



Comprehensive Annual Financial Report

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019



ENTERPRISE FUND OF THE STATE OF MARYLAND

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Introductory Section

In fiscal year 2020, the Maryland Lottery and Gaming Control Agency (MLGCA) celebrated 46 years of supporting Marylanders. The MLGCA is the fourth largest revenue contributor to the state after individual tax, corporate tax, and sales and use tax.

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Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



Maryland

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December 23, 2020

The Honorable Larry Hogan, Governor

Maryland Lottery and Gaming Control Commission

INTRODUCTION

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Maryland Lottery and Gaming Control Agency (MLGCA) for the fiscal years ended June 30, 2020, and June 30, 2019 (FY2020 and FY2019). This report has been prepared by the Accounting Department of the MLGCA. Responsibility for both the accuracy of the financial data and the completeness and fairness of presentation, including all disclosures, rests solely with the MLGCA. To the best of our knowledge and belief, the enclosed data are accurate and are reported in a manner designed to present fairly the financial position, results of operations and cash flows of the MLGCA. All disclosures necessary to enable the reader to gain an understanding of the MLGCA's financial activities have been included.

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

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

The MLGCA is operated as a business enterprise within the framework of state laws and regulations. Its primary mission is to generate revenue for the state, both through the sale of traditional lottery products and

through the administration of the casino gaming program. The MLGCA fulfills this mission by offering the sale of both draw games and instant tickets, as described further on pages 20 through 26. Since its inception in 1973, traditional lottery sales have exceeded \$51.59 billion and have contributed \$17.3 billion in revenue to the state. Most of the revenue from the traditional lottery is contributed to the State's General Fund, which supports education, public health and safety and many other state programs and services. In addition, the MLGCA is required by statute to contribute a defined amount of traditional lottery revenue each year to the Maryland Stadium Authority, and, from FY2017 to FY2020, \$1 million to the International Racing Fund. In addition, a portion of the ITLM program's revenue is contributed to the Veterans Trust Fund. Lotteries across the country have evolved and become more diversified, offering players a variety of choices. Today, 45 states and Washington, D.C., operate lotteries, most selling both draw games and instant tickets. During FY2020, these lotteries generated \$80.7 billion in sales nationwide. The Maryland Lottery ranked eighth among state lotteries in per capita sales during this time period.

The mission of the casino gaming program is to generate revenue for the State of Maryland and to create good-paying jobs, while maintaining integrity, security, transparency and fair play. From the opening of Maryland's first casino in September 2010 through the end of FY2020, slot machine revenues generated by the casinos totaled more than \$6.8 billion. Casinos began offering table games in March of 2013, and from that date through FY2020, revenues generated from table games totaled more than \$3.3 billion. Casino contributions to the state through FY2020 totaled more than \$4.5 billion. The distribution of gaming revenue is directed by statute and described more fully on page 62 of this report.

ECONOMIC OUTLOOK AND MLGCA PRODUCTS

Please see Appendix A on page 14 for Maryland's Bureau of Revenue Estimates' economic outlook and Appendix B on page 20 for MLGCA products, both of which are an integral part of this transmittal letter.

HIGHLIGHTS OF FISCAL YEAR 2020

In FY2020, the MLGCA contributed \$1.113 billion to support the State of Maryland's good causes, including the Maryland Education Trust Fund; public health and safety programs; the state's horse racing industry; the communities and jurisdictions where the state's six casinos are located and veterans' organizations. Lottery ticket sales contributed \$588.5 million to the state, while casino gaming revenue contributed \$524.9 million.

TRADITIONAL LOTTERY

The first several weeks of the COVID-19 pandemic substantially impacted Lottery sales, which declined by nearly 30% in late March, when non-essential businesses were ordered closed and the state issued a stay-at-home order. The Lottery voluntarily suspended its advertising, but used this time to develop and launch a "Play Safe" messaging campaign to emphasize and encourage ways of playing safely. These methods include advance-play options, which allow players to reduce the frequency of their visits to retailers by purchasing multiple drawings at once, and the Lottery's mail-in subscription service, which allows players to purchase 13, 26 or 52 weeks of drawings for Powerball, Mega Millions, Cash4Life and Multi-Match without leaving home. As the state's phased-in reopening took effect, sales rebounded significantly beginning in early May. By the end of FY2020, sales surpassed same-week prior-year totals for eight consecutive weeks.

Despite the impact of COVID-19, the Lottery achieved final sales of \$2.189 billion in FY2020, just 0.3% less than the all-time record of \$2.197 billion set in FY2019. This achievement is noteworthy given the relatively low jackpots in the multi-state games Powerball and Mega Millions during FY2020. Both games lowered their starting jackpot and minimum jackpot roll amounts due to decreased sales during the pandemic.

In addition, FY2019 sales were boosted substantially by a \$1.5 billion Mega Millions jackpot roll — the second-largest jackpot in U.S. lottery history — creating a challenging year-over-year comparison even before the pandemic.

The strength of sales in FY2020 can be attributed to several major initiatives put into place prior to the COVID-19 slowdown. The Cash4Life game was converted from twice-weekly drawings to daily drawings beginning on July 1, 2019. Although Cash4Life is a smaller game, sales increased by roughly 40% since the change to daily drawings.

In February 2020, the Lottery introduced a new game category, FAST PLAY, which combines aspects of draw games and instant games. FAST PLAY tickets are printed at the time of sale by Lottery retailer terminals and self-service vending machines, and players are able to view the ticket and immediately see if they have won. Similar to instant scratch-off tickets, the FAST PLAY category includes games at multiple price points and play styles. Some FAST PLAY games feature a progressive top prize structure, where the top prize starts at a pre-determined amount and grows with the sale of each ticket until a top-prize-winning ticket is sold. Player interest in the new offering proved to be substantial. The first four weeks of the Maryland Lottery's FAST PLAY launch generated better per capita sales than any other state that previously introduced this category of games.

The Lottery continued its rollout of new self-service vending machines during FY2020, including full-size PHD machines and the smaller PEX machines. The PHD machines sell scratch-offs, FAST PLAY and draw games, while the PEX machines sell only FAST PLAY and draw games. The machines are simple to use via touch-screen technology, and built-in video screens allow for the delivery of informational and promotional messaging to improve player engagement.

Other Lottery marketing highlights during FY2020 included licensing/sponsorship arrangements with a James Bond 007 scratch-off game, the Baltimore Ravens, the Baltimore Orioles, the University of Maryland, Morgan State University and Towson University.

As a result of the pandemic, the Customer Resource Center at the Lottery's headquarters at the Montgomery Park Business Center in Baltimore was closed from March 30, 2020 until June 24, 2020. Lottery winners had the option to mail in their winning tickets during that time, or place them into a secure drop box in the lobby of the Montgomery Park Business Center. The Customer Resource Center reopened on June 24 on an appointment-only basis. Many retailers that sell and cash Lottery tickets were deemed essential businesses and remained open during the pandemic, including grocery stores, convenience stores and gas stations.

In addition, the Lottery extended the claiming deadline for any winning tickets that reach their expiration dates while Maryland's COVID-19 state of emergency is in effect. Lottery players will be able to claim prizes on such tickets for up to 30 days after the state of emergency is lifted.

CASINO GAMING

Maryland's casino partners persevered through a challenging FY2020, which included a three-month period from March 16, 2020, until late June when they were closed due to COVID-19. Prior to the closure, FY2020 casino gaming revenue was 1.7% ahead of the FY2019 pace. Year-over-year gaming revenues increased in six of the first eight months of FY2020, prior to the COVID-19 closure, including a 10.6% increase in February 2020.

MLGCA staff members worked closely with casino operators, the Governor's Office and public health officials to develop extensive reopening protocols that ensure the health and safety of casino patrons and employees. Upon reopening, state directives limited the casinos to 50% of their capacity, and additional directives from Baltimore City limited Horseshoe Casino to 25% of its capacity.

RESPONSIBLE GAMING

The MLGCA continued its commitment to an organization-wide effort to emphasize the importance of responsible gaming initiatives.

The MLGCA participated in National Problem Gaming Awareness Month by utilizing advertising space to inform Marylanders of resources that are available to help them with their problem gaming, plus continued active support of the Maryland Alliance for Responsible Gambling (MARG), the Maryland Center of Excellence on Problem Gambling and the National Council on Problem Gambling (NCPG). The Lottery also participates yearly in an industry-wide responsible play messaging initiative during the holiday season to remind Marylanders that Lottery gifts are not for children.

In FY2018, the MLGCA achieved Level 3 certification from the World Lottery Association (WLA), a global organization comprised of nearly 150 lotteries. The WLA maintains a set of responsible gambling principles that provide the framework for four levels of certification. The WLA's evaluation standards place an emphasis on enhancing existing programs and continually developing new initiatives. The Lottery anticipates submitting its application for WLA Level 4 status in early 2022.

FINANCIAL INFORMATION

ACCOUNTING SYSTEMS AND POLICIES

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

BUDGETARY SYSTEMS AND CONTROLS

Budgetary control for all state agencies is maintained through the Governor's approval and the enactment of the state's budget by the General Assembly. Each year, the MLGCA submits its budget to the Governor for approval. The budget includes all costs to operate the Lottery and to oversee casino gaming operations. Excluded from the budget are Lottery prizes paid to winners, commissions paid to Lottery retailers and commissions paid to casino operators. Lottery prizes and commissions are funded from the sale of Lottery tickets; commissions paid to the casino operators are funded from slot machine and table game revenue.

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

DEBT ADMINISTRATION

The MLGCA's long-term liabilities are primarily payments owed to jackpot, annuity and lifetime winners and employee-related payables. The payments due to winners are fully funded by amounts invested primarily in United States Government Agency Obligations (coupon bonds). Some investments are also held in annuity contracts.

INTERNAL CONTROL ENVIRONMENT

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

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

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

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

The MLGCA has 319 employees, including contractual employees. The drawing studio is located at the broadcast facility of a television station located in Baltimore, which produces various live daily televised drawings. Keno and Racetrax drawings are conducted by random number generators and are maintained and secured at the lottery vendor's office located in Nevada. Mega Millions and Powerball drawings are held in Georgia and Florida, respectively. Cash4Life drawings are held in New Jersey.

FUTURE PROJECTS

In FY2021, MLGCA's objective is to exceed the record level of sales and contributions to the state that were achieved in FY2019. In addition, MLGCA staff will continue to prepare for the launch of sports betting in Maryland, which is anticipated to occur in 2021.

TRADITIONAL LOTTERY

The Lottery plans to expand the FAST PLAY category with more games, price points and additional progressive top prize games.

The Lottery will continue to focus on increasing its sales of instant scratch-off games, which have grown from approximately 30% of total sales five years ago to nearly 40% in FY2020. A constantly changing mix of games, launched monthly at multiple price points and play styles, is designed to further increase player appeal. It is expected that instant scratch-off games will continue to receive the bulk of advertising spending.

Changes to Powerball and Mega Millions are likely during 2021 in light of declining sales and the repercussions of the jackpot changes that were made in response to the pandemic. The MLGCA will weigh the costs and benefits of implementing any such changes.

In addition to the continuing rollout of self-service vending machines, the Lottery is expecting to increase distribution by partnering with Walmart to add such machines at its Maryland stores. Further, the machines are fitted with card readers, and the Lottery is planning to enable debit-card payments on these machines in the year ahead.

CASINO GAMING

Maryland's casino operators will continue adapting to the circumstances of the COVID-19 pandemic in the coming year. Casinos have reconfigured their gaming floors to enable social distancing, and will maintain cleaning protocols and mask requirements for staff and customers. Upon reopening in June 2020, casino operators scaled back their marketing and promotional efforts and leveraged their player loyalty program as they adjusted to customer capacity limits. In spite of these ongoing restrictions, revenues were solid in the first quarter of FY2021. August 2020 casino gaming revenues were \$149.5 million, down 3.1% from August of 2019, but still the eighth-best month in the history of the state's casino program. The September 2020 total of \$143.7 million was a 1% increase compared to September 2019.

SPORTS BETTING

Staff members from MLGCA's Gaming Division are working with the Office of the Attorney General to begin drafting sports betting regulations. With the approval of Question 2 in the November 3, 2020, General Election, Maryland voters supported the establishment of legalized sports betting in Maryland by a margin of greater than 2-to-1. During the 2021 legislative session, the Maryland General Assembly is expected to pass enabling legislation that will create the specific framework of sports betting in the state, and MLGCA staff will then begin implementation. It is anticipated that sports betting will be available at Maryland's casinos and horse racing tracks, as well as via mobile apps.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MLGCA for its CAFR for the fiscal year ended June 30, 2019. This marked the 15th consecutive year the MLGCA received this prestigious national award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

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

Respectfully Submitted,

MARYLAND LOTTERY AND GAMING CONTROL AGENCY



Paula Yocum

Managing Director, Acting Chief Financial Officer



Gordon Medenica

Director

APPENDIX A: MARYLAND AND FEDERAL ECONOMIC OUTLOOK

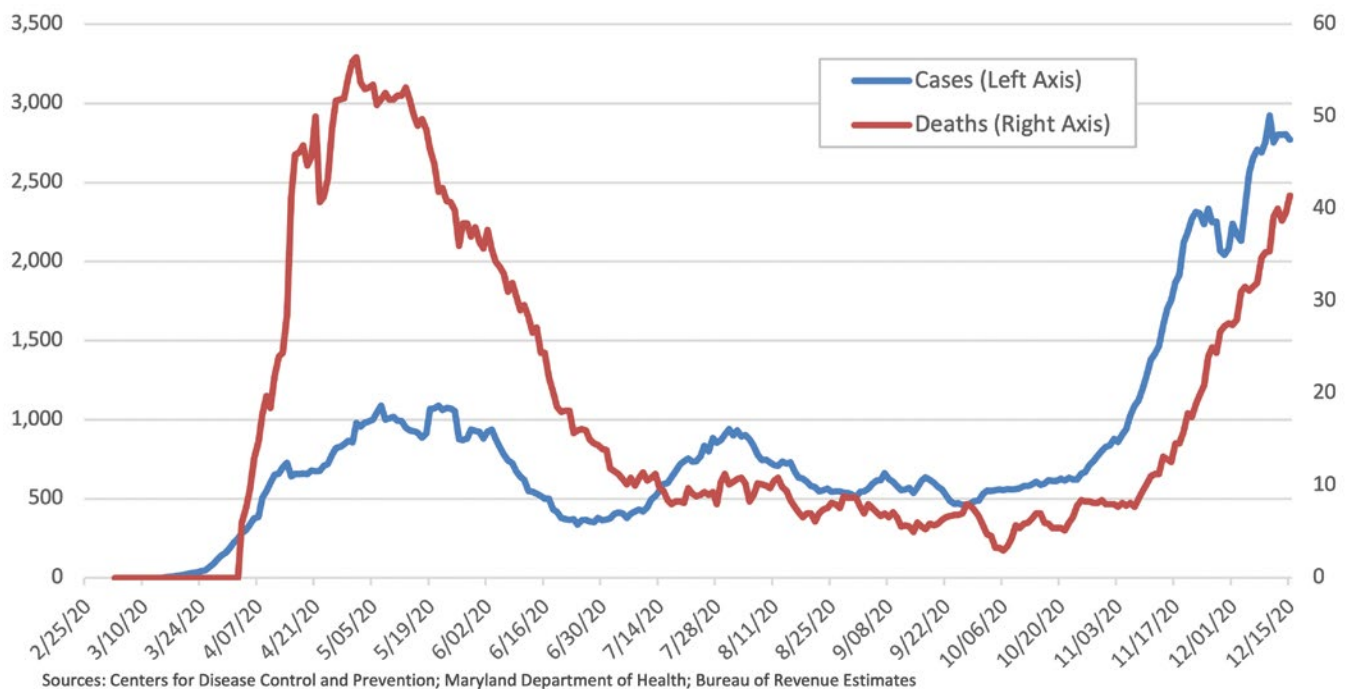
The COVID-19 pandemic (the pandemic) and the efforts to contain it are causing the most severe economic crisis since the Great Depression. The COVID-19 Recession (Covid Recession) is different from past recessions in two main ways. First, it is evolving far more rapidly than past recessions. Declines in employment and output that played out over a year during the Great Recession were surpassed within months last spring. Second, this recession involves both a negative supply shock and a negative demand shock. Despite the severity of the downturn, recovery has set in just as rapidly, though it is currently slowing.

So far, it appears the federal government's fiscal and monetary policy response has been large enough to keep Personal Income (PI), a key measure of individual income, growing and generally contain the economic fallout of the pandemic to directly affected industries. Worst affected industries tend to have lower average wages. As a result, tax revenue collections continue to outperform what we would typically expect from such dire labor market conditions. We expect the recovery to slow over the winter months as the pandemic worsens and improve in the spring as the current wave dissipates and vaccination begins. Growth in mid-2021 is expected to accelerate as pent-up demand is unleashed and then settle into pre-pandemic trends in 2022.

COVID-19 PANDEMIC

At the time of writing, Johns Hopkins University records over 16.7 million cumulative U.S. COVID-19 cases and over 300,000 deaths. Maryland's statistics are more than 241,000 cases and over 5,100 deaths. A third wave of the pandemic, already of a similar magnitude to the first, is well underway. Using a seven-day moving average, new cases flattened out in early November and spiked upwards about a week after Thanksgiving. The ultimate trajectory of the third wave is uncertain, though we generally expect the pandemic to worsen over winter and improve in spring.

MARYLAND DAILY CASES AND DEATHS, 7-DAY MOVING AVERAGE



The pandemic caused significant economic disruption, particularly the early attempts to contain it through mandated business closures and stay-at-home orders. Such orders clearly disrupted economic activity, but it would be incorrect to conclude that there is a simple trade-off between public health and the economy. Without social distancing the pandemic would be far worse. Sick workers are not productive, and every death is a loss of human capital, to say nothing of the social and personal loss. As current infections rise, so does the risk of engaging in ordinary economic activity. As consumers and investors, people typically react to perceptions of increased risk by pulling back on consumption and increasing their savings.

ECONOMIC CONDITIONS

The pandemic brought to an end the longest recorded economic expansion in US history (and the slowest since WWII). The recovery to date is partial, uneven, and slowing. US employment fell 22.2 million (14.5%) from its peak in February to its trough in April. As of November employment remains 9.8 million (6.5%) below its prior peak. In November itself, employment grew by just 245,000 according to early estimates. Total wages also peaked in February and fell \$997.4 billion (10.3%) by April. Wages have recovered faster than employment. In November, wages were down \$82.4 billion (0.9%) from the prior peak.



Whereas typical recessions are essentially demand-side phenomena, the Covid Recession also involves a significant negative supply shock. The pandemic disrupted global supply chains as well as the safe provision of goods and especially services. The effect of a negative supply shock is to reduce output and therefore increase prices, all else equal. This impact is felt primarily in the directly affected industries, where prices and/or scarcities of particular products have increased.

