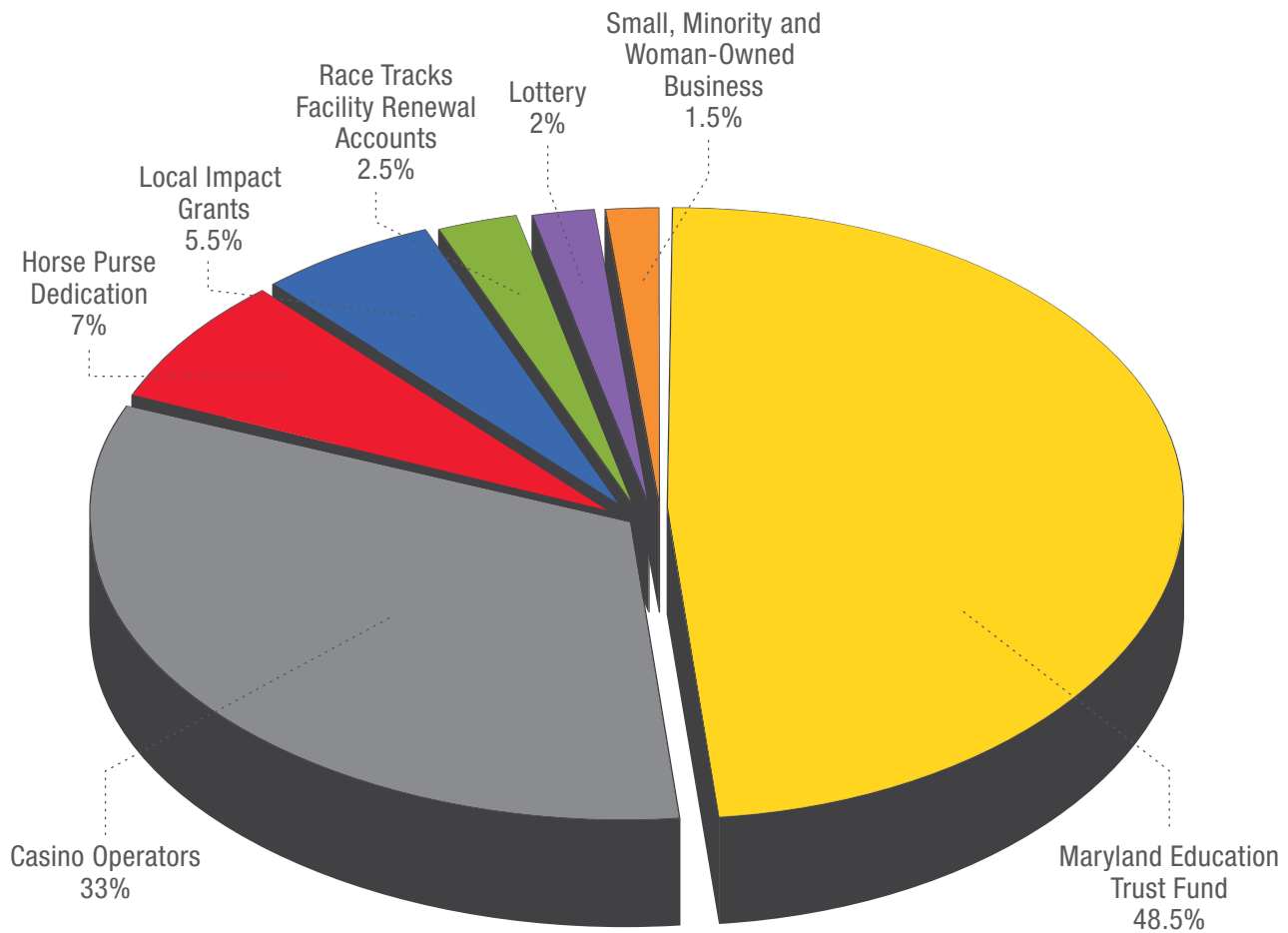
MARYLAND STATE LOTTERY AGENCY

GROSS TERMINAL REVENUE DISTRIBUTION — FISCAL YEAR 2012

	Distribution	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Total
Education Trust Fund	48.5%	\$ 57,275,940	\$23,286,684	\$ 14,058,033	\$ 94,620,657
Casino	33.0%	38,971,258	15,844,548	9,565,259	64,381,065
Purse Dedication	7.0%	8,266,631	3,360,965	2,028,994	13,656,590
Local Impact Grants	5.5%	6,495,210	2,640,758	1,594,210	10,730,177
Race Tracks Facility Renewal Account	2.5%	2,952,368	1,200,344	724,641	4,877,353
Lottery	2.0%	2,361,894	960,275	579,713	3,901,883
Small, Minority, Woman Business	1.5%	1,771,421	720,207	434,785	2,926,412
Total	100%	\$118,094,722	\$48,013,781	\$ 28,985,635	\$195,094,137

MARYLAND STATE LOTTERY AGENCY

GROSS TERMINAL REVENUE DISTRIBUTION — FISCAL YEAR 2012 (CONTINUED)



MARYLAND STATE LOTTERY AGENCY
MARYLAND'S LARGEST PRIVATE EMPLOYERS

2012

Employer (listed alphabetically)

Giant Food Stores
 Helix Health System, Inc.
 Home Depot
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway
 Target
 University of Maryland Medical Systems
 Wal-Mart/Sam's Club

2011

Employer (listed alphabetically)

Giant Food Stores
 Helix Health System, Inc.
 Home Depot
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway
 Target
 University of Maryland Medical Systems
 Wal-Mart/Sam's Club

2010 and 2009

Employer (listed alphabetically)

Adventist Health Care
 Giant Food Stores