The negative demand shock results from increased demand for money. As risk increases and sources of income become less certain, people seek to increase their cash on hand to cover exigencies – like stockpiling other essential goods. People increase their cash balances by reducing spending, which puts downward pressure on prices and output. There are also elements of the Covid Recession that do not fit neatly into the

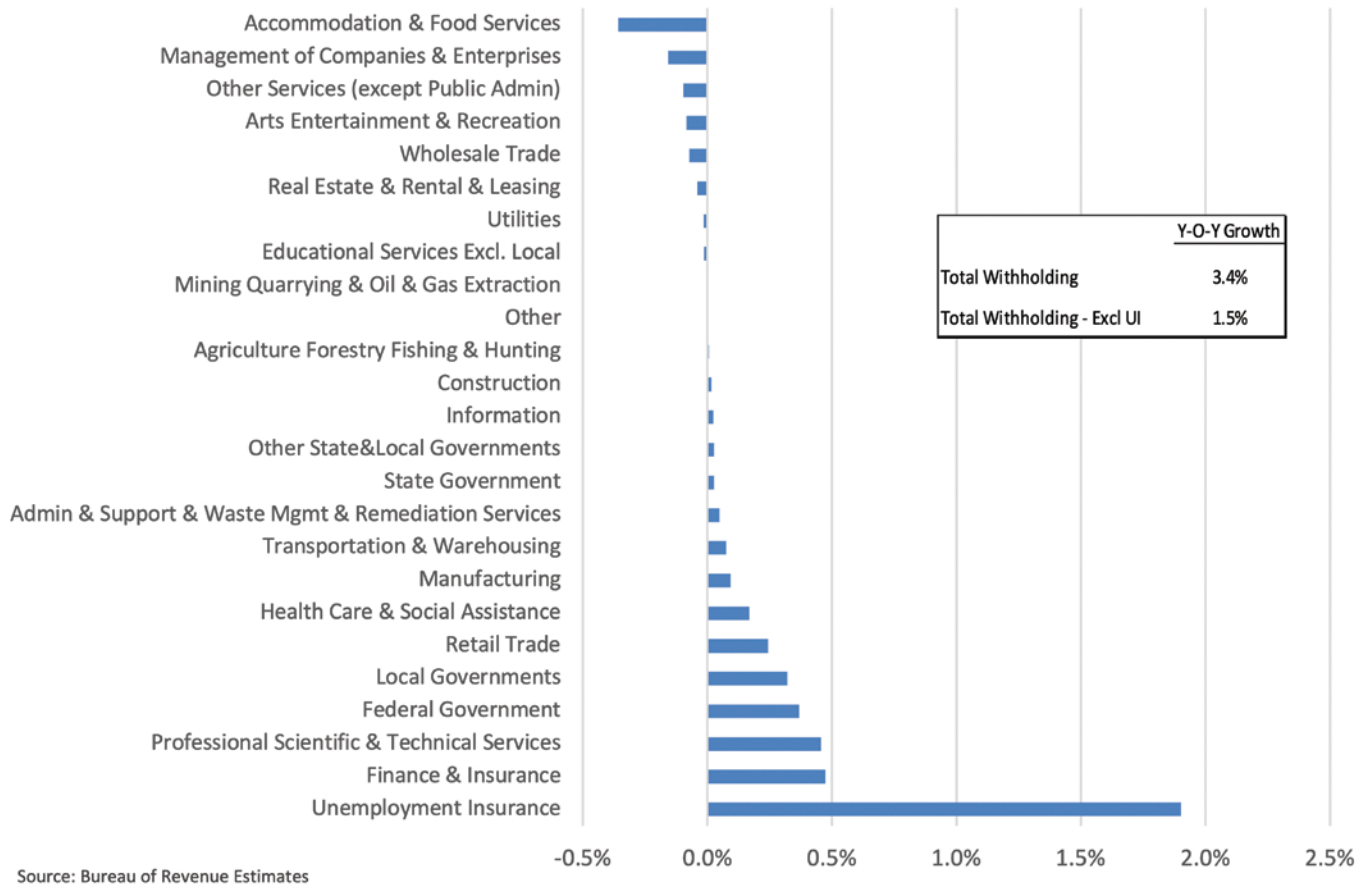
bifurcation of supply or demand. For example, demand for indoor dining has fallen significantly. But this reflects a disruption in the ability of producers to safely supply indoor meals.

Besides the spending that directly addresses public health aspects of the pandemic, the point of fiscal and monetary stimulus is to boost aggregate demand — to keep spending circulating. Maintaining spending prevents a wider economic contagion, when the contraction in directly affected sectors spreads to all sectors. A classic example is the Great Recession — when a decline in home values led to a financial crisis that caused wide-spread unemployment. While all sectors experienced some decline in employment, so far contagion has been largely avoided. This outcome was not predestined. In the early days of the pandemic, short-term real interest rates increased while asset prices and inflation expectations plunged, which are early warning signs of a financial crisis.

Despite the worst economic contraction and labor market conditions since the Great Depression, declines in income and spending have been modest. Consequently, tax revenue has held up surprisingly well given economic conditions. This is largely attributable to a massive federal economic policy response in mid-2020. The Federal Reserve acted quickly and preemptively, at least compared to past behavior, to loosen monetary policy and provide emergency lending. They also promised to make up for past misses in their inflation target. Fiscal policy makers provided income to individuals, expanded unemployment insurance, and business grants and loans through the CARES Act. These policies contributed to increasing total PI in Maryland by an estimated 8.8% year-over-year in 2020 Q2. The increase in PI was driven by an 83.0% increase in transfers, or government programs that distribute income to or spend on behalf of individuals, in 2020 Q2.

So far PI has grown faster than pre-pandemic trends. As a result, declines in spending in directly affected sectors like hospitality and accommodations have been offset by increased spending elsewhere. The spending shifted from higher risk to lower risk consumption and from services to goods. This is apparent in our own income tax withholding data. Withholding collections declined in sectors like accommodation and food service, and arts, entertainment, and recreation. These declines were more than offset by increases in sectors like finance and insurance, federal government, and professional services. The sectors that are growing have higher average wages than the sectors that have shrunk, which helps support overall withholding due to Maryland's relatively progressive state income tax structure. The below chart displays the contribution to overall withholding growth of each sector, as well as the contribution from unemployment insurance, which is taxable income.

CONTRIBUTION TO YEAR-OVER-YEAR GROWTH OF TOTAL WITHHOLDING (JAN TO OCT)



The preceding analysis speaks to the macroeconomy on average. But this average is not necessarily representative of the experience of any one sector, demographic, person, or business. Losses have been experienced unequally, like the gains from the last expansion. Job losses to date are concentrated among lower income workers, particularly in services, while employment in higher income jobs has already regained its prior peak. Because of increased childcare demands on parents and pre-existing societal norms, labor participation of women has declined more than men. As of November 2020, labor force participation has fallen more than average among black and older workers. Declines in labor participation typically take longer to recover than do increases in unemployment. Those who spend a significant time out of work face lower average lifetime earnings even after they re-enter the workforce. Larger businesses have been better able to access credit and stimulus funds, shift business models, and sustain themselves than small businesses. Small businesses run by black and/or Latino owners closed, whether temporarily or permanently, at higher than average rates over the pandemic. In short, the pandemic has exacerbated existing inequalities.

MARYLAND

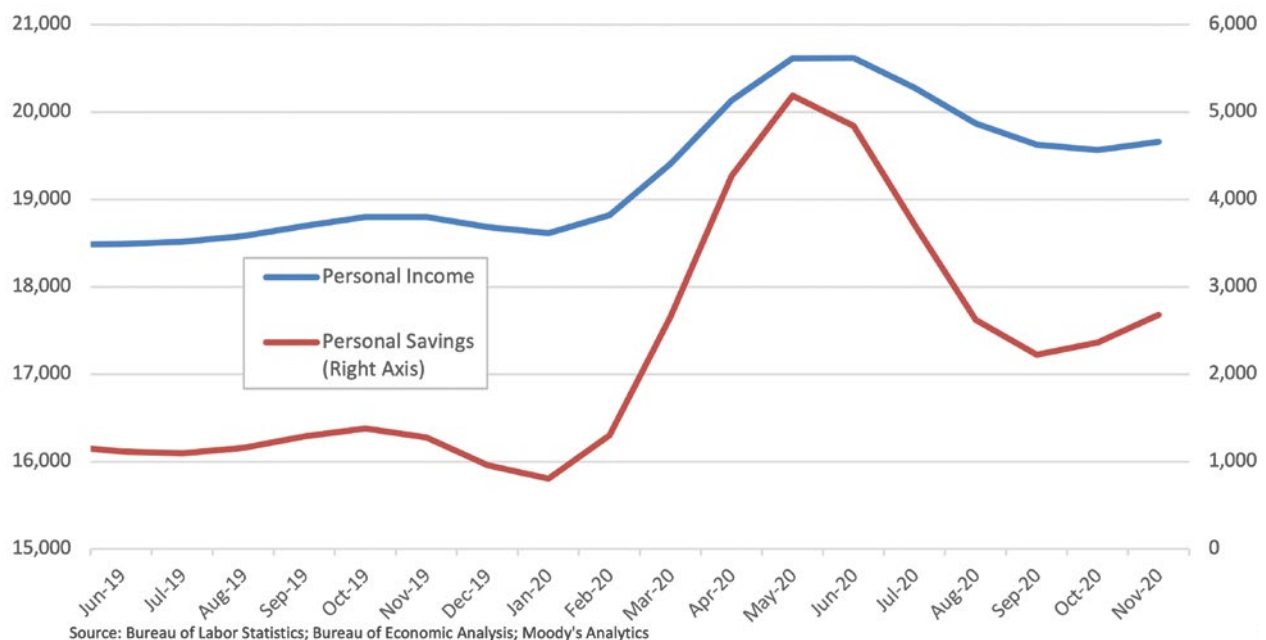
Maryland's economy has structural factors in its favor. In typical recessions, the state's economy and employment contracts less than the national average. Maryland has a higher income labor force than the nation. This is partly due to the presence of the federal government, which has been a growing source of well-paying jobs over the pandemic, even outside of temporary census hiring. That being said, employment in Maryland has not performed noticeably better than the nation. Maryland employment reached its peak in February and fell by 388,300 (13.9%) to a low in April. As of October employment remains 182,000 (6.5%) below the prior peak. The state is outperforming the nation in terms of wage growth however. In 2020 Q2, the most recently available datapoint at the state level, total wages grew 0.8% over 2020 Q1. Total wages grew an impressive 7.6% year over year in 2020 Q2.

OUTLOOK

This is an especially challenging time to forecast economic and revenue conditions with a useful degree of accuracy. Revenue collection ultimately depends on the course of the pandemic, its impact on the economy, and the federal economic policy response. Recent data shows that the recovery is slowing, particularly in the labor market. At the same time, new infections and daily deaths are mounting. Even apart from the recent wave of the pandemic, it is likely the recovery would slow as cold weather and shorter evenings reduce demand for outdoor recreation and dining. Additionally, fiscal stimulus programs have been ending with, at the time of writing, no replacement.

Our outlook therefore calls for growth in employment and aggregate wages to slow but continue over the winter months. As dire as the current wave of the pandemic looks, there are factors supporting an outlook of continued recovery. Despite fiscal stimulus programs ending, the large payments to individuals resulted in increased savings, which can be drawn down to sustain consumption beyond the end date of a program. And a second round of stimulus remains possible, especially if the economic situation deteriorates. We anticipate that any future stimulus will be generally of a magnitude intended to maintain the current trajectory of growth, rather than boost growth above trend as the first round of stimulus did.

US PERSONAL INCOME AND SAVINGS (\$ BILLIONS, ANNUALIZED)



Beyond winter our outlook calls for the recovery to accelerate as the pandemic wanes and pent-up demand is released, particularly after a vaccine is widely available. Growth through 2021 is expected to accelerate as pent-up demand is unleashed and then settle into pre-pandemic trends in 2022. Employment is not expected to regain its prior peak until mid-2022. The table below shows the recent history and forecast growth rates for key economic variables. Average wage growth accelerates in 2020 as a result of job losses in lower wage industries. Note that average wage growth often increases in recessions.

Outlook For Key Maryland Economic Variables

Calendar Year	Non-Farm Employment Growth	Personal Income	Aggregate Wage & Salary Income	Average Wage
2018	0.9%	3.4%	3.6%	2.7%
2019	0.6%	3.3%	3.6%	3.0%
2020E	-5.7%	4.9%	0.5%	6.6%
2021E	3.4%	0.6%	6.0%	2.4%
2022E	2.8%	4.0%	4.6%	1.7%
2023E	0.6%	4.1%	4.0%	3.4%
2024E	0.9%	4.5%	4.6%	3.6%

Source: Bureau of Revenue Estimates

RISKS

The most significant risks to the current forecast are the future course of the pandemic, its impact on the economy, and the federal government's reaction to both. The course of the pandemic depends most immediately on adherence to social distancing. When the pandemic ends will depend on when the population is widely vaccinated, which depends on a significant logistical operation and public trust.

A return to widespread business closures and other restrictive social distancing orders experienced last spring could reduce economic activity and sales tax revenue in the short run, though of course a worsening pandemic could ultimately end up restraining economic activity anyway. Worsening economic conditions increase the probability of additional fiscal and monetary stimulus. The risk there is that, given the already sizable deficit, fiscal policy makers become more conservative with additional rounds of stimulus. Monetary policy makers face fewer political constraints in theory, but cannot specifically target aid on those worst affected like fiscal policy can.

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

APPENDIX B: MARYLAND LOTTERY PRODUCTS

The Maryland Lottery has introduced a number of different traditional lottery games since its inception and continues to provide players with the opportunity to participate in a variety of draw and instant-ticket games. Draw games allow players to pick their numbers or utilize random computer-generated plays. Customers receive a ticket and then wait for the drawing to determine if they have won. The Maryland Lottery offers two types of instant-ticket games that allow players to immediately determine if they've won by matching numbers or symbols. FAST PLAY games, which were launched during Fiscal Year 2020, are printed at the time of purchase by Lottery terminals and self-service vending machines. Scratch-off games are played by scratching a latex covering off a play area to reveal pre-printed combinations. If a winning combination appears, the customer is an instant winner. The Instant Ticket Lottery Machine (ITLM) program, available exclusively to veterans' organizations, gives players the same experience of playing a scratch-off ticket but through a machine.

Lottery games offered during Fiscal Year 2020 included the following:



FISCAL YEAR 2020 STATISTICS — POWERBALL®:

\$70.4 million in net sales

3.2% of total net sales

\$43.7 million decrease from fiscal year 2019 Powerball net sales

POWERBALL® is a multi-state jackpot game, with drawings conducted each Wednesday and Saturday evening. The Maryland Lottery began selling Powerball® tickets in January 2010, and tickets for the game are available in 48 U.S. states and jurisdictions. Tickets cost \$2 and the starting jackpot is determined by game sales. Players choose or request the computer to generate a total of six numbers from two different fields: five numbers from a range of 1 to 69 and one Powerball® number from a range of 1 to 26. Players matching all six numbers win the jackpot. If there are multiple winners, the jackpot prize is divided evenly among all winners. The odds of winning the jackpot are 1 in 292 million. There are also eight other prize tiers ranging from \$4 to \$1 million. Power Play® is an optional feature of Powerball® that allows winners to multiply their prizes. By adding the Power Play® option to their tickets for an additional \$1, players can multiply any prizes they win except for the jackpot.



FISCAL YEAR 2020 STATISTICS — MEGA MILLIONS:

\$78.6 million in net sales

3.6% of total net sales

\$59.1 million decrease from fiscal year 2019 Mega Millions net sales

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



FISCAL YEAR 2020 STATISTICS — MULTI-MATCH®:

\$29.0 million in net sales

1.3% of total net sales

\$17.0 thousand decrease from fiscal year 2019 Multi-Match net sales

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



FISCAL YEAR 2020 STATISTICS — CASH4LIFE:

\$20.6 million in net sales

0.9% of total net sales

\$8.2 million increase from fiscal year 2019 Cash4Life net sales

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



FISCAL YEAR 2020 STATISTICS — PICK 3:

\$251.7 million in net sales

11.5% of total net sales

\$6.0 million increase from fiscal year 2019 Pick 3 net sales

PICK 3 was the Maryland Lottery's first draw game, introduced in July 1976. Drawings are held twice daily, seven days a week. Players choose three numbers from a range of 0 to 9 for the chance to win prizes ranging from \$25 to \$500.



FISCAL YEAR 2020 STATISTICS — PICK 4:

\$333.7 million in net sales

15.2% of total net sales

\$21.5 million increase from fiscal year 2019 Pick 4 net sales

PICK 4 was introduced in April 1983. Drawings are held twice daily, seven days a week. Players choose four numbers from a range of 0 to 9 for the chance to win prizes ranging from \$100 to \$5,000.



FISCAL YEAR 2020 STATISTICS — BONUS MATCH 5:

\$18.5 million in net sales

0.9% of total net sales

\$1.0 million decrease from fiscal year 2019 Bonus Match 5 net sales

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



FISCAL YEAR 2020 STATISTICS — 5 CARD CASH:

\$6.0 million in net sales

0.3% of total net sales

\$191.0 thousand decrease from fiscal year 2019 5 Card Cash net sales

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



FISCAL YEAR 2020 STATISTICS — KENO:

\$259.2 million in net sales

11.8% of total net sales

\$27.7 million decrease from fiscal year 2019 Keno net sales

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

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

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



FISCAL YEAR 2020 STATISTICS — RACETRAX®:

\$230.3 million in net sales

10.5% of total net sales

\$19.1 million decrease from fiscal year 2019 Racetrax net sales

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

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



FISCAL YEAR 2020 STATISTICS — SCRATCH-OFFS:

\$852.7 million in net sales

38.9% of total net sales

\$40.3 million increase from fiscal year 2019 scratch-off net sales

SCRATCH-OFFS, also known as instant tickets, were first introduced in 1976. Players reveal their prizes by scratching a latex play area. From 1976 to 1985, a limited number of scratch-off games were launched; however, the Maryland Lottery began launching scratch-offs on a more frequent basis in 1986. During Fiscal Year 2020, the Maryland Lottery launched 47 new scratch-off games, with price points of \$1, \$2, \$3, \$5, \$10, \$20 and \$30. Scratch-off prizes range from \$1 to \$2 million.



FISCAL YEAR 2020 STATISTICS – FAST PLAY:

\$31.2 million in net sales

1.4% of total net sales

FAST PLAY games were introduced by the Maryland Lottery on February 10, 2020. FAST PLAY games are similar to scratch-off tickets, but no scratching is needed. The games are printed by Lottery terminals and self-service vending machines at the time of purchase, and players find out immediately if they've won by looking to see if their numbers or symbols match the winning numbers or symbols. Like scratch-offs, FAST PLAY tickets feature a variety of themes and play styles, with price points ranging from \$1 to \$20. Some of the games have a set top prize, while others have progressive top prizes, which grow with the purchase of each ticket until a top-prize-winning ticket is sold.



FISCAL YEAR 2020 STATISTICS — INSTANT TICKET LOTTERY MACHINES:

\$7.9 million in net sales

0.4% of total net sales

\$1.8 million decrease from fiscal year 2019 ITLM net sales

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

MARYLAND CASINOS

Maryland casinos offered the following during Fiscal Year 2020:



FISCAL YEAR 2020 STATISTICS — VIDEO LOTTERY TERMINALS:

\$829.4 million in gross terminal revenue

6,532* slot machines as of June 30, 2020

\$295.7 million decrease from fiscal year 2019 gross terminal revenue

SLOT MACHINES (VIDEO LOTTERY TERMINALS) were approved during the 2007 special session of the Maryland General Assembly, and Maryland's six casinos opened between September 2010 and December 2016. As of June 30, 2020, the six casinos had 6,532 video lottery terminals in operation.



FISCAL YEAR 2020 STATISTICS — TABLE GAMES:

\$450.7 million in revenue

529* total table games as of June 30, 2020

\$184.4 million decrease from fiscal year 2019 table game revenue

TABLE GAMES were approved for all six Maryland casinos after voters approved a gaming expansion referendum in the November 2012 General Election. Casinos launched table game operations during Fiscal Year 2013. As of June 30, 2020, the six casinos had 529 table games in operation.

*Slot machine and table game counts decreased from prior years due to pandemic-related social distancing requirements.