 Helix Health System, Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway
 Target
 University of Maryland Medical Systems
 Wal-Mart/Sam's Club

2008 and 2007

Employer (listed alphabetically)

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

2006 and 2005

Employer (listed alphabetically)

Giant of Maryland, LLC
 Helix Health System, Inc.
 Home Depot USA, Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway, Inc.
 Target
 United Parcel Service
 Wal-Mart

2004 and 2003

Employer (listed alphabetically)

Giant of Maryland, LLC
 Helix Health System, Inc.
 Home Depot USA, Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway, Inc.
 United Parcel Service
 Verizon Maryland, Inc.
 Wal-Mart

Source: Department of Labor, Licensing and Regulation; Office of Labor Market Analysis and Information.
 Information reported on a calendar basis. The number of employees is not available.

MARYLAND STATE LOTTERY AGENCY

RATIO OF OUTSTANDING DEBT BY TYPE – FISCAL YEARS 2003 THROUGH 2012

Fiscal Year	Capital Leases	Percentage of Annual Lottery Sales
2003	\$ 2,371,900	0.18%
2004	3,131,566	0.22%
2005	1,672,615	0.10%
2006	1,255,713	0.08%
2007	1,123,995	0.07%
2008	648,070	0.04%
2009	5,748,257	0.34%
2010	5,261,122	0.31%
2011	4,094,609	0.24%
2012	2,933,939	0.16%

Fiscal Year	VLT Capital Leases	Percentage of Gross Terminal Revenue
2003	\$ 0	0.00%
2004	0	0.00%
2005	0	0.00%
2006	0	0.00%
2007	0	0.00%
2008	0	0.00%
2009	0	0.00%
2010	0	0.00%
2011	40,791,831	39.60%
2012	53,278,861	27.30%