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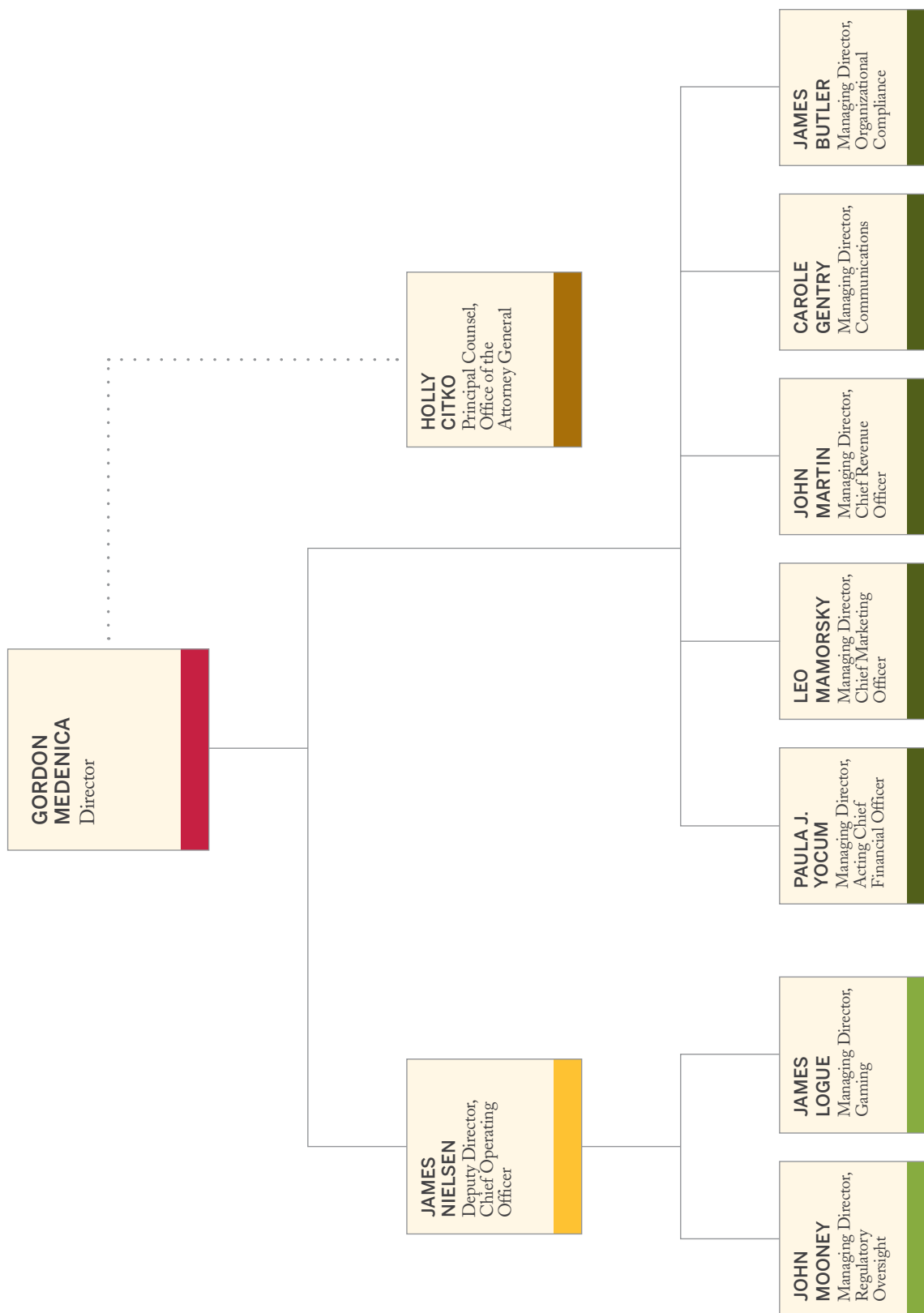
June 30, 2019

Christopher P. Morill

Executive Director/CEO



Executive Organization Chart



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Financial Section

In fiscal year 2020, the MLGCA contributed \$1.1 billion to the State of Maryland. \$588.7 million from the Lottery and \$523.6 million from casino gaming.

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INDEPENDENT AUDITORS' REPORT

To the Maryland Lottery and Gaming Control Agency:

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities of the Maryland Lottery and Gaming Control Agency (an agency of the State of Maryland) (Agency), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Maryland Lottery and Gaming Control Agency as of June 30, 2020 and 2019 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements of the Agency are intended to present the financial position and the changes in financial position and cash flows of the Agency. They do not purport to, and do not, present fairly the financial position of the State of Maryland as of June 30, 2020 and 2019, and the changes in its financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

OTHER MATTER

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis and budgetary comparison and changes in net pension liability contributions and related ratios information on pages 35 through 50 and 79 through 83, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the Maryland Lottery and Gaming Control Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Maryland Lottery and Gaming Control Agency's internal control over financial reporting and compliance.

SC + H Attest Services, P.C.

December 18, 2020

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) provides an overview of the Maryland Lottery and Gaming Control Agency's (Agency) performance for the fiscal years ended June 30, 2020 and 2019. As you read the MD&A, 2020 refers to the fiscal year ended June 30, 2020, 2019 refers to the fiscal year ended June 30, 2019 and 2018 refers to the fiscal year ended June 30, 2018. 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 51.

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

FINANCIAL HIGHLIGHTS

- Net lottery sales were \$2.19 billion in 2020, a decrease of \$7.14 million or 0.33% decrease compared to 2019, which increased by \$154.11 million or 7.54% compared to 2018.
- Gross video lottery terminal (VLT) revenue was \$829.3 million in 2020, a decrease of \$295.93 million in 2020 or a decrease of 26.30% as compared to \$1.13 billion in 2019, an increase of \$78.54 million or 7.50% as compared to 2018. The decrease in 2020 was primarily due to the casinos being closed and subsequently reopened at reduced occupancy levels as a result of COVID-19.
- Table game revenue was \$450.70 million in 2020, a decrease of \$184.49 million or a decrease of 29.04% as compared to \$635.19 million in 2019, an increase of \$2.9 million or 0.46% compared to 2018. The decrease in 2020 was primarily due to the casinos being closed and subsequently reopened at reduced occupancy levels as a result of COVID-19.
- Transfers from lottery proceeds to the State of Maryland, the Stadium Authority, and the Veterans Trust Fund in 2020 were \$588.67 million, a decrease of \$3.78 million or 0.64% compared to 2019, which increased by \$17.78 million or 3.09% as compared to 2018.
- Transfers to Other Governmental Funds/Agencies – Gaming totaled \$523.65 million in 2020, a decrease of \$197.02 million or 27.34% compared to 2019, which increased \$40.45 million or 5.95% compared to 2018. The decrease in 2020 was primarily due to the casinos being closed and subsequently reopened at reduced occupancy levels as a result of COVID-19.

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The Maryland Lottery and Gaming Control Agency is an independent agency of the State of Maryland (the State) that was created to generate revenue through the operation of a lottery. On November 4, 2008, a constitutional amendment was approved by voters which set up broad parameters for the operations of VLTs and the establishment of five casinos in the State. During the 2012 Second Special Session of the Maryland General Assembly, legislation passed, subject to voter referendum, that allowed, among other things, the implementation of table games as well as a sixth casino. During the November 2012 election, voters approved both table games and the sixth casino. The Agency is responsible for regulating the operations of the casinos. As of June 30, 2020, there were six casinos operating in the State with 6,532 VLTs and 529 table games.

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

FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 55 to 77 of this report.

Management's Discussion and Analysis

FINANCIAL ANALYSIS

Table 1 is a summarized version of the statements of net position as of June 30, 2020, 2019 and 2018. The table reflects the Agency's overall change in financial resources and claims on those resources. The majority of the assets consist of cash held by the State Treasury, investments, accounts receivable and net capital and right-of-use assets. The Agency's investments and the majority of accounts receivable, as well as the majority of cash held by the State Treasury, are used to pay lottery winners or are transferred as income to the State of Maryland and other government agencies. Most liabilities represent prize awards payable, annuities payable, amounts due to the State of Maryland, amounts due to other government agencies, lease liabilities and pension obligations.

TABLE 1 — NET POSITION (IN THOUSANDS)

	2020	2019	2018
Current Assets	\$ 263,102	\$ 246,694	\$ 226,625
Other Non-Current Assets	33,134	32,623	34,503
Capital and Right-of-Use Assets, net	9,518	12,008	5,848
Total Assets	\$ 305,754	\$ 291,325	\$ 266,976
Deferred Outflows of Resources	\$ 12,640	\$ 16,212	\$ 14,142
Total Assets and Deferred Outflows	\$ 318,394	\$ 307,537	\$ 281,118
Current Liabilities	\$ 263,745	\$ 238,423	\$ 221,833
Non-Current Liabilities	36,326	40,085	38,555
Net Pension Liability	30,537	32,034	27,646
Total Liabilities	\$ 330,608	\$ 310,542	\$ 288,034
Deferred Inflows of Resources	\$ 4,768	\$ 3,606	\$ 2,859
Total Liabilities and Deferred Inflows	\$ 335,376	\$ 314,148	\$ 290,893
Net Position			
Net Investment in Capital Assets	\$ —	\$ 100	\$ 370
Unrestricted	(16,982)	(6,711)	(10,145)
Total Net Position	\$ (16,982)	\$ (6,611)	\$ (9,775)

CURRENT ASSETS

The Agency's current assets increased by \$16.41 million or 6.65% in 2020 compared to 2019, which increased by \$20.07 million or 8.86% compared to 2018.

Cash held with the State Treasury increased by \$17.51 million or 10.35% in 2020 compared to 2019, which increased by \$10.81 million or 6.83% compared to 2018. At the end of 2020 there were three months of lottery income waiting to be transferred to the General Fund. In both 2019 and 2018, there were two months of lottery income waiting to be transferred.

Management's Discussion and Analysis

CURRENT ASSETS (continued)

Accounts receivable decreased by \$5.16 million or 7.61% in 2020 compared to 2019, which increased by \$8.00 million or 13.35% compared to 2018. Accounts receivable is primarily comprised of amounts due from lottery retailers from the sale of lottery tickets and revenue due from the casino operators. Accounts receivable from lottery retailers decreased by \$2.75 million or 5.02% in 2020 compared to 2019, which increased by \$6.13 million or 12.62% compared to 2018. On a weekly basis, amounts due from retailers are collected electronically from the retailers' bank accounts. In 2020, two days' worth of sales activity was waiting to be collected compared to seven days' in 2019 and six days' in 2018.

Accounts receivable from casino operators decreased by \$7.52 million or 57.12% in 2020 compared to 2019, which increased by \$1.87 million or 16.51% compared to 2018. Gross terminal revenue is electronically transferred to the Agency on a daily basis and table game revenue is electronically transferred to the Agency every two days. Corresponding increases and decreases in accounts receivable from casino operators are a function of the change in gaming revenue for the last days of the fiscal year and timing of when the revenue is received.

Accounts receivable from a vendor increased by \$5.01 million or 100.00% in 2020 compared to 2019 and represents the amount due from the vendor for compensation of prize expense loss provisions of excess prizes paid.

NON-CURRENT ASSETS

The Agency's non-current assets consist of investments for annuity payments, net of current portion, and capital and right-of-use assets, net of depreciation and amortization. Non-current assets decreased by \$1.98 million or 4.44% in 2020 compared to 2019, which increased by \$4.28 million or 10.61% compared to 2018.

Capital assets, net of depreciation, were fully depreciated in 2020, decreasing by \$191,290 or 100% compared to 2019, which decreased by \$209,000 or 52.17% compared to 2018. The reduction in 2020 and 2019 was the depreciation. During the year ended June 30, 2020, the Agency disposed of \$6,924,851 of equipment, resulting in a loss on disposal totaling \$104,340.

Right-of-use assets, net of amortization, decreased by \$2.3 million or 19.46% compared to 2019, which increased by \$6.37 million or 116.92% compared to 2018. The decrease in 2020 was the result of amortization. The increase in 2019 resulted from the addition of multiple equipment leases and associated right-of-use assets to be used in the lottery operations.

The Agency's investments for annuity payments, net of current portion, increased by \$511 thousand or 1.57% in 2020 compared to 2019, which decreased by \$1.88 million or 5.45% compared to 2018. The increase in 2020 resulted from more jackpot winners electing to receive their prize in the form of an annuity compared to the number of annuities that have expired. The decrease in 2019 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.

Management's Discussion and Analysis

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows represent the Agency's contributions subsequent to the measurement date and the changes in the Agency's proportionate share of the State Retirement and Pension Funds' total pension liability and the changes in actuarial assumptions as described in Note 10 to the financial statements. Deferred outflows decreased by \$3.57 million or 22.03% in 2020 compared to 2019, which increased by \$2.07 million or 14.64% compared to 2018. The increase in 2019 was attributed to the changes in the Agency's proportionate share of the overall pension liability. The decrease in 2020 resulted from amortization of the deferred outflows.

CURRENT LIABILITIES

Current liabilities increased by \$25.32 million or 10.62% in 2020 compared to 2019, which increased by \$16.59 million or 7.48% compared to 2018. The change between years is related to increases in the amount of lottery income due to the General Fund at year-end and an increase in prize awards payable. Amounts due to the General Fund increased by \$54.34 million or 52.96% in 2020 compared to 2019, which increased by \$10.26 million or 11.12% compared to 2018. In 2020, three months of lottery income was waiting to be transferred to the General Fund compared to two months for both 2019 and 2018. The two months of lottery income in 2019 was higher than in 2018. Prize awards payable increased by \$18.51 million or 37.08% in 2020 compared to 2019, which increased by \$4.41 million or 9.69% compared to 2018. This increase is due in part to an Executive Order issued by the State of Maryland's Governor Larry Hogan which extends the unclaimed prize deadline from 182 days until 30 days after the State of Emergency due to COVID-19 has been lifted. The increase in 2019 is related to overall higher sales. As sales increase, prizes won increases. These increases were offset by a decrease in amounts due to other governmental agencies – gaming. Due to the COVID-19 pandemic, casinos were closed for three months of the year and were only partially opened in June of 2020. Amounts due to other governmental agencies – gaming decreased by \$42.64 million or 73.71% in 2020 compared to 2019, which decreased by \$5.37 million or 8.50% compared to 2018. The decrease between 2019 and 2018 is the result of lower gaming revenue in June 2019 compared to June 2018.

NON-CURRENT LIABILITIES

Non-current liabilities decreased by \$5.25 million or 7.29% in 2020 compared to 2019, which increased by \$5.92 million or 8.94% compared to 2018. The decrease in 2020 is related to the decrease in net pension liability and lease liability. Net pension liability decreased by \$1.50 million or 4.67% in 2020 compared to 2019, which increased by \$4.39 million or 15.87% compared to 2018. The total pension liability represents the Agency's proportionate share of the State of Maryland's total net pension liability. The changes between the years is primarily the result of the changes in the Agency's proportionate share of the State Retirement and Pension Funds' overall pension liability. In addition to the decrease in net pension liability in 2020, there was also a decrease in the non-current portion of lease liability, which decreased by \$2.12 million or 23.62% compared to 2019 due to lease payments made in line with the lease agreements. The lease liability, net of current portion, increased by \$4.71 million or 110.71% in 2019 compared to 2018 due to the addition of multiple leases for lottery equipment in 2019.

Management's Discussion and Analysis

DEFERRED INFLOWS OF RESOURCES

Deferred inflows increased by \$1.16 million or 32.20% in 2020 compared to 2019, which increased by \$747,000 or 26.14% compared to 2018. Deferred pension inflows represent the Agency's contributions subsequent to the measurement date and the change in actuarial assumptions as described in Note 10 to the financial statements.

NET POSITION

Net position decreased by \$10.37 million or 156.86% in 2020 compared to 2019, which increased by \$3.16 million or 32.37% compared to 2018. Because the Agency is required by law to transfer its entire budgetary basis net position to the State of Maryland and its gaming revenue to government agencies, changes in net position do not reflect the results of the Agency's operating activities. Rather, changes in net position reflect differences between budgetary basis net income and net income in accordance with accounting principles generally accepted in the United States and the unclaimed prize fund.

Management's Discussion and Analysis

RESULTS OF OPERATIONS

Table 2 is a summarized version of the statements of revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019 and 2018.

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

	2020	2019	2018
Revenue			
Draw games	\$ 1,329,164	\$ 1,374,831	\$ 1,282,785
Instant games	852,739	812,426	750,889
ITLMs	7,865	9,651	9,121
Total sales	2,189,768	2,196,908	2,042,795
Gaming revenue — gross terminal revenue	829,281	1,125,215	1,046,677
Gaming revenue — state grant	6,461	6,716	7,475
Gaming revenue — table games	450,693	635,194	632,290
Gaming revenue — facility applicants	1,471	2,056	2,209
Gaming revenue — machine assessments	3,779	5,296	5,279
ITLM lease revenue	2,362	4,028	3,807
MDH Revenue	96	—	—
Total revenue	3,483,911	3,975,413	3,740,532
Cost of sales	2,330,243	2,606,785	2,436,693
Gross profit	1,153,668	1,368,628	1,303,839
Operating expenses	55,546	52,714	51,118
Income from operations	1,098,122	1,315,914	1,252,721
Non-operating revenues (expenses)			
Gain (loss) on investments for annuity payments and amortization of discount for annuity prize liabilities	3,700	1,258	(1,780)
Voluntary exclusion program	123	108	79
Payments to State of Maryland General Fund, Stadium Authority and Veterans Trust Fund	(588,669)	(593,453)	(575,672)
Payments to other government funds/agencies — gaming	(523,647)	(720,663)	(680,212)
Total non-operating expenses	(1,108,493)	(1,312,750)	(1,257,585)
Change in net position	(10,371)	\$3,164	(4,864)
Total net position — beginning of year	(6,611)	(9,775)	(4,911)
Total net position — end of year	\$ (16,982)	\$ (6,611)	\$ (9,775)

Management's Discussion and Analysis

SALES

Net lottery sales were \$2.19 billion in 2020, a decrease of \$7.14 million or 0.33% compared to 2019, which increased by \$154.11 million or 7.54% compared to 2018.

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

TABLE 3 — NET SALES (IN THOUSANDS)

	2020	2019	2018
Jackpot	\$ 198,537	\$ 293,177	\$ 241,877
Draw	641,144	583,596	556,913
Monitor	489,483	498,058	483,994
Instant	852,740	812,426	750,889
ITLM	7,864	9,651	9,121
Total	\$ 2,189,768	\$ 2,196,908	\$ 2,042,794

Sales for Jackpot games, which include Mega Millions, Powerball, Multi-Match, and Cash4Life, decreased by \$94.64 million or 32.28% in 2020 compared to 2019, which increased by \$51.30 million or 21.21% compared to 2018. The decrease in 2020 is attributed to lower jackpots in both Mega Millions and Powerball. Lower jackpots result in lower sales. The increase in 2019 is attributed to an increase in Mega Millions sales. In 2019, Mega Millions sales increased by \$47.92 million or 57.62% as the game offered five jackpots in excess of \$450 million.

Sales for Draw games, which are Pick 3, Pick 4, Bonus Match 5, 5 Card Cash, and FAST PLAY, increased by \$57.55 million or 9.86% in 2020 compared to 2019, which increased by \$26.68 million or 4.79% compared to 2018. In fiscal year 2020, Pick 4 sales increased by \$21.54 million or 6.90% over 2019, which increased by \$15.97 million or 5.39% compared to 2018. Pick 4 sales have continuously increased over the past several years as the game offers an attractive top prize of \$5,000.

Pick 3 sales increased by \$6.05 million or 2.46% in 2020 compared to 2019, which increased \$10.22 million or 4.34% compared to 2018. As payouts increase, players tend to reinvest their winnings, which in turn generates increased sales.

Sales for Bonus Match 5 have declined between 2018 and 2020. Bonus Match 5 sales decreased by \$1.05 million or 5.36% in 2020 compared to 2019, which decreased by \$85,000 or 0.43% compared to 2018. In 2020, 5 Card Cash sales decreased by \$191,000 or 3.07% compared to 2019, which increased by \$572,000 or 10.14% compared to 2018.

During 2020 the Agency introduced FAST PLAY, a new draw game with top prizes up to \$100,000. Sales of FAST PLAY totaled \$31.20 million in 2020.

Management's Discussion and Analysis

SALES (continued)

Sales for the Monitor games, which include Racetrax® and Keno, decreased by \$8.58 million or 1.72% in 2020 compared to 2019, which increased by \$14.06 million or 2.91% compared to 2018. Racetrax® sales increased by \$19.10 million or 9.04% in 2020 compared to 2019, which increased by \$18.61 million or 9.66% compared to 2018. Racetrax® continues to grow as players find the HD graphics appealing. It is further believed that players have traded Pick 3 play for Racetrax® play as Racetrax® plays much like Pick 3 and has a higher top prize.

The increase in Racetrax® sales in both 2020 and 2019 was offset by a decrease in Keno sales for these years. Keno sales decreased by \$27.67 million or 9.65% in 2020 compared to 2019, which decreased by \$4.54 million or 1.56% compared to 2018. The decrease in Keno sales in 2020 relates to the COVID-19 pandemic reduced capacity and temporary closure of restaurants and bars in the last three months of the year.

Instant ticket games continue to be a growth product for the Agency. Instant ticket game sales increased by \$40.31 million or 4.96% in 2020 compared to 2019, which increased by \$61.54 million or 8.20% compared to 2018.

TABLE 4 — NET SALES OF INSTANT TICKETS BY PRICE POINT (IN THOUSANDS)

	2020	2019	2018
\$1	\$ 26,151	\$ 29,420	\$ 30,555
\$2	40,397	44,742	46,761
\$3	39,279	31,911	35,153
\$5	245,211	249,561	243,443
\$10	270,601	256,280	219,328
\$20	126,749	105,857	93,222
\$30	104,352	94,655	82,427
Total	\$ 852,740	\$ 812,426	\$ 750,889

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

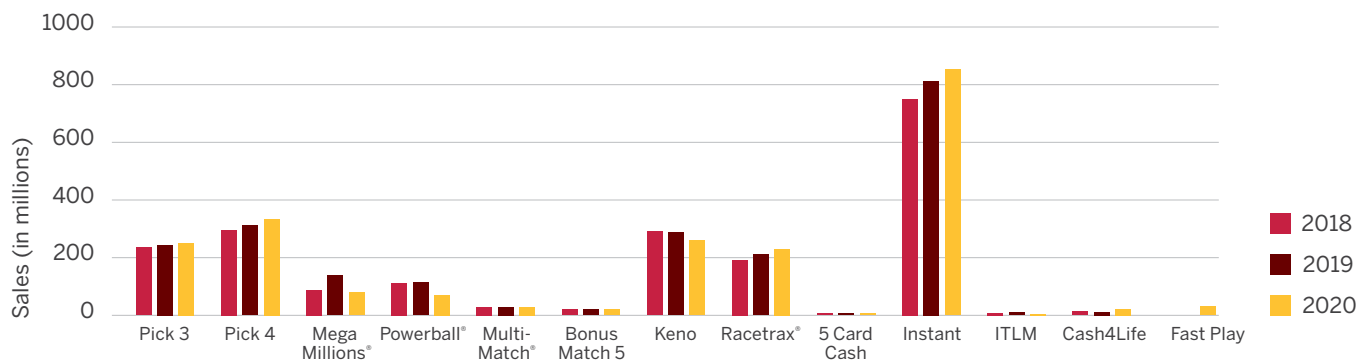
Management's Discussion and Analysis

SALES (continued)

Instant ticket lottery machines (ITLMs) were first introduced in September 2014 and under law are allowed only in veterans' organizations in certain counties in Maryland. An ITLM is an electronic device that dispenses pre-printed instant scratch tickets and utilizes a touch screen monitor. The device accumulates winnings and prints out a voucher at the conclusion of play. ITLM sales (which are accounted for as amount bet less amount won) decreased by \$1.79 million or 18.51% in 2020 compared to 2019, which increased by \$530,000 or 5.81% compared to 2018. The decrease in 2020 was due to the COVID-19 pandemic and the veteran organizations being closed for three months of 2020.

The following graph depicts sales for 2018, 2019 and 2020.

SALES — FISCAL YEARS 2018, 2019, AND 2020



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

Gaming revenue – gross terminal revenue (GTR) represents the revenue generated by the VLTs net of total prize payouts. Gross terminal revenue in 2020 totaled \$829.28 million, a decrease of \$295.93 million or 26.30% compared to 2019, which increased by \$78.54 million or 7.50% compared to 2018. In 2020, the COVID-19 pandemic resulted in casinos being closed for three months. In 2019, the gross terminal revenue at all casinos with the exception of Horseshoe Baltimore increased.

Management's Discussion and Analysis

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

TABLE 5 — GROSS TERMINAL REVENUE STATISTICS

Casino	Date Opened	Number of Machines as of June 30, 2020	2020 GTR (in millions)	2019 GTR (in millions)	2018 GTR (in millions)
Hollywood Casino Perryville	September 27, 2010	463	\$ 48.20	\$ 65.17	\$ 64.90
Casino at Ocean Downs	January 4, 2011	618	52.60	69.85	64.15
Live! Casino	June 6, 2012	2,360	315.80	411.80	369.48
Rocky Gap Casino and Resort	May 22, 2013	442	36.82	48.93	46.53
Horseshoe Casino Baltimore	August 24, 2014	1,066	96.43	144.63	156.31
MGM National Harbor	December 8, 2016	1,583	279.45	384.84	345.30
Total		6,532	\$ 829.30	\$ 1,125.22	\$ 1,046.67

Gaming revenue – table games revenue generated in 2020 decreased by \$184.50 million or 29.05% over 2019, which increased by \$2.90 million or 0.46% over 2018. None of the six casinos experienced any growth in table game revenue compared to 2019 due to the pandemic closures of the casinos. MGM National Harbor Casino and the Casino at Ocean Downs were the only two casinos that experienced an increase in table game revenue in 2019. Table game revenue at MGM National Harbor had the largest decrease of \$95.14 million or 29.13% in 2020 compared to 2019, which increased by \$16.60 million or 5.35% compared to 2018. In 2019, MGM increased their number of table games from 180 to 205, which led to the increase in table game revenue. Table game revenue at the Casino at Ocean Downs increased by \$5.22 million or 155.82% in 2019 compared to 2018. This increase was the result of a full year's worth of table game operations, compared to 6 months of operations in 2018. These increases in 2019 were offset by decreases at all other casinos. Live! Casino had the second largest decrease, decreasing by \$43.87 million or 24.70% in 2020 compared to 2019, which decreased by \$12.52 million or 6.59% compared to 2018. Horseshoe Casino Baltimore decreased by \$39.84 million or 37.71% in 2020 compared to 2019, which decreased by \$5.15 million or 4.65% compared to 2018. The pandemic casino closures led to the decrease in table game revenue in 2020. Greater payouts and less overall play led to the decrease in table game revenue in 2019. Table 6 shows the table game revenue statistics for each casino.

Management's Discussion and Analysis

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

TABLE 6 — TABLE GAME REVENUE (TGR) STATISTICS

Casino	Date Tables Games Debuted	Number of Tables as of June 30, 2020	2020 TGR (in millions)	2019 TGR (in millions)	2018 TGR (in millions)
Hollywood Casino Perryville	March 6, 2013	13	\$ 7.62	\$ 9.59	\$ 10.38
Live! Casino	April 11, 2013	193	133.73	177.60	190.12
Rocky Gap Casino and Resort	May 22, 2013	16	5.58	7.18	7.64
Horseshoe Casino Baltimore	August 24, 2014	129	65.80	105.64	110.79
MGM National Harbor	December 8, 2016	160	231.47	326.62	310.01
Casino at Ocean Downs	December 29, 2017	18	6.50	8.57	3.35
Total		529	\$ 450.70	\$ 635.20	\$ 632.29

For the gaming operations, the gross terminal revenue and table game revenue (gaming revenue) is required to be transferred to specified Government agencies to be used for certain purposes or is retained by the casinos and the Agency to assist in covering the costs of the operations. Changes in the distribution of gaming proceeds occurred in 2019 and 2018. Effective for fiscal year 2019, the proceeds that were previously allocated to the General Fund were redirected to the Maryland Education Trust Fund. Effective for fiscal year 2018, the proceeds that were previously allocated to the Small, Minority and Woman-Owned Business were redirected to the General Fund. The only proceeds that are still allocated to the Small, Minority and Woman-Owned Business are a portion of expired gaming vouchers.

Management's Discussion and Analysis

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

TABLE 7 — GAMING REVENUE DISBURSEMENTS/ALLOCATIONS

Fund	2020 Disbursements (in millions)	2019 Disbursements (in millions)	2018 Disbursements (in millions)
Casino Operators	\$ 750.85	\$ 1,036.97	\$ 996.86
Maryland Education Trust Fund	396.82	542.70	496.66
Horse Racing	56.44	76.63	71.22
Local Impact Grants	45.01	61.08	56.79
Local Jurisdictions	22.53	31.76	31.61
Maryland Lottery and Gaming	8.28	11.24	10.46
Small, Minority and Women-Owned Businesses	0.03	0.03	0.02
General Fund	n/a	n/a	15.34
Total	\$ 1,279.96	\$ 1,760.41	\$ 1,678.96

Gaming revenue – state grant represents funds received from the State of Maryland to help pay for the costs of the gaming operations. Gaming revenue – state grant decreased by \$254,000 or 3.79% in 2020 compared to 2019, which decreased by \$759,000 or 10.16% compared to 2018. In addition to the state grant, the Agency receives 1% of the gross gaming revenue from the VLTs to help fund its gaming operations. As the gaming revenue from VLTs increases, the amount of the state grant decreases. In 2020, the amount of VLT revenue received by the Agency decreased by \$2.96 million or 26.31% compared to 2019, which increased by \$782,000 or 7.48% compared to 2018. The decrease in 2020 is partially due to the COVID-19 pandemic whereas the casinos were closed for 3 months. The remaining decrease in 2019 of \$178,000 is related to overall lower costs to operate the gaming program.

Gaming revenue – facility applicants represents money received to perform background investigations on applicants who have applied for a gaming license. Gaming revenue – facility applicants decreased by \$585,000 or 28.47% in 2020 compared to 2019, which decreased by \$154,000 or 6.95% compared to 2018. This account fluctuates based on the number of license applications received.

Gaming revenue – machine assessments represents assessments made to casino operators based on the maximum number of VLTs and table games on the floor during the fiscal year. In accordance with the law, casino operators are assessed a yearly fee of \$425 per VLT and \$500 per table. These funds are collected by the Agency and subsequently remitted to the Department of Health and Mental Hygiene's Problem Gambling Fund. Machine assessments decreased by \$1.52 million or 28.64% compared to 2019, which increased by \$17,000 or 0.33% compared to 2018. Assessments fluctuate based on the number of VLTs and table games that are on the casino floor during the year. Due to the COVID-19 pandemic and the closure of the casinos for three months and only partial reopening in June, the assessment was prorated based on the number of days open and capacity restrictions, attributing to the decrease in 2020.

Management's Discussion and Analysis

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

Gaming revenue – ITLM lease revenue decreased by \$1.67 million or 41.38% in 2020 compared to 2019, which increased by \$221,000 or 5.81% compared to 2018. The decrease was partially due to the pandemic and the closure of the veteran organizations and a change in the lease fee percentage. ITLM lease revenue represents the amount collected from the veterans' organizations that is used to pay the machine fees to the ITLM vendor.

COST OF SALES

Cost of sales consists of lottery prize expense, lottery retailer commissions, casino operator commissions, costs paid to vendors to operate and maintain the lottery and gaming systems, and costs paid for the printing and delivery of instant ticket games. Cost of sales decreased by \$276.54 million or 10.61% in 2020 compared to 2019, which increased by \$170.09 million or 6.98% compared to 2018.

Commissions paid to casino operators decreased by \$286.11 million or 27.59% in 2020 compared to 2019, which increased by \$40.11 million or 4.02% compared to 2018. The decrease in 2020 is due to the pandemic casino closures for three months. The increase in commissions paid in 2019 is the result of higher overall gaming revenue.

Commissions paid to lottery retailers decreased by \$1.78 million or 1.07% in 2020 compared to 2019, which increased by \$11.78 million or 7.66% compared to 2018. Typically, increases and decreases in commission are a function of sales as retailers receive a percentage of all tickets sold and cashed at their location. Sales in 2019 increased, resulting in an increase in commission paid to retailers. Sales decreased in 2020, resulting in a decrease in commission paid to retailers.

Prize expense increased by \$11.56 million or 0.85% in 2020 compared to 2019, which increased by \$108.76 million or 8.71% compared to 2018. There is a direct correlation between prize expense and sales. As such, the increase in 2019 was the result of an increase in sales.

Management's Discussion and Analysis

OPERATING EXPENSES

Operating expenses increased by \$2.83 million or 5.37% in 2020 compared to 2019, which increased by \$1.60 million or 3.12% compared to 2018.

Salaries, wages, and benefits increased by \$1.45 million or 5.42% in 2020 compared to 2019, where it remained relatively constant decreasing by \$242,000 or 0.90% compared to 2018. Advertising and promotions increased by \$297,000 or 1.64% in 2020 compared to 2019, which increased by \$2.57 million or 16.55%. Fluctuations between advertising expenses are related to changes in the advertising budget and encumbrances.

Depreciation and amortization increased by \$513,000 or 25.87% in 2020 compared to 2019, which increased by \$749,000 or 60.73% compared to 2018. The increase in both 2020 and 2019 is related to amortization of the right-of-use assets.

NON-OPERATING REVENUE (EXPENSES)

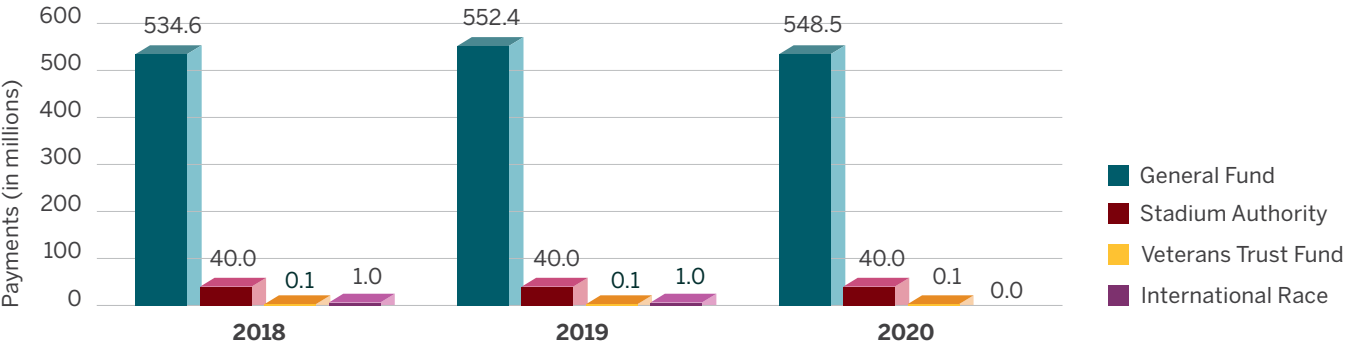
Non-operating expenses decreased by \$204.26 million or 15.56% in 2020 compared to 2019, which increased by \$55.16 million or 4.39% compared to 2018. Non-operating expenses primarily consist of unrealized gains or losses on investments held to fund obligations to annuitants and payments to the State of Maryland General Fund, the Stadium Authority, the Veterans Trust Fund and other government funds/agencies. The Agency expects to realize the face value of its investments, since it intends to hold these investments until maturity. Therefore, any interim unrealized gains or losses on investments will reverse. The change in fair value of the investments held by the Agency is discussed in more detail in Note 3.

The decrease in 2020 is attributed to the decrease in payments to the State of Maryland General Fund and Other Governmental Funds/Agencies. Payments to the State of Maryland decreased by \$3.86 million or 0.70% compared to 2019, which increased by \$17.78 million or 3.33% compared to 2018. As previously mentioned, the decrease in 2020 is related to less revenue, whereas the increase in 2019 is related to a higher profitability in both instant tickets and Mega Millions. Payments to Other Governmental Funds/Agencies decreased by \$197.02 million or 27.34% in 2020 compared to 2019, which increased by \$40.45 million or 5.95% compared to 2018. The decrease in 2020 is directly related to the pandemic closures of the casinos for three months. The increase in 2019 is related to the overall higher gaming revenue. Table 7 on page 47 provides a breakdown of the various accounts.

The Agency is required by State law to transfer its budgetary basis net income to the State of Maryland (General Fund, Stadium Authority, the Veterans Trust Fund and the International Race Fund for 2018 and 2019) from its lottery operations. Furthermore, it is required to transfer revenue from its gaming operations to various government agencies. Accordingly, the Agency's success can be measured by the income it transfers.

NON-OPERATING REVENUE (EXPENSES) (continued)

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



CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Agency’s financial activity for those interested in the Agency’s operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Paula Yocum, Acting Chief Financial Officer, Maryland Lottery and Gaming Control Agency, 1800 Washington Boulevard, Suite 330, Baltimore, Maryland 21230.

Statements of Net Position

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 7,469,415	\$ 2,278,694
Cash and cash equivalents — gaming	40,759	40,753
Cash and cash equivalents — gaming licensing deposits	1,950,459	1,797,853
Cash and cash equivalents — agent	236,425	119,114
Cash held with State Treasury	186,668,499	169,158,365
Accounts receivable — lottery	51,989,243	54,735,407
Accounts receivable — casino operators	5,645,812	13,166,350
Accounts receivable — vendor	5,006,208	—
Accounts receivable — Maryland Department of Health	95,651	—
Prepaid commissions	81,095	53,558
Current portion of investments for annuity payments	3,918,311	5,343,416
Total current assets	263,101,877	246,693,510
Non-current assets:		
Capital assets, net of accumulated depreciation	—	191,290
Right-of-use assets, net of accumulated amortization	9,517,601	11,816,739
Investments for annuity payments, net of current portion	33,133,903	32,623,119
Total non-current assets	42,651,504	44,631,148
Total assets	\$ 305,753,381	\$ 291,324,658
Deferred Outflows of Resources:		
Deferred pension outflows	12,640,318	16,211,706
Total deferred outflows of resources	12,640,318	16,211,706
Total assets and deferred outflows of resources	\$318,393,699	\$307,536,364
Liabilities:		
Current liabilities:		
Current portion of annuity prizes payable	\$ 3,836,212	\$ 5,225,051
Current portion of employee related payables	1,695,953	1,983,270
Current portion of lease liability	2,772,117	2,937,913
Transfer due to State of Maryland General Fund	156,936,603	102,599,624
Transfer due to Other Government Agencies — Gaming	15,206,553	57,845,084
Transfer due to local jurisdictions	1,832,264	7,553,206
Prize awards payable	68,420,461	49,911,066
Accounts payable and accrued expenses	5,366,260	6,352,300
Gaming licensing deposits	1,897,003	1,611,429
Gaming payable	40,759	40,756
Agent payable	236,425	119,114
Unearned revenue	2,244,356	1,654,876
Taxes and other liabilities	3,260,241	590,248
Total current liabilities	263,745,207	238,423,937
Non-current liabilities:		
Annuity prizes payable, net of current portion	27,878,499	29,721,626
Employee related payables, net of current portion	1,596,778	1,392,692
Lease liability, net of current portion	6,850,704	8,969,694
Pension liability	30,536,823	32,033,294
Total non-current liabilities	66,862,804	72,117,306
Total liabilities	330,608,011	310,541,243
Deferred Inflows of Resources:		
Deferred pension inflows	4,767,762	3,606,412
Total deferred inflows of resources	4,767,762	3,606,412
Total liabilities and deferred inflows of resources	335,375,773	314,147,655
Commitments and contingencies (Notes 8, 10 and 11)		
Net Position:		
Net investment in capital assets	—	100,422
Restricted	—	—
Unrestricted	(16,982,074)	(6,711,713)
Total net position	(16,982,074)	(6,611,291)
Total liabilities, deferred inflows of resources and net position	\$ 318,393,699	\$ 307,536,364