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

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

MARYLAND STATE LOTTERY AGENCY

DEMOGRAPHIC AND ECONOMIC STATISTICS – FISCAL YEARS 2003 THROUGH 2012

Fiscal Year	Statewide Population ⁽¹⁾	Statewide Personal Income ⁽²⁾ (expressed in thousands)	Statewide Per Capita Personal Income	Unemployment Rate ⁽³⁾
2012	5,828,289	\$ 295,235,516	\$ 50,656	6.8%
2011	5,773,552	283,919,505	49,070	7.0%
2010	5,699,478	275,143,448	48,275	7.4%
2009	5,633,597	270,923,822	48,091	5.9%
2008	5,618,344	262,071,799	46,646	3.7%
2007	5,615,727	247,525,909	44,077	3.9%
2006	5,600,388	235,195,668	41,996	3.8%
2005	5,558,058	218,137,769	39,248	4.2%
2004	5,508,909	205,652,120	37,331	4.3%
2003	5,450,525	197,868,861	36,303	4.7%

Sources:

(1) U.S. Department of Commerce, Bureau of Census — “Annual Population Estimates by State”

(2) U.S. Department of Commerce, Bureau of Economic Analysis. Data provided is for prior ending calendar year.

(3) State Department of Labor, Licensing and Regulation

MARYLAND STATE LOTTERY AGENCY

LOTTERY EMPLOYEES – FISCAL YEARS 2003 THROUGH 2012

	Number of Employees									
As of June 30,	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agent Administration	5	5	6	6	6	5	5	7	7	7
Communications	17	19	17	19	21	25	24	24	22	22
Customer Service	13	13	14	13	13	12	12	12	9	9
Executive	6	7	6	5	6	6	6	8	6	6
Facilities	6	6	5	5	5	5	5	5	4	4
Finance, Budget & Procurement	15	14	17	16	15	15	15	14	16	16
Information Technology	21	21	23	24	24	24	24	24	27	27
Instant Ticket Warehouse	7	6	7	7	7	7	7	7	7	7
Legal Services	5	5	6	6	6	6	7	7	7	7
Personnel	4	5	4	4	4	4	4	4	3	3
Product Development & Creative Services	11	13	10	9	9	8	10	9	8	8
Sales	63	61	61	60	61	63	61	60	61	61
Security	6	5	5	5	5	5	5	5	5	5
Video Lottery	–	–	–	–	–	–	1	3	36	36
Total	179	180	181	179	182	185	186	189	218	218

MARYLAND STATE LOTTERY AGENCY

OPERATING INDICATORS – FISCAL YEARS 2003 THROUGH 2012

Percentage of Lottery Administrative Expenses to Sales

Fiscal Year	Sales	Administrative Expenses	Percentage of Administrative Expenses to Sales
2003	\$ 1,322,239,552	\$ 53,516,424	4.05%
2004	1,395,408,458	51,561,570	3.70%
2005	1,485,732,850	51,360,638	3.46%
2006	1,560,905,784	54,468,221	3.49%
2007	1,577,311,065	54,832,655	3.48%
2008	1,673,038,728	58,845,991	3.52%
2009	1,698,074,056	59,365,645	3.50%
2010	1,706,572,575	57,965,833	3.40%
2011	1,714,402,578	53,221,207	3.10%
2012	1,794,892,455	53,856,627	3.00%

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

MARYLAND STATE LOTTERY AGENCY

CAPITAL ASSETS, NET INFORMATION – FISCAL YEARS 2003 THROUGH 2012

	Lottery Equipment	Data Processing Equipment	Office Equipment	Leasehold Improvements	VLTs	Total Capital Assets
2003	\$ 2,152,411	\$ 168,390	\$ 231,649	\$ 577,468	\$ 0	\$ 3,129,918
2004	2,735,984	77,120	179,200	516,144	0	3,508,448
2005	1,378,351	117,872	157,802	454,819	0	2,108,844
2006	974,544	81,970	98,578	393,495	0	1,548,587
2007	574,116	281,518	277,504	332,171	0	1,465,309
2008	173,689	202,273	190,553	270,847	0	837,362
2009	5,310,349	132,433	125,456	209,523	0	5,777,761
2010	4,192,381	65,926	63,182	148,199	0	4,469,688
2011	3,074,412	9,418	4,860	86,875	35,258,146	38,433,711
2012	1,956,444	0	0	25,551	47,247,813	49,229,808



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