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

Statements of Revenues, Expenses, and Changes in Net Position

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Revenue:		
Draw Games	\$ 1,329,164,274	\$ 1,374,831,127
Instant Games	852,739,383	812,426,311
ITLMs	7,864,356	9,651,061
Total Sales	<u>2,189,768,013</u>	<u>2,196,908,499</u>
 Gaming revenue — gross terminal revenue	829,280,731	1,125,214,916
Gaming revenue — state grant	6,461,424	6,715,636
Gaming revenue — table games	450,693,376	635,193,662
Gaming revenue — facility applicants	1,470,576	2,055,879
Gaming revenue — machine assessments	3,779,273	5,296,225
ITLM lease revenue	2,361,413	4,028,353
MDH revenue	95,651	—
Total revenue	<u>3,483,910,457</u>	<u>3,975,413,170</u>
 Cost of sales:		
Prize expense	1,369,035,515	1,357,478,258
Retailer commissions	163,733,149	165,508,687
Casino commissions	750,852,790	1,036,965,945
Gaming vendor and data processing fees	38,184,132	39,504,953
Instant ticket printing and delivery	8,437,031	7,327,339
Total cost of sales	<u>2,330,242,617</u>	<u>2,606,785,182</u>
Gross profit	<u>1,153,667,840</u>	<u>1,368,627,988</u>
 Operating expenses:		
Salaries, wages and benefits	28,171,299	26,724,096
Advertising and promotions	18,405,264	18,108,829
Depreciation and amortization	2,494,573	1,981,874
Other general and administrative expenses	6,474,828	5,899,476
Total operating expenses	<u>55,545,964</u>	<u>52,714,275</u>
Income from operations	<u>1,098,121,876</u>	<u>1,315,913,713</u>
 Non-operating revenues (expenses):		
Investment income	5,081,610	2,739,815
Amortization of discount for annuity prize liabilities	(1,381,982)	(1,481,880)
Voluntary exclusion program	123,142	108,086
Payments to State of Maryland General Fund	(548,511,871)	(552,375,066)
Payments to State of Maryland Stadium Authority and Veterans Trust	(40,156,301)	(40,078,023)
Payments to International Racing Fund	—	(1,000,000)
Payments to Other Governmental Funds/Agencies - Gaming	(523,647,257)	(720,662,476)
Total non-operating expenses	<u>(1,108,492,659)</u>	<u>(1,312,749,544)</u>
 Change in net position	<u>(10,370,783)</u>	<u>3,164,169</u>
 Total net position — beginning of year	<u>(6,611,291)</u>	<u>(9,775,460)</u>
Total net position — end of year	<u>\$ (16,982,074)</u>	<u>\$ (6,611,291)</u>

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

Statements of Cash Flows

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers	\$ 3,489,515,251	\$ 3,967,385,821
Payments to suppliers	(67,212,288)	(68,304,911)
Payments to employees	(28,254,531)	(26,715,722)
Payments to agents	(914,613,475)	(1,202,479,561)
Prize payments/awards to players	(1,347,067,147)	(1,352,372,825)
Net cash and cash equivalents provided by operating activities	1,132,367,810	1,317,512,802
Cash flows from noncapital financing activities:		
Transfers to the State of Maryland General Fund and Stadium Authority	(534,208,051)	(583,111,147)
Transfers to DHMH	(5,415,117)	(5,397,594)
Transfers to Other Government Funds/Agencies — Gaming	(566,591,613)	(715,814,126)
Transfer from VLT Special Fund to General Fund	—	—
Prize payments/awards	(5,402,929)	(4,031,992)
Net cash and cash equivalents used in noncapital financing activities	(1,111,617,710)	(1,308,354,859)
Cash flows from investing activities:		
Coupon bonds purchased	(788,980)	(762,888)
Proceeds from matured annuities and bonds	5,402,929	4,031,992
Net cash and cash equivalents provided by investing activities	4,613,949	3,269,104
Cash flows from financing activities:		
Payments on lease liabilities	(2,393,271)	(1,712,062)
Net cash and cash equivalents used in financing activities	(2,393,271)	(1,712,062)
Net increase in cash and cash equivalents	22,970,778	10,714,985
Cash and cash equivalents, beginning of year	173,394,779	162,679,794
Cash and cash equivalents, end of year	\$ 196,365,557	\$ 173,394,779
Noncash investing and financing activities:		
Acquisition of right-of-use assets through lease liability	\$ 108,485	\$ 1,257,930
Change in fair value of investments	\$ 3,699,628	\$ 1,257,930

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

Statements of Cash Flows (continued)

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 1,098,121,876	\$ 1,315,913,713
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	2,494,573	1,981,874
Loss on disposal of capital assets	104,340	–
Amortization of discount for annuity prize liabilities	1,381,982	1,481,880
Deferred prize payments	788,980	762,888
Deferred inflows pension	1,161,350	747,372
Deferred outflows pension	3,571,388	(2,069,940)
Effect of changes in operating assets and liabilities:		
Accounts receivable	5,164,844	(7,997,407)
Prepaid commissions	(27,537)	(4,929)
Accounts payable and accrued expenses	(583,152)	(529,390)
Employee related payables	(83,231)	8,376
Taxes and other liabilities	2,669,993	(66,967)
Prize awards payable	18,509,395	2,927,633
Pension liability	(1,496,471)	4,387,641
Unearned revenue	589,480	(29,942)
Net cash and cash equivalents provided by operating activities	<u>\$ 1,132,367,810</u>	<u>\$ 1,317,512,802</u>

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

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LEGISLATIVE ENACTMENT

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

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

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

On August 14, 2012, Senate Bill 1 – Gaming Expansion – Video Lottery Terminals and Table Games passed the 2012 Second Special Session of the Maryland General Assembly. This bill contained many provisions concerning gaming operations and certain provisions that were subject to voter referendum. The provisions which were subject to voter referendum passed during the November 6, 2012 election, which allowed for a sixth casino at a site in Prince George's County, increased the maximum number of video lottery terminals allowed in the State from 15,000 to 16,500, established table games and allowed for 24-7 operations at the casinos. A gaming license to operate a casino at National Harbor in southern Prince George's County was awarded to MGM Resorts International on December 20, 2013. The casino opened in December 2016.

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

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

Pursuant to § 9-1A-26 of the Maryland State Government Article, the jackpot proceeds won at a video lottery terminal that are not claimed by the winner within 182 days after the jackpot shall become the property of the State. The proceeds shall be allocated as follows: 2.5% to the Small, Minority, and Women-Owned Business Account, 9.5% to Local Impact Grants, 10% to Purse Dedication, 1.5% to the Racetrack Facility Renewal Account and the remainder to the Education Trust Fund. In March 2020, the State of Maryland's Governor

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEGISLATIVE ENACTMENT (continued)

issued an Executive Order which extends the unclaimed prize deadline from 182 days until 30 days after the State of Emergency due to COVID-19 has been lifted.

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

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

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

BASIS OF ACCOUNTING AND PRESENTATION

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*, which is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be amortized, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. The Agency implemented GASB 87 during the year ended June 30, 2020 and retrospectively adjusted the presentation of leases within the accompanying financial statements.

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT (continued)

The effects of the adjustments for the year ended June 30, 2019 were as follows:

	As Previously Reported	Impact of Recently Adopted Accounting Principle	As Adjusted
Statement of Net Position as of June 30, 2019			
Right-of-Use Assets, net	\$ —	\$ 11,816,739	\$ 11,816,739
Lease Liability, net	\$ —	\$ 11,907,607	\$ 11,907,607
Net Position:			
Net Investment in Capital Assets	\$ 191,920	\$ (90,868)	\$ 100,422
Total Net Position	\$ (6,520,423)	\$ (90,868)	\$ (6,611,291)
Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2019			
Depreciation and Amortization	\$ 208,680	\$ 1,773,194	\$ 1,981,874
Other General and Administration Expenses	\$ 7,611,538	\$ (1,712,062)	\$ 5,899,476
Total Operating Expenses	\$ 52,653,143	\$ 61,132	\$ 52,714,275
Change in Net Position	\$ 3,225,301	\$ (61,132)	\$ 3,164,169

USE OF ESTIMATES

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

LOTTERY GAMES — REVENUE RECOGNITION AND PRIZE OBLIGATIONS

Revenue from lottery games originates from three product lines: draw games, instant games and instant ticket lottery machines. The Agency develops multiple game themes and prize structures to comply with its enabling legislation and customer demand. Independent and corporate retailers comprised principally of grocery and convenience stores, packaged goods stores, and restaurants serve as the primary distribution channel for draw and instant lottery sales. Veterans' organizations are the only distribution channel for ITLMs. Retailers receive a sales commission of 5.5% and a cashing commission of 3% of prizes redeemed at a retailer. For FY 2020, the retailers' cashing commission was 1.7679% of total prizes redeemed. Veterans' organizations earn an additional 0.5% sales commission on ITLM sales.

Licensed lottery retailers sell draw game lottery tickets to the public through the use of computerized terminals. Draw games are categorized as: Jackpot Games (Mega Millions, Powerball, Multi-Match and Cash4Life), Daily Draw Games (Pick 3, Pick 4, Bonus Match 5 and 5 Card Cash), and Monitor Games (Keno, Keno Bonus, Keno Superbonus, Racetrax®, and Racetrax® Bonus) and FAST PLAY. Draw revenue is recognized in the month in which the related drawings are held. Revenue from the sale of tickets and commissions paid for future drawings are deferred until the drawings are held. Revenue from instant games is recognized when the retailer activates the book of tickets. Revenue from the sale of FAST PLAY is

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LOTTERY GAMES — REVENUE RECOGNITION AND PRIZE OBLIGATIONS (continued)

recognized in the month in which the ticket is sold. Licensed veterans' organizations offer ITLMs to their customers. The Agency recognizes ITLM revenue as "gross terminal revenue" equivalent to all wagers, net of related prizes.

Prize obligations for draw games are determined and recognized after each drawing is held. For all draw games, winners are paid a certain amount depending upon the number of winners and the order of the winning numbers drawn. The Multi-Match, Mega Millions, Powerball and Cash4Life jackpots are calculated as a percentage of total game revenue. If there is no jackpot winner, the prize pool is carried forward until there is a winner. The remaining Multi-Match, Mega Millions, Powerball and Cash4Life prize levels are based on a predetermined set amount. Prize obligations are recognized monthly for instant games based on the books activated by retailers and the related prize expense based on the specific game's prize structure. Prize expense for ITLM is recorded as amounts are won and is used in determining the "gross terminal revenue" for ITLM.

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

As of the end of fiscal year 2020, six casinos were in operation with a total of 6,532 VLTs. VLTs are a self-activated video version of lottery games which allow for a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The prize structures of VLTs are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expenses are netted against total video credits played. The Agency recognizes VLT revenue as "gross terminal revenue" equivalent to all wagers, net of related prizes.

In accordance with the law, the casino operators receive a specified percentage of gross terminal revenue to operate their casinos. The percentage varies by casino. Commissions during fiscal years 2020 and 2019 ranged from 39% to 60%.

To help fund its operations, the Agency retains 1% of the gross terminal revenue from all of the casinos. The enabling legislation requires the Agency to disburse the remainder of the gross terminal revenue to other Government agencies, which in turn are responsible for making further distributions.

As of the end of fiscal year 2020, there were 529 table games in operation at the casinos. Table games include blackjack, roulette, craps, baccarat, big six wheel and various poker games. Table game revenue is equivalent to all wagers, net of related prizes. Casino operators receive 80% of the table game revenue to operate their casino. The remaining 20% is remitted to the Agency who in turn transfers it to the Maryland Education Trust Fund and Local Jurisdictions in accordance with the enabling legislation. The casino operators' share of the revenue from both VLTs and table games is recorded as a cost of sales.

To further help fund the operations of the Gaming program, the State provided grants to the Agency during fiscal years 2020 and 2019 in the amount of \$6,461,424 and \$6,715,636, respectively.

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Administrative expenses for the Gaming program are recognized as they are incurred. The majority of the expenses incurred for the gaming program are for salaries.

OPERATING AND NON-OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds such as the Agency are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Agency are derived from providing various types of lottery games, various VLTs and table games. Operating expenses for lottery games include the costs to operate the various games, to pay prize winners, and administrative expenses. Operating expenses for gaming include the costs to operate the various games and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CASH AND CASH EQUIVALENTS

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

CASH AND CASH EQUIVALENTS — GAMING LICENSE DEPOSITS

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

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

To the extent that the investigation deposit is less than the costs incurred for the investigation, the applicant is billed for the deficit. After the investigation is completed, the deposit is recorded as revenue and is transferred to the Gaming Special Fund account.

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS — AGENT

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

ACCOUNTS RECEIVABLE — LOTTERY

Accounts receivable – lottery represents the amounts due from lottery retailers from the sale of lottery tickets and ITLM amounts played. The Agency utilizes the allowance method to provide for doubtful accounts based on management's evaluation of the collectability of accounts receivable. The Agency determines accounts receivable to be delinquent when greater than 10 days past due. Receivables are written off when it is determined that amounts are uncollectible. As of June 30, 2020 and 2019, management believes all accounts receivable are collectible and, as such, no allowance for doubtful accounts has been recorded.

ACCOUNTS RECEIVABLE — CASINO OPERATORS

Accounts receivable – casino operators represents the amount of gross terminal revenue and table games revenue due from the casino operators. Gross terminal revenue is collected on a daily basis. Table game revenue is collected every two days. Also included in the accounts receivable – casino operators are the amounts due from the casino operators for the \$425 per VLT assessment and the \$500 per table game assessment that is due to the Problem Gambling Fund. Management believes that all accounts receivable are collectible and, as such, no allowance for doubtful accounts has been recorded as of June 30, 2020 and 2019.

ACCOUNTS RECEIVABLE – VENDOR

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

During the year ended June 30, 2020, the Agency identified an error in the application of one of its games by a vendor. This error in the application continued through September 2020, at which time it was resolved. As of June 30, 2020, excess prize expense paid related to this error totaled \$5,006,208. During the period through August 2020, additional excess payments of \$1,309,000 occurred. The Agency and the vendor have agreed that the vendor will reimburse the Agency for these payments and the reimbursement was complete by November 30, 2020. The balance recorded as accounts receivable – vendor as of June 30, 2020 represents the excess prize expense paid through that date.

Management believes that all accounts receivable – vendor are collectible and, as such, no allowance for doubtful accounts has been recorded.

ACCOUNTS RECEIVABLE – MARYLAND DEPARTMENT OF HEALTH

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

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL AND RIGHT-OF-USE ASSETS

The Agency has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000 and right-of-use assets held under lease liabilities as defined in GASB 87. These assets include leased facilities and purchased and leased equipment comprised principally of technological property and equipment necessary to administer lottery games and VLTs. The purchased assets are recorded at cost and depreciation is computed using the straight-line method over three to five-year useful lives. The leased assets are recorded at the present value of the leased liability and amortized using a systematic and rational manner over the shorter of the lease term or useful life of the underlying asset.

INVESTMENTS

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

COMPENSATED ABSENCES

The Agency accrues compensated absences in accordance with GASB No. 16, *Accounting for Compensated Absences*. All full-time permanent Agency employees accrue annual leave at variable rates based on the number of years employed by the State of Maryland. The maximum annual leave an employee can earn per calendar year is 25 days. At the end of each calendar year, an employee's accrued annual leave may not exceed 600 hours; however, the State is only liable for payment up to 500 hours. Accrued annual leave is included in the employee related payables in the accompanying statements of net position. Agency employees also accrue sick pay benefits. However, the Agency does not record a liability for accrued sick pay benefits as neither the State of Maryland nor the Agency has a policy to pay unused sick leave when employees terminate from State service.

PAYMENTS TO THE STATE OF MARYLAND

The law requires the Agency to transfer its lottery revenue in excess of funds allocated to prize awards and operating expenses to the State of Maryland General Fund and to a lesser extent the Maryland Stadium Authority, the Veterans Trust Fund and, in fiscal years 2017, 2018, and 2019, the International Race Fund. These payments are recorded as a non-operating expense in the accompanying statements of revenues, expenses, and changes in net position.

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

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PAYMENTS TO THE STATE OF MARYLAND (continued)

A summary of the total game revenue and the distributions for the years ended June 30, 2020 and 2019, respectively, follows:

Fund	2020	2019
Education Trust Fund	\$ 396,821,709	\$ 542,700,704
Horse Purse Dedication	48,513,957	65,855,547
Local Impact Grants	45,011,034	61,084,594
Local Jurisdictions	22,534,669	31,759,683
Maryland Lottery and Gaming Control Agency	8,281,788	11,238,926
Racetracks Facility Renewal	7,930,614	10,770,120
Small, Minority and Women Owned Businesses	27,546	33,059
Casino Operators	750,852,790	1,036,965,945
Total	\$ 1,279,974,107	\$ 1,760,408,578

NET POSITION

Net position is presented as either restricted, unrestricted or invested in capital assets. Net position invested in capital assets represents the difference between capital assets net of accumulated depreciation and the related capital lease obligations. In accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, there is a prohibition against reporting negative restricted fund balances. If a restricted fund balance in total is negative, then the negative amount can only be attributed to the unrestricted fund balance classification. Unrestricted net position represents the net position available for future operations including outstanding encumbrances as of year-end and unrealized gains or losses on investments. Market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amount due to the Maryland Stadium Authority, State of Maryland General Fund or payments to Other Governmental Agencies.

NEW ACCOUNTING PRONOUNCEMENTS

The Agency implemented GASB Statement No. 83 (GASB No. 83), *Certain Asset Retirement Obligations*, and GASB No. 84 (GASB No. 84), *Fiduciary Activities*, GASB Statement No. 88 (GASB No. 88), *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, GASB Statement No. 90 (GASB No. 90), *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, for fiscal year ended June 30, 2020 with no effect on the Agency.

GASB has also issued GASB Statement No. 92 (GASB . 92), *Omnibus 2020*, for reporting periods beginning after June 15, 2020, GASB Statement No. 89 (GASB No. 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*, for reporting periods beginning after December 15, 2020, GASB Statement No. 97 (GASB No. 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, for reporting periods beginning after June 15, 2021, GASB Statement No. 91 (GASB No. 91), *Conduit Debt Obligations*, for reporting periods beginning after December 15, 2021, GASB Statement No. 93 (GASB No. 93), *Replacement of Interbank Offered Rates*, for

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW ACCOUNTING PRONOUNCEMENTS (continued)

reporting periods beginning after December 31, 2021, GASB Statement No. 94 (GASB No. 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96 (GASB No. 96), *Subscription-Based Information Technology Arrangements*, for reporting periods beginning after June 15, 2022. The Agency is in the process of assessing the impact of these statements and will implement them as of the effective dates, if appropriate.

2. CASH AND CASH EQUIVALENTS

As of June 30, 2020 and June 30, 2019, the carrying amounts of deposits with financial institutions were \$9,697,058 and \$4,236,414, respectively. The corresponding bank balances were \$5,367,520 and \$3,711,806 as of June 30, 2020 and June 30, 2019, respectively.

As of June 30, 2020 and June 30, 2019, the amount on deposit with the Maryland State Treasury (State Treasury) was \$186,668,499 and \$169,158,365, respectively. The corresponding State Treasury balances were \$16,847,027 and \$9,188,127, respectively. The State Treasury has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards, and commissions. The deposits with the State Treasury are part of the State of Maryland's internal investment pool and are not separately identifiable as to specific types of securities. The State Treasury maintains these and other Maryland State agency funds on a pooled basis in accordance with State statute. The Agency does not obtain interest on funds deposited with the State Treasury. As of June 30, 2020 and 2019, the Agency's deposits with the State Treasury were 3.44% and 2.00% of the total deposits with the State Treasury, respectively.

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

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

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

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

Concentration of credit risk – The State Treasury's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5% of government fund investments are in the FNMA and the Federal Home Loan Mortgage Corporation. As of June 30, 2020, these investments are

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2. CASH AND CASH EQUIVALENTS (continued)

15.63% and 5.65% of the State of Maryland's internal investment pool total investments, respectively. As of June 30, 2019, these investments were 18.18% and 37.29% of the State of Maryland's internal investment pool total investments, respectively.

3. INVESTMENTS

UNITED STATES GOVERNMENT TREASURY BONDS

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

The Agency has purchased long-term investments to fund jackpot and lifetime prize awards. The majority of these investments are United States Government Treasury Bonds, which carry yields to maturity of 1.073% to 6.791%. As of June 30, 2020 and June 30, 2019, the Agency's United States Government Treasury Bonds totaled \$37,006,852 and \$37,916,353, respectively. The investments in United States Government Treasury Bonds are carried at fair value based on quoted market prices on the accompanying statements of net position and the related unrealized gains (losses) and interest income are recorded as investment revenue (loss) on the accompanying statements of revenues, expenses, and changes in net position.

ANNUITY CONTRACTS

As of June 30, 2020 and June 30, 2019, the annuity contracts totaled \$45,362 and \$50,182, respectively. The annuity contracts were purchased in 1976 to satisfy the Agency's obligation for certain lifetime prizes. The value of the annuity contracts and related annuity prizes payable were adjusted in fiscal year 2005 based on revised actuarial life expectancy tables.

INVESTMENT RISK

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

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

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

3. INVESTMENTS (continued)

UNITED STATES GOVERNMENT TREASURY BONDS AND ANNUITY CONTRACTS

As of June 30, 2020, the Agency had the following investments:

				Investment Maturities (In Years)				
Investment Type	Fair Value	Credit Quality Rating	% of Investments	Less than 1	1–5	6–10	11–20	21–30
<u>Investments in prize annuities:</u>								
United States Treasury Bonds	\$37,006,852	1	99.9%	\$ 3,913,205	\$14,530,075	\$10,006,096	\$ 7,965,215	\$ 592,261
Annuity Contracts	45,362	2	0.1%	5,106	23,418	16,838	–	–
Total Investments	\$ 37,052,214		100.0%	\$ 3,918,311	\$14,553,493	\$10,022,934	\$ 7,965,215	\$ 592,261

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

2 Annuity contracts not rated.

As of June 30, 2019, the Agency had the following investments:

				Investment Maturities (In Years)				
Investment Type	Fair Value	Credit Quality Rating	% of Investments	Less than 1	1–5	6–10	11–20	21–30
Investments in prize annuities:								
United States Treasury Bonds	\$37,916,353	1	99.9%	\$5,336,605	\$14,593,052	\$10,386,787	\$6,812,675	\$ 787,234
Annuity Contracts	50,182	2	0.1%	6,811	23,298	19,778	295	–
Total Investments	\$37,966,535		100.0%	\$5,343,416	\$14,616,350	\$10,406,565	\$6,812,970	\$ 787,234

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

2 Annuity contracts not rated.

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

3. INVESTMENTS (continued)

UNITED STATES GOVERNMENT TREASURY BONDS AND ANNUITY CONTRACTS (continued)

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

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

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Agency's investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
U.S. Treasury Obligations	\$ 37,916,353	\$ —	\$ —	\$ 37,916,353
Annuities	—	50,182	—	50,182
Total	<u>\$ 37,916,353</u>	<u>\$ 50,182</u>	<u>\$ —</u>	<u>\$ 37,966,535</u>

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

4. CAPITAL ASSETS

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

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

A summary of capital asset activity for the year ended June 30, 2019 is as follows:

	2018	Increases	Decreases	2019
Capital Assets				
Machinery and Equipment	\$ 8,536,192	\$ –	\$ –	\$ 8,536,192
Leasehold Improvements	613,240	–	–	613,240
Total Capital Assets	\$ 9,149,432	\$ –	\$ –	\$ 9,149,432
Less Accumulated Depreciation and Amortization				
Machinery and Equipment	8,136,222	208,680	–	8,344,902
Leasehold Improvements	613,240	–	–	613,240
Total Accumulated Depreciation and Amortization	8,749,462	208,680	–	8,958,142
Capital Assets, net	\$ 399,970	\$ (208,680)	\$ –	\$ 191,290

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

5. RIGHT-OF-USE ASSETS

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

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

A summary of right-of-use asset activity for the year ended June 30, 2019 is as follows:

	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Right-of-Use Assets				
Machinery and Equipment	\$ —	\$ 8,142,344	\$ —	\$ 8,142,344
Office and Warehouse Space	6,471,988	—	—	6,471,988
Total Right-of-Use Assets	6,471,988	8,142,344	—	14,614,332
Less Accumulated Amortization				
Machinery and Equipment	—	641,396	—	641,396
Office and Warehouse Space	1,024,399	1,131,798	—	2,156,197
Total Accumulated Amortization	1,024,399	1,773,194	—	2,797,593
Right-of-Use Assets, net	<u>\$ 5,447,589</u>	<u>\$ 6,369,150</u>	<u>\$ —</u>	<u>\$ 11,816,739</u>

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

6. ANNUITY PRIZE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,836,212	\$ 84,984	\$ 3,921,196
2022	4,679,120	334,076	5,013,196
2023	3,341,071	396,125	3,737,196
2024	2,502,664	382,532	2,885,196
2025	2,498,256	519,940	3,018,196
2026–2030	8,124,137	2,336,843	10,460,980
2031–2035	3,993,053	1,597,380	5,590,433
2036–2040	2,298,392	1,387,608	3,686,000
2041–2042	441,806	350,194	792,000
Total	<u>\$ 31,714,711</u>	<u>\$ 7,389,682</u>	<u>\$ 39,104,393</u>

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

Long-term liability activity of annuity prize payments for the years ended June 30, 2020 and 2019 was as follows:

<u>Fiscal Year Ending</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
June 30, 2020	\$ 34,946,677	\$ 2,170,962	\$ 5,402,928	\$ 31,714,711	\$ 3,836,212
June 30, 2019	\$ 36,733,901	\$ 2,244,769	\$ 4,031,993	\$ 34,946,677	\$ 5,225,051

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

7. EMPLOYEE RELATED PAYABLES

The employee related payables due within one year are included in the current portion of the employee related payables on the accompanying statements of net position, which also include salaries payable in the amount of \$596,353 and \$894,920 as of June 30, 2020 and 2019, respectively. Changes in long-term employee related payables were as follows for the years ended June 30, 2020 and 2019:

	2020		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 1,892,042	\$ 589,000	\$ 2,481,042
Additions	965,840	186,923	1,152,763
Reductions	(825,504)	(111,923)	(937,427)
Ending Balance	\$ 2,032,378	\$ 664,000	\$ 2,696,378
Amount Due Within One Year	\$ 1,000,000	\$ 99,600	\$ 1,099,600
Non-Current Portion	1,032,378	564,400	1,596,778
	\$ 2,032,378	\$ 664,000	\$ 2,696,378
	2019		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 2,162,353	\$ 402,000	\$ 2,564,353
Additions	928,111	329,313	1,257,424
Reductions	(1,198,422)	(142,313)	(1,340,735)
Ending Balance	\$ 1,892,042	\$ 589,000	\$ 2,481,042
Amount Due Within One Year	\$ 1,000,000	\$ 88,350	\$ 1,088,350
Non-Current Portion	892,042	500,650	1,392,692
	\$ 1,892,042	\$ 589,000	\$ 2,481,042

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

8. COMMITMENTS AND CONTINGENCIES

LEASES

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

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

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

Reductions to the right-of-use asset were recorded at the implementation date to account for variable payment terms in the leases.

The following is a schedule of future minimum lease payments under these non-cancelable leases as of June 30, 2020:

2021	\$ 2,772,117
2022	2,822,801
2023	2,127,682
2024	1,418,340
2025	1,063,755
Total future minimum lease payments	10,204,695
Less: discount to present value	(581,874)
Lease liability, net	<u>\$ 9,622,821</u>

LITIGATION

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

9. PARTICIPATION IN MULTI-STATE LOTTERIES

The Agency is a member of the Mega Millions consortium made up of ten member lotteries and the Cash4Life consortium made up of nine member lotteries. The lotteries have agreed to a common set of game rules and share a common prize pool for the top and second tier prizes. Game accounting among the states is performed and settlements occur when either of those prizes is won. The Agency also licenses the Powerball game from the Multi-State Lottery Association (MUSL) which sets all game policy and rules.

10. RETIREMENT BENEFITS

The Agency and its employees contribute to the State Retirement and Pension System (the System). The System is a cost sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees. The Agency's only obligation to the System is its required annual

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

10. RETIREMENT BENEFITS (continued)

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 or located at <http://www.sra.state.md.us/Agency/Downloads/CAFR/>.

PLAN DESCRIPTIONS

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

10. RETIREMENT BENEFITS (continued)

FUNDING POLICY

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

The Agency contributions, which equal 100% of the required contributions, for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Agency Contribution	\$ 3,237,248	\$ 3,053,641
Percentage of Payroll	18.62%	17.55%

GASB NO. 68 – PENSION DISCLOSURES

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

As of June 30, 2020 and 2019, the Agency reported a liability of \$30,536,823 and \$32,033,294 for its proportionate share of the State of Maryland's pension liability.

On June 30, 2020 and 2019, the Agency's proportion of the State of Maryland's net pension liability of \$19,285,250,561 and \$19,674,034,197, respectively (State pool only), was \$30,536,823 and \$32,033,294 or 0.158% or 0.163%, respectively, of the total State's pension liability.

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

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

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

10. RETIREMENT BENEFITS (continued)

GASB NO. 68 – PENSION DISCLOSURES (continued)

The Agency's contributions of \$3,237,248 reported as deferred outflows of resources resulted from contributions subsequent to the measurement date. This amount will be recognized as a reduction in the net pension liability for the year ended June 30, 2021.

The Agency reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources for the year ended June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Beginning Balance	\$ 14,141,766	\$ 2,859,040
Agency's contributions during the year	(3,044,421)	–
Amortization of prior year deferred outflows and inflows	(3,492,959)	(421,085)
Net difference between projected and actual earnings on pension plan investments	–	845,571
Change of assumptions	194,440	–
Change of proportionate share of contributions	5,359,239	–
Net difference between projected and actual experience	–	322,886
Agency's contributions subsequent to the measurement date	3,053,641	–
Ending Balance	<u>\$ 16,211,706</u>	<u>\$ 3,606,412</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources, net related to the pensions (non-contributions) will be recognized in pension expense as follows:

Year End June 30,	
2021	\$ 2,456,987
2022	1,403,735
2023	709,128
2024	585,339
2025	(291,704)
Total	<u>\$ 4,863,485</u>

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

10. RETIREMENT BENEFITS (continued)

GASB NO. 68 – PENSION DISCLOSURES (continued)

ASSUMPTIONS AND OTHER INPUTS:

Valuation method	Individual Entry Age Normal Cost Method
Amortization method.....	Level Percentage of Payroll, Closed
Salary increases	3.10% to 11.60% including inflation
Inflation	2.65% general, 3.15% wage
Investment rate of return	7.40%
Discount rate	7.40%
Retirement age.....	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2014-2018.
Mortality.....	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018 (2-dimensional) mortality improvement scale.

DISCOUNT RATE

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

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

11. OTHER POSTEMPLOYMENT BENEFITS

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

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

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

PLAN DESCRIPTION

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

FUNDING POLICY

Based on current practice, the State subsidizes approximately 50% to 85% of covered medical, dental, prescription, and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for postemployment health care benefits, which is based on health care insurance charges for active employees. Costs for post-retirement benefits are for State of Maryland retirees. The State does not distinguish employees by employer/State agency. Instead, the State allocates the postemployment health care costs to all participating employers. The cost of these benefits is expensed when paid. For the years ended June 30, 2020 and June 30, 2019, the Agency's contributions were \$1,654,780 and \$1,408,400, respectively.

Notes to the Financial Statements

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

12. RISK MANAGEMENT

The Agency is exposed to various risks associated with the theft, damage, or destruction of assets, torts, and game liability. To manage the related risks, the Agency participates in the State's insurance program, which provides general liability, personal and casualty, and workers' compensation insurance. The program requires all agencies to submit premiums based upon proportionate payroll costs and/or claim history. This insurance covers related losses up to a maximum of \$1,000,000 per event. Settlements have not exceeded coverage for any of the past three fiscal years. The activity related to accrued workers' compensation costs is included in the schedule exhibited in Note 7.

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

Risk is minimized for gaming operations as the law requires a VLT to have an average payout of 87% or more but does not exceed 100%. A casino's gaming floor is to be configured to collectively achieve, at all times, an average payout of 87% and which does not exceed 95%. For table games, an overall loss for a day is spread over a maximum of seven days. Any excess losses not recovered over the 7-day period are absorbed by the Casino and do not impact the Agency.

13. COVID-19

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

During June 2020, the State of Maryland allowed for limited openings of the casinos, bars and restaurants, and the veteran organizations. While the disruption is expected to be temporary, there is considerable uncertainty around the full reopening. We expect this matter to negatively impact our operating results and such impact may be material. The related financial impact and duration, however, cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTAL INFORMATION

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

	For the Year Ended June 30, 2020			
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Budget over (under)
Revenues				
Cash revenue receipts from all sources	\$ 3,959,580,000	\$ 3,959,580,000	\$ 3,483,910,457	\$ (475,669,543)
Expenditures and encumbrances				
Gaming vendor and information technology fees	37,985,573	37,985,573	38,184,132	198,559
Instant ticket printing and delivery	8,600,000	8,600,000	8,437,031	(162,969)
Salaries, wages, and benefits	28,645,195	27,293,611	28,171,299	877,688
Advertising and promotions	18,243,122	18,243,122	18,405,264	162,142
Other general and administrative expenses	11,886,869	11,886,869	6,474,828	(5,412,041)
Total expenditures and encumbrances	105,360,759	104,009,175	99,672,554	(4,336,621)
Excess of revenues over expenditures	3,854,219,241	3,855,570,825	3,384,237,903	(471,332,922)
Other uses of financial resources				
Transfers in (out)				
State of Maryland Stadium Authority and Veterans Trust and International Racing Fund	(40,082,000)	(40,149,000)	(40,156,301)	(7,301)
State of Maryland General Fund	(535,223,000)	(530,950,000)	(548,511,871)	(17,561,871)
Other government agencies/funds — VLT	(710,000,000)	(735,700,000)	(523,647,257)	212,052,743
Excess of revenues over expenditures and other sources of financial resources	<u>\$ 2,568,914,241</u>	<u>\$ 2,548,771,825</u>	<u>\$ 2,271,922,474</u>	<u>\$ (276,849,351)</u>

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

Change in net position	\$ (10,370,783)
Non-budgetary expenditures:	
Prize expense	1,369,035,515
Retailer and casino commissions	914,585,939
Depreciation and amortization	2,494,573
Increase in fair value of investments	(5,081,610)
Amortization of discount prize liabilities	1,381,982
Voluntary exclusion program	(123,142)
Excess of revenues over expenses	<u>\$ 2,271,922,474</u>

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

FOR THE YEAR ENDED JUNE 30, 2020

1. BUDGETING AND BUDGETARY CONTROL

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

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

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

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

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

FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (NPL)

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

SCHEDULE OF CONTRIBUTIONS

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

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

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

FOR THE YEAR ENDED JUNE 30, 2020

NOTES TO REQUIRED SCHEDULES

ASSUMPTIONS AND OTHER INPUTS:

Valuation Date	June 30
	Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which the contributions are reported.
Valuation method	Individual Entry Age Normal Cost Method
Amortization method.....	Level Percentage of Payroll, Closed
Asset Valuation Method.....	5-years smoothed market; 20% collar
Salary increases	3.10% to 11.60%
Inflation	2.60% general, 3.10% wage
Investment rate of return	7.40%
Discount rate	7.40%
Retirement age.....	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality.....	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018.
Notes.....	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the assumption changes associated with the 2018 Experience Study for the period July 1, 2014 to June 30, 2018.

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

Schedule of Employer Contributions for Other Postemployment Benefit Plan*

FOR THE YEAR ENDED JUNE 30, 2020

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

	2020	2019	2018
Contribution	\$ 1,654,780	\$ 1,408,400	\$ 1,140,228
Covered Employee Payroll	\$ 17,386,846	\$ 17,398,689	\$ 17,438,842
Actual Contributions as a Percentage of Covered Employee Payroll	9.52%	8.09%	6.54%

NOTES TO SCHEDULE

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

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



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

To the Maryland Lottery and Gaming Control Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of the Maryland Lottery and Gaming Control Agency (an agency of the State of Maryland) (Agency), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Maryland Lottery and Gaming Control Agency's basic financial statements, and have issued our report thereon dated December 18, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

SC + H Attest Services, P.C.

December 18, 2020

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Statistical Section

Since its inception in 1973, the Lottery has contributed more than \$17.3 billion in revenue to the state of Maryland. Maryland's casino program, which began in September 2010, has generated almost \$10.4 billion in revenue, with nearly \$3.4 billion supporting education in the state.

Statistical Information Sections

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

CONTENTS

89 FINANCIAL TRENDS

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

115 REVENUE CAPACITY

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

126 DEBT CAPACITY

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

127 DEMOGRAPHIC AND ECONOMIC INFORMATION

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

128 OPERATING INFORMATION

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

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

Net Position and Changes in Net Position — Fiscal Years 2011 Through 2020

NET POSITION BY COMPONENT — FISCAL YEARS 2011 THROUGH 2020

FISCAL YEAR	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net investment in capital assets	\$ (6,881,872)	\$ (6,982,992)	\$ (7,197,022)	\$ (6,954,587)	\$ 1,041,616	\$ 432,907	\$ \$67,350	\$ (1,391,694)	\$ 100,422	\$ –
Unrestricted	12,829,364	19,140,536	(1,153,072)	1,806,301	(285,733)	1,543,692	(4,977,761)	(8,383,766)	(6,711,713)	(16,982,074)
Total net position	\$ 5,947,492	\$ 12,157,544	\$ (8,350,094)	\$ (5,148,286)	\$ 755,883	\$ 1,976,599	\$ (4,910,411)	\$ (9,775,460)	\$ (6,611,291)	\$ (16,982,074)

CHANGE IN NET POSITION — FISCAL YEARS 2011 THROUGH 2020

OPERATING REVENUES:

Daily Draw games	\$ 536,852,735	\$ 542,002,339	\$ 545,591,321	\$ 545,173,973	\$ 545,723,393	\$ 548,878,901	\$ 556,086,319	\$ 555,913,301	\$ 583,595,693	\$ 641,144,049
Monitor games	496,730,733	521,672,673	493,569,979	466,230,592	457,655,976	478,647,528	483,643,007	483,994,276	498,058,435	489,482,954
Jackpot games	187,270,788	224,413,737	231,119,295	232,954,540	207,620,879	259,796,495	206,690,778	241,877,131	293,176,999	198,537,270
Instant games	493,548,322	506,803,706	485,838,672	479,631,463	546,053,764	611,286,137	676,752,574	750,888,512	812,426,311	852,739,383
ITLMs	–	–	–	–	3,812,016	6,934,191	8,372,989	9,121,117	9,651,061	7,864,356
Total net sales	1,714,402,578	1,794,892,455	1,756,119,267	1,723,990,568	1,760,866,028	1,905,543,252	1,931,545,666	2,042,794,337	2,196,908,499	2,189,768,012
Gaming Revenue — Gross Terminal Revenue	103,132,793	195,093,073	560,679,031	579,133,667	681,822,742	741,694,172	885,867,966	1,046,676,783	1,125,214,916	829,280,731
Gaming Revenue — State Grant	9,605,152	28,959,177	73,690,820	81,648,408	66,263,057	20,274,795	20,706,322	7,474,980	6,715,636	6,461,424
Gaming Revenue — Table Games	–	–	48,037,794	254,869,582	356,401,874	402,278,788	535,074,397	632,289,627	635,193,662	450,693,376
Gaming Revenue — Facility Applicants	1,341,779	1,791,260	2,703,989	3,282,340	2,812,897	1,921,206	2,957,020	2,209,398	2,055,879	1,470,576
Gaming Machine Assessment	–	1,708,825	2,964,174	3,035,800	3,967,980	3,844,625	4,649,746	5,278,854	5,296,225	3,779,273
ITLM Lease Revenue	–	–	–	–	1,587,896	2,894,330	3,494,887	3,807,152	4,028,353	2,361,413
MDH Revenue	–	–	–	–	–	–	–	–	–	95,651
Total operating revenues	1,828,482,302	2,022,444,790	2,444,195,075	2,645,960,365	2,873,721,674	3,078,451,168	3,384,296,004	3,740,531,131	3,975,413,170	3,483,910,456

COST OF SALES:

Prize expense	1,029,040,616	1,065,653,665	1,038,475,788	1,022,033,738	1,051,485,747	1,133,301,463	1,196,511,295	1,248,722,984	1,357,478,258	1,369,035,515
Retailer commissions	113,687,526	118,305,427	119,788,227	122,109,073	128,596,268	141,157,005	145,883,312	153,725,963	165,508,687	163,733,149
Casino commissions	34,033,822	64,390,714	223,930,473	406,227,926	536,999,870	626,102,299	819,389,044	996,857,938	1,036,965,945	750,852,790
Gaming vendor and data processing fees	19,360,974	20,077,153	21,368,102	20,772,228	23,522,186	27,744,841	29,026,085	30,478,701	39,504,953	38,184,132
Instant ticket printing and delivery	6,275,995	6,206,543	6,435,341	7,940,317	6,167,461	5,997,088	7,464,342	6,637,518	7,327,339	8,437,031
Total cost of sales	1,202,398,933	1,274,623,502	1,409,997,931	1,579,083,282	1,748,771,532	1,934,302,696	2,198,274,078	2,436,693,104	2,606,785,182	2,330,242,617

OPERATING EXPENSES:

Salaries, wages, and benefits	14,498,108	15,662,232	16,929,270	20,205,985	23,198,757	24,475,879	26,873,983	26,966,333	26,724,096	28,171,299
Advertising and promotions	13,811,939	12,592,589	13,297,155	11,593,907	12,369,906	15,645,392	18,379,694	15,536,795	18,108,829	18,405,264
Other general and administrative expenses	16,008,540	17,293,017	59,032,711	74,392,476	50,011,479	5,448,107	7,438,231	1,233,077	1,981,874	2,494,573
Depreciation and amortization	7,256,951	10,817,070	25,403,648	13,300,598	9,827,449	13,038,756	12,982,014	7,382,071	5,899,476	6,474,828
Total operating expenses	51,575,598	56,364,908	114,662,784	119,492,966	95,407,591	58,609,134	65,673,922	51,118,276	52,714,275	55,545,964

NON-OPERATING REVENUES (EXPENSES):

Unrealized gains (losses) on investments	(3,785,475)	811,093	(4,231,655)	(1,876,860)	(1,016,538)	393,670	(2,108,294)	(1,780,253)	1,257,935	3,699,628
Interest income (expense)	(113,167)	(911,404)	(719,832)	(567,607)	(641,187)	(819,905)	(633,426)	–	–	–
Payments to State of Maryland — Lottery	(519,393,853)	(556,264,804)	(545,225,121)	(521,106,646)	(526,526,916)	(569,813,356)	(524,902,592)	(575,672,412)	(593,453,089)	(588,668,172)
Payments to other Government Funds/Agencies — Gaming	(67,225,143)	(128,881,213)	(376,536,947)	(420,631,196)	(499,677,022)	(514,154,133)	(599,628,305)	(680,211,579)	(720,662,476)	(523,647,257)
Gain on Sale of VLTs	–	–	–	–	–	–	–	–	–	–
Voluntary Exclusion Program	–	–	–	–	17,047	75,642	37,603	79,444	108,086	123,142

Total non-operating revenues (expenses)	(590,517,638)	(685,246,328)	(926,713,555)	(944,182,309)	(1,023,638,409)	(1,084,318,082)	(1,127,235,014)	(1,257,584,800)	(1,312,749,544)	(1,108,492,659)
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CHANGES IN NET POSITION:	(16,009,867)	6,210,052	(7,179,195)	3,201,808	5,904,169	1,220,716	(6,887,010)	(4,865,049)	3,164,169	(10,370,784)
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TOTAL NET POSITION, BEGINNING OF YEAR:	21,957,359	5,947,492	(1,170,899)	(8,350,094)	(5,148,286)	755,883	1,976,599	(4,910,411)	(9,775,460)	(6,611,291)
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TOTAL NET POSITION, END OF YEAR:	\$ 5,947,492	\$ 12,157,544	\$ (8,350,094)	\$ (5,148,286)	\$ 755,883	\$ 1,976,599	\$ (4,910,411)	\$ (9,775,460)	\$ (6,611,291)	\$ (16,982,075)
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Sales — Fiscal Years 2011 Through 2020

SALES BY CATEGORY AND GAME

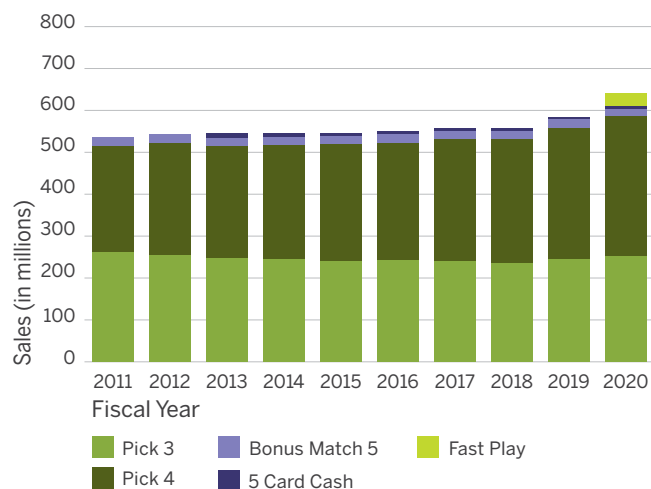
FISCAL YEAR	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
DAILY DRAW GAMES										
Pick 3	\$ 260,815,333	\$ 254,590,816	\$ 245,523,090	\$ 244,538,835	\$ 240,910,861	\$ 241,569,648	\$ 239,153,635	\$ 235,402,012	\$ 245,626,551	\$ 251,674,709
Pick 4	254,647,830	265,544,065	267,800,219	270,825,588	276,957,939	280,783,133	291,588,159	296,206,896	312,177,226	333,716,018
Bonus Match 5	21,389,572	21,867,458	21,078,755	21,444,445	21,320,570	20,611,878	19,799,308	19,688,089	19,573,334	18,524,396
5 Card Cash	-	-	11,189,257	8,365,105	6,534,023	5,914,242	5,545,217	5,646,303	6,218,582	6,027,647
Fast Play	-	-	-	-	-	-	-	-	-	31,201,280
Daily Draw Games Total	536,852,735	542,002,339	545,591,321	545,173,973	545,723,393	548,878,901	556,086,319	556,913,300	583,595,693	641,144,049
MONITOR										
Keno	380,565,044	387,408,239	344,802,037	308,104,967	302,987,619	311,555,811	303,244,462	291,409,988	286,865,920	259,195,345
Racetraz®	116,165,689	134,264,434	148,767,942	158,125,625	154,668,357	167,091,717	180,398,545	192,584,289	211,192,515	230,287,609
Monitor Games Total	496,730,733	521,672,673	493,569,979	466,230,592	457,655,976	478,647,528	483,643,007	483,994,277	498,058,435	489,482,954
JACKPOT GAMES										
Mega Millions	101,613,737	110,846,972	71,019,424	100,493,295	82,020,637	73,217,563	66,344,693	88,555,640	137,707,762	78,588,223
Multi-Match®	279,497,729	30,709,705	28,755,909	26,699,000	34,499,811	31,095,004	24,018,675	28,952,844	29,001,325	28,983,416
Powerball®	57,707,322	82,857,060	131,343,962	105,762,245	89,507,596	143,525,324	100,133,706	111,194,931	114,078,139	70,394,314
Cash4Life	-	-	-	-	-	11,958,604	16,193,704	13,173,716	12,389,773	20,571,318
Monopoly Millionaires' Club	-	-	-	-	1,592,835	-	-	-	-	-
Jackpot Games Total	187,270,788	224,413,737	231,119,295	232,954,540	207,620,879	259,796,495	206,690,778	241,877,131	293,176,999	198,537,270
INSTANT:	493,548,322	506,803,706	485,838,672	479,631,463	546,053,764	611,286,137	676,752,574	750,888,512	812,426,311	852,739,383
ITLM:	-	-	-	-	3,812,016	6,934,191	8,372,989	9,121,117	9,651,061	7,864,356
TOTAL SALES:	\$ 1,714,402,578	\$ 1,794,892,455	\$ 1,756,119,267	\$ 1,723,990,568	\$ 1,760,866,028	\$ 1,905,543,252	\$ 1,931,545,666	\$ 2,042,794,337	\$ 2,196,908,499	\$ 2,189,768,012

PRODUCT MIX BY CATEGORY

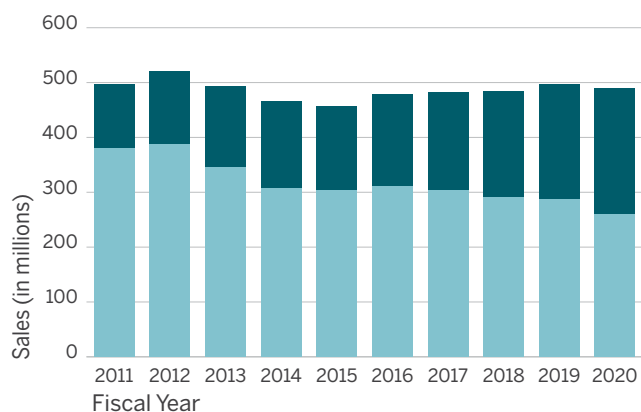
FISCAL YEAR	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Daily Draw Games	31.31%	30.20%	31.07%	31.62%	30.99%	28.80%	28.79%	27.26%	26.56%	29.28%
Monitor Games	28.97%	29.06%	28.11%	27.04%	25.99%	25.12%	25.04%	23.69%	22.67%	22.35%
Jackpot Games	10.92%	12.50%	13.16%	13.51%	11.79%	13.63%	10.70%	11.84%	13.34%	9.07%
Instant Games	28.79%	28.24%	27.67%	27.82%	31.01%	32.08%	35.04%	36.76%	36.98%	38.94%
ITLMs	-%	-%	-%	-%	0.22%	0.36%	0.43%	0.45%	0.44%	0.36%

Sales — Fiscal Years 2011 Through 2020 (continued)

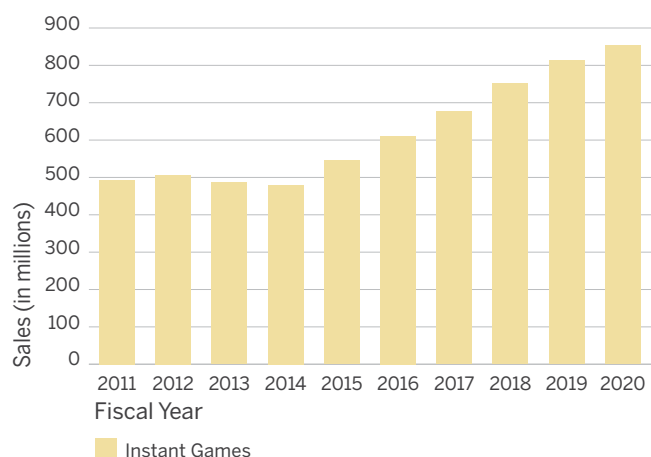
DAILY DRAW GAMES



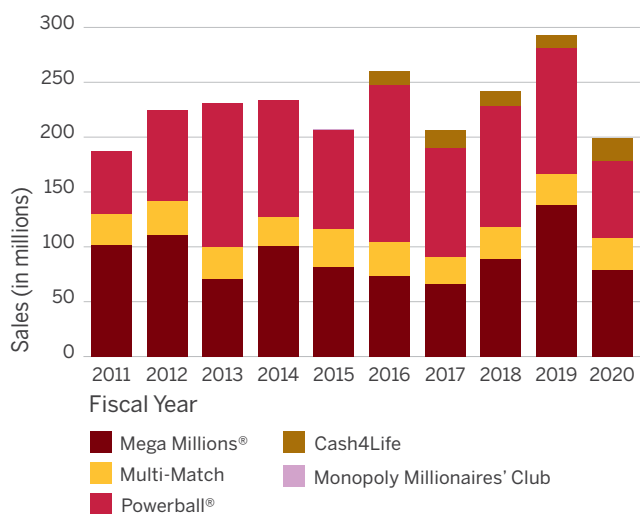
MONITOR GAMES



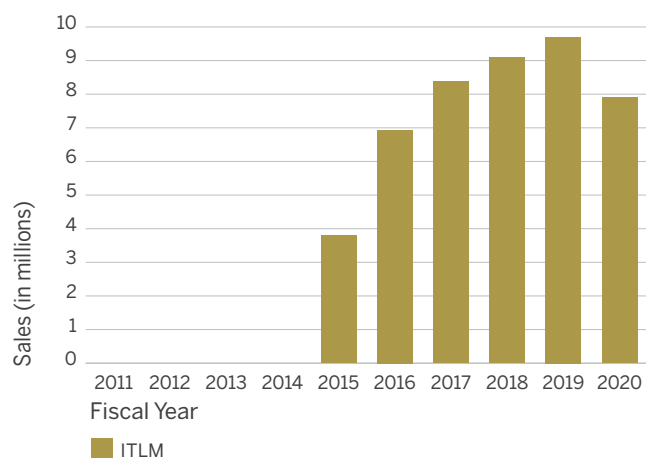
INSTANT GAMES



JACKPOT GAMES

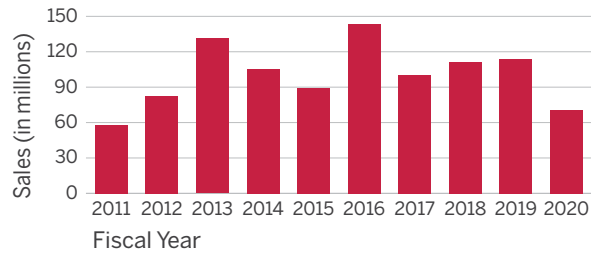


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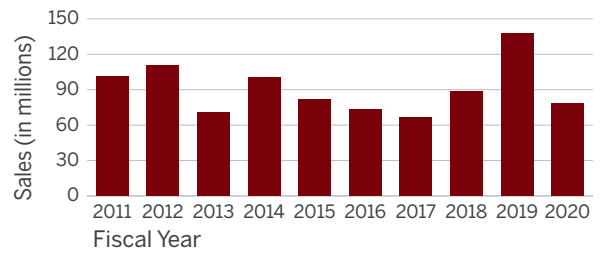


Sales — Fiscal Years 2011 Through 2020 (continued)

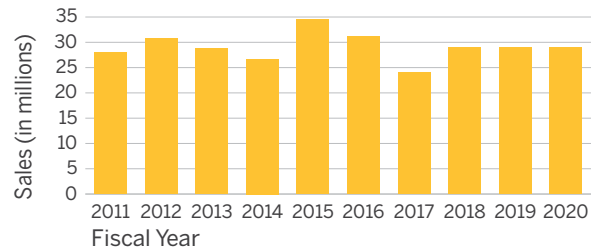
POWERBALL®



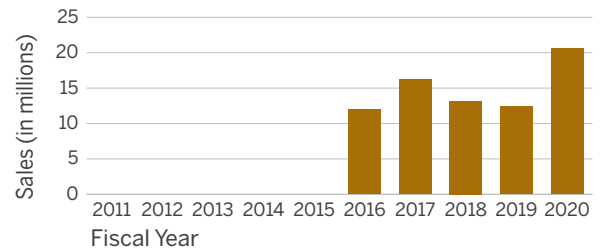
MEGA MILLIONS®



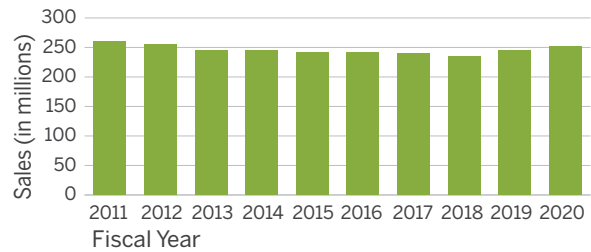
MULTI-MATCH®



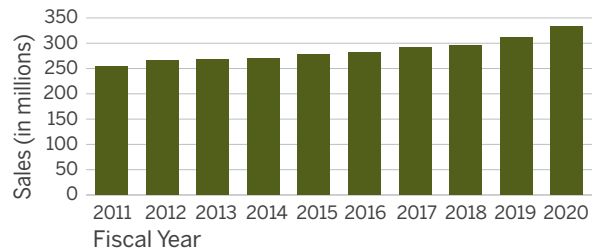
CASH4LIFE



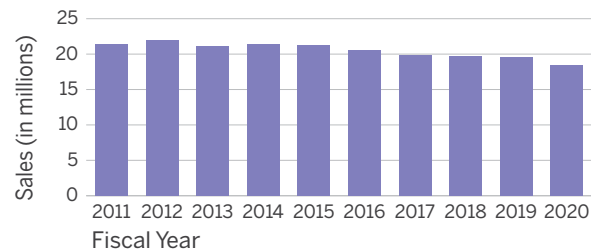
PICK 3



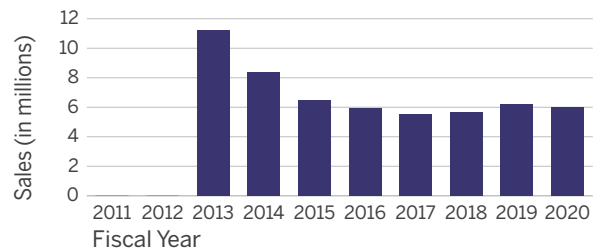
PICK 4



BONUS MATCH 5



5 CARD CASH

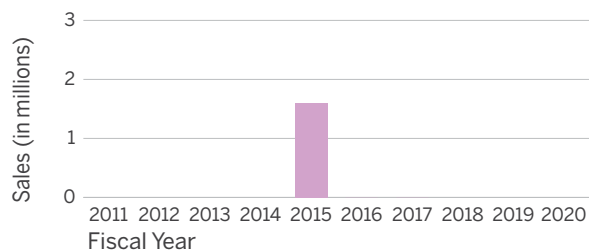


Sales — Fiscal Years 2011 Through 2020 (continued)

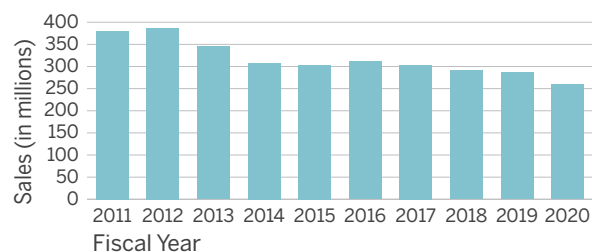
FAST PLAY



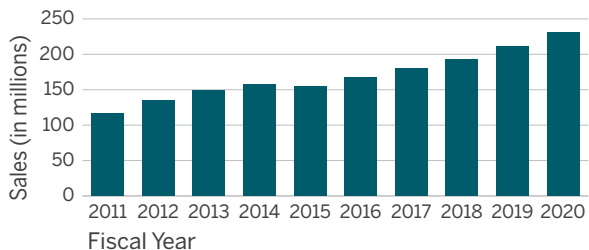
MONOPOLY MILLIONAIRES' CLUB



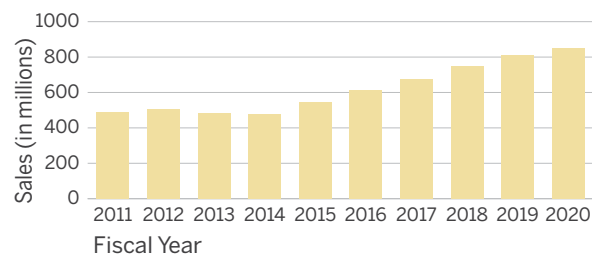
KENO



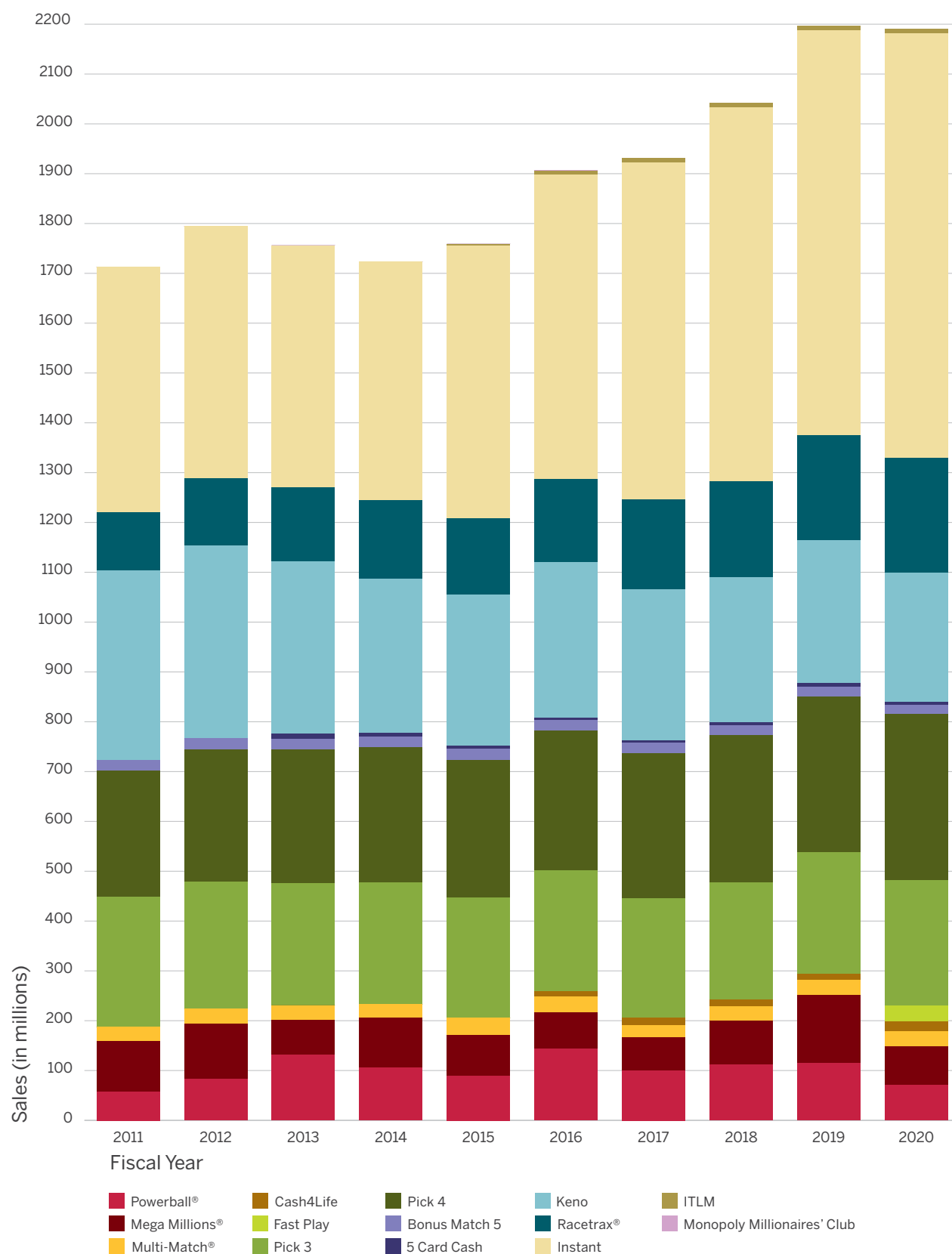
RACETRAX®



INSTANT



Sales — Fiscal Years 2011 Through 2020 (continued)



U.S. Lotteries Per Capita Sales — Fiscal Year 2020

Rank	State	Population (M)	Total Sales (\$M)*	Per Capita**
1	Massachusetts	6.9	5,212.0	756
2	Georgia	10.6	4,974.8	469
3	South Carolina	5.1	2,106.4	409
4	Michigan	10.0	3,967.0	397
5	New York	19.5	7,726.7	397
6	Connecticut	3.6	1,305.3	366
7	New Jersey	8.9	3,215.6	362
8	Maryland	6.0	2,181.9	361
9	Pennsylvania	12.8	4,595.7	359
10	Florida	21.5	7,505.1	349
11	Ohio	11.7	3,471.5	297
12	Washington, D.C.	0.7	205.0	290
13	North Carolina	10.5	3,016.2	288
14	New Hampshire	1.4	384.6	283
15	Kentucky	4.5	1,203.4	269
16	Virginia	8.5	2,148.6	252
17	Maine	1.3	314.1	234
18	Rhode Island	1.1	246.4	233
19	Texas	29.0	6,704.0	231
20	Missouri	6.1	1,404.1	229
21	Delaware	1.0	220.5	226
22	Illinois	12.7	2,844.5	224
23	Vermont	0.6	137.4	220
24	Indiana	6.7	1,384.1	206
25	Arkansas	3.0	531.4	176
26	California	39.5	6,630.0	168
27	Idaho	1.8	277.6	155
28	Arizona	7.3	1,098.0	151
29	Wisconsin	5.8	725.4	125
30	Minnesota	5.6	668.6	119
31	Iowa	3.2	372.0	118
32	West Virginia	1.8	208.5	116
33	Mississippi	3.0	340.5	114
34	Colorado	5.8	658.8	114
35	Louisiana	4.6	509.1	110
36	Washington	7.6	817.3	107
37	Kansas	2.9	287.0	99
38	Nebraska	1.9	182.9	95
39	Oregon	4.2	337.9	80
40	Oklahoma	4.0	267.8	68
41	South Dakota	0.9	58.2	66
42	New Mexico	2.1	127.1	61
43	Montana	1.1	61.4	57
44	Wyoming	0.6	23.5	41
45	North Dakota	0.8	24.4	32

Source: *La Fleur's Magazine, September/October 2020 Edition*

*FY20 traditional sales, excludes VLT revenue.

**Subject to rounding.

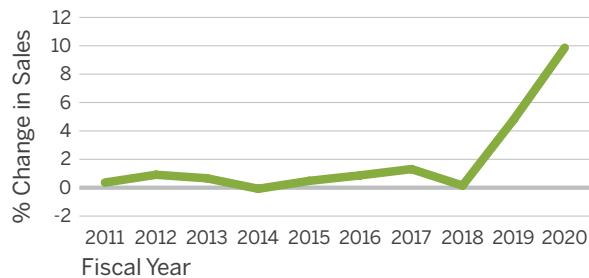
Fiscal year ends June 30 except New York (March 31), Texas (August 31) and Michigan (September 30).

The following Lottery was excluded: Tennessee.

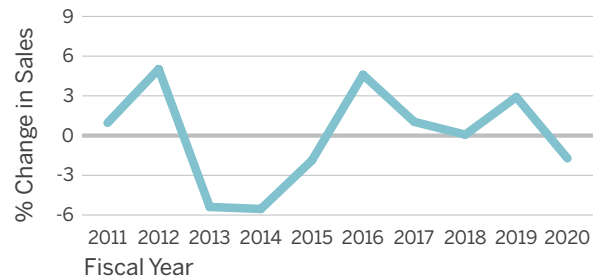
Percentage Change in Sales — Fiscal Years 2011 Through 2020

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Daily Draw Games	0.46%	0.96%	0.66%	-0.08%	0.10%	0.58%	1.31%	0.15%	4.79%	9.86%
Monitor Games	0.96%	5.02%	-5.39%	-5.54%	-1.84%	4.59%	1.04%	0.07%	2.91%	-1.72%
Jackpot Games	-1.09%	19.83%	2.99%	0.79%	-10.87%	25.13%	-20.44%	17.02%	21.21%	-32.28%
Instant Games	0.55%	2.69%	-4.14%	-1.28%	13.85%	11.95%	10.71%	10.95%	8.20%	4.96%
ITLM	-%	-%	-%	-%	-%	81.90%	20.75%	8.94%	5.81%	-18.51%
Total Sales	0.46%	4.70%	-2.16%	-1.83%	2.14%	8.22%	1.36%	5.76%	7.54%	-0.33%

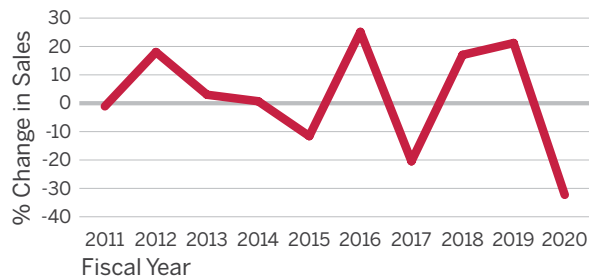
DAILY DRAW GAMES



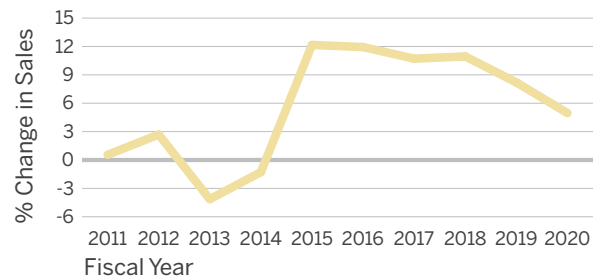
MONITOR GAMES



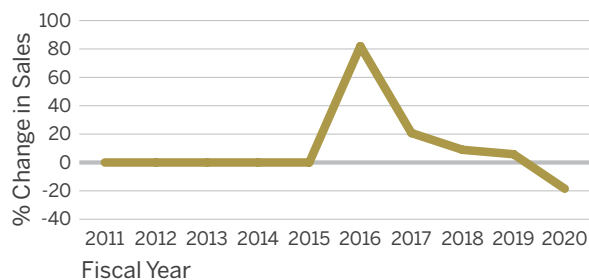
JACKPOT GAMES



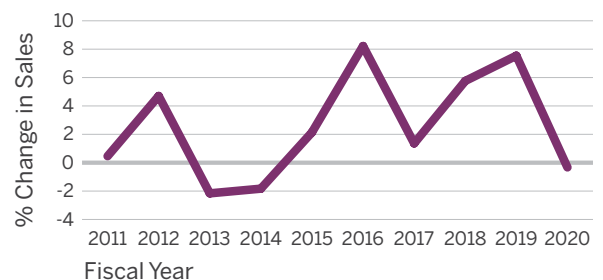
INSTANT GAMES



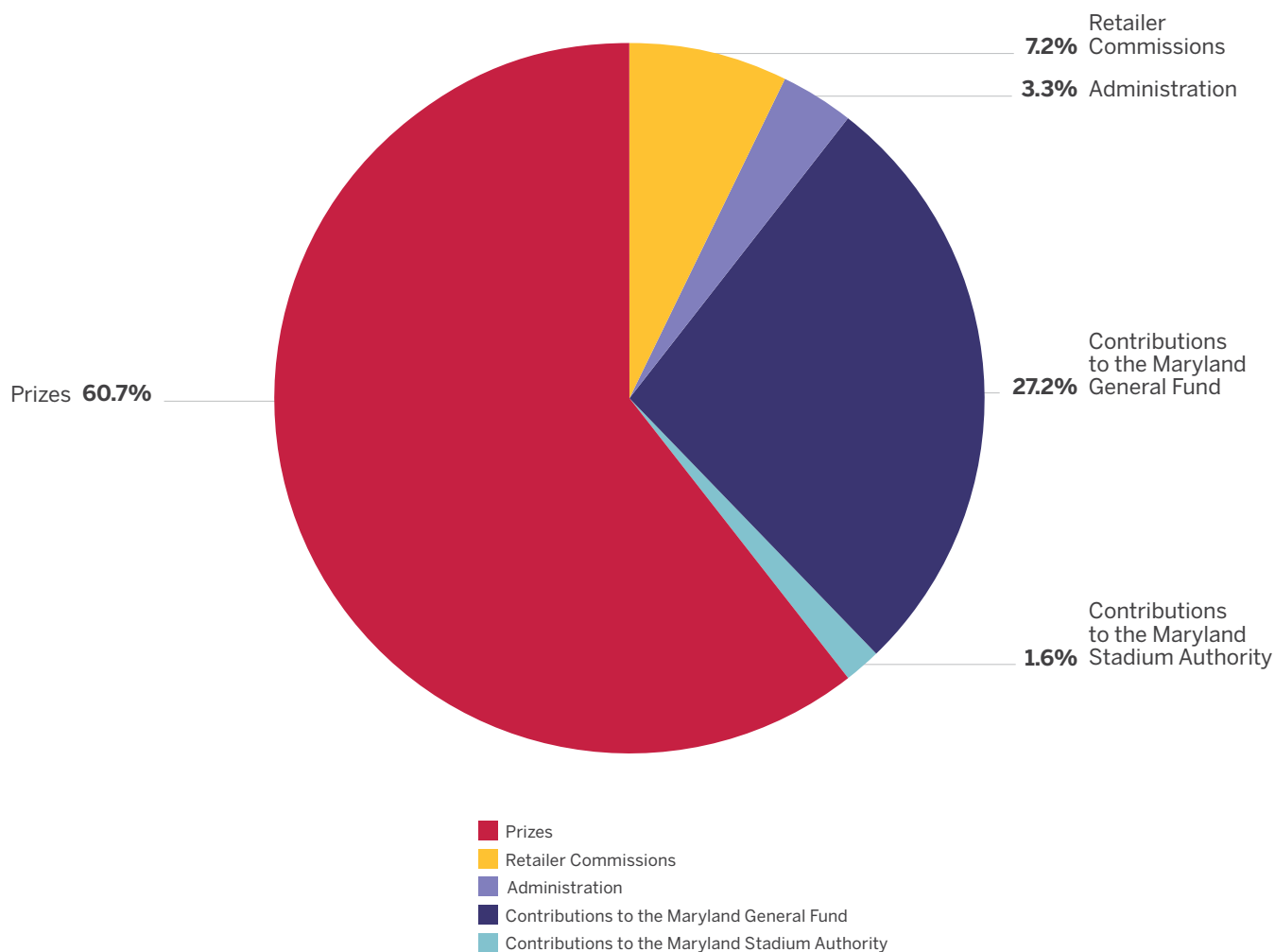
ITLM



TOTAL SALES



Expenses and Contributions — Cumulative for Fiscal Years 2011 Through 2020



Note: Contributions to the Veterans Trust Fund for fiscal years 2015 through 2020 and the International Racing Fund for fiscal years 2017 through 2019 were less than 1% and were therefore not included in this graph.

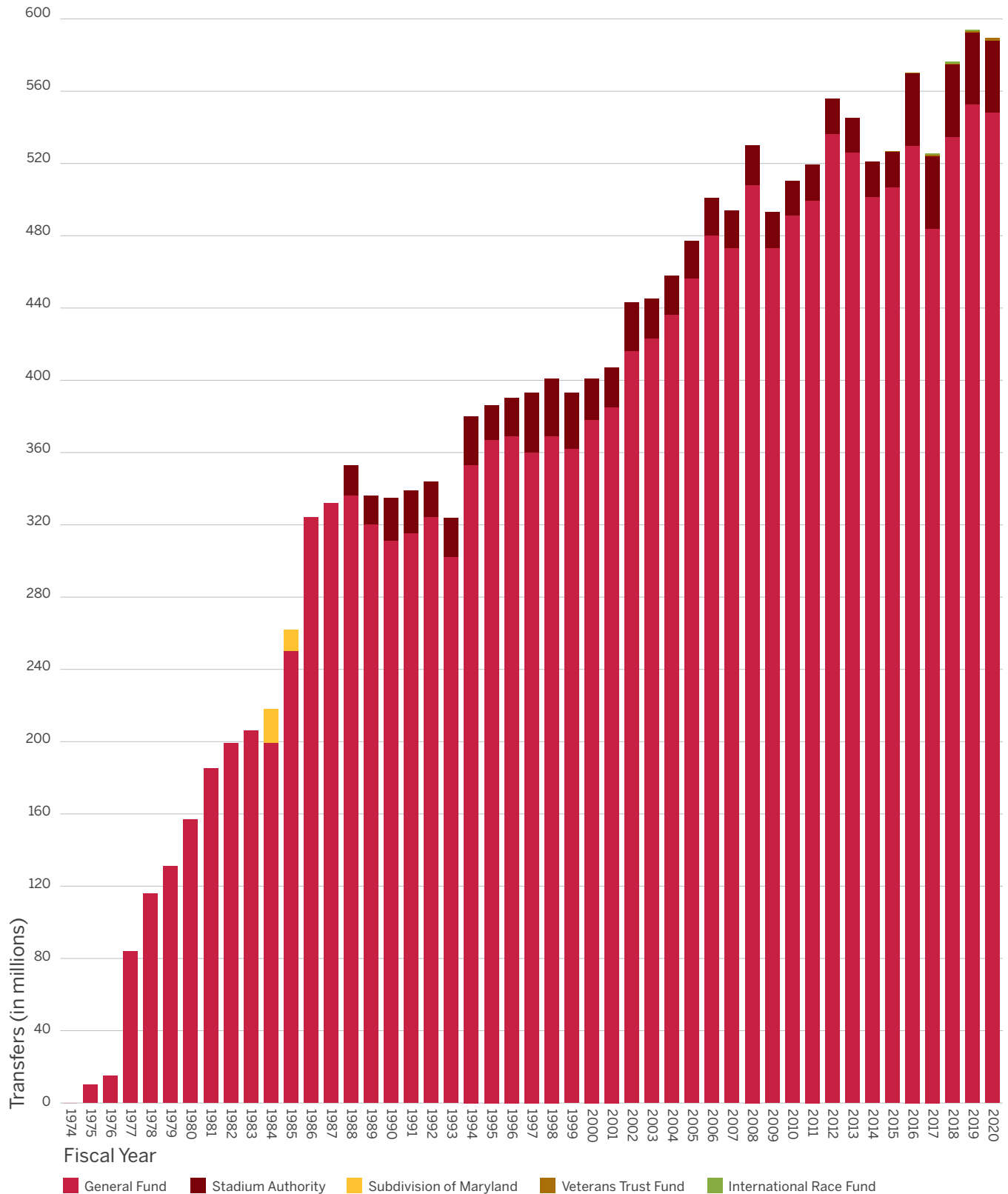
Lottery Contributions — Inception to Date

Fiscal Year	The State of Maryland General Fund	The Maryland Stadium Authority	Subdivisions of Maryland	Veterans Trust Fund	International Racing Fund	Total Contributions
1975*	\$ 10,025,000	\$ —	\$ —	\$ —	\$ —	\$ 10,025,000
1976	15,374,000	—	—	—	—	15,374,000
1977	83,928,000	—	—	—	—	83,928,000
1978	116,182,000	—	—	—	—	116,182,000
1979	131,271,000	—	—	—	—	131,271,000
1980	156,768,000	—	—	—	—	156,768,000
1981	185,224,000	—	—	—	—	185,224,000
1982	199,080,000	—	—	—	—	199,080,000
1983	206,236,000	—	—	—	—	206,236,000
1984	199,194,000	—	19,095,000	—	—	218,289,000
1985	250,123,000	—	12,158,000	—	—	262,281,000
1986	323,423,000	—	—	—	—	323,423,000
1987	332,366,000	—	—	—	—	332,366,000
1988	335,928,000	16,750,000	—	—	—	352,678,000
1989	319,605,000	16,221,000	—	—	—	335,826,000
1990	311,254,000	24,040,000	—	—	—	335,294,000
1991	315,247,000	24,004,000	—	—	—	339,251,000
1992	323,814,000	19,752,000	—	—	—	343,566,000
1993	301,563,000	21,612,000	—	—	—	323,175,000
1994	353,308,000	26,743,000	—	—	—	380,051,000
1995	366,577,000	19,077,000	—	—	—	385,654,000
1996	369,161,000	20,749,000	—	—	—	389,910,000
1997	359,835,000	32,818,000	—	—	—	392,653,000
1998	368,501,000	31,625,000	—	—	—	400,126,000
1999	362,145,000	31,076,000	—	—	—	393,221,000
2000	377,763,000	23,250,000	—	—	—	401,013,000
2001	385,045,000	22,000,000	—	—	—	407,045,000
2002	416,274,000	27,230,000	—	—	—	443,504,000
2003	422,948,000	21,949,000	—	—	—	444,897,000
2004	436,373,000	22,000,000	—	—	—	458,373,000
2005	455,863,000	21,235,000	—	—	—	477,098,000
2006	480,471,000	20,500,000	—	—	—	500,971,000
2007	473,119,000	21,000,000	—	—	—	494,119,000
2008	507,904,000	21,500,000	—	—	—	529,404,000
2009	473,206,260	20,000,000	—	—	—	493,206,260
2010	491,008,632	19,600,000	—	—	—	510,608,632
2011	499,393,853	20,000,000	—	—	—	519,393,853
2012	536,264,804	20,000,000	—	—	—	556,264,804
2013	525,960,121	19,265,000	—	—	—	545,225,121
2014	501,106,646	20,000,000	—	—	—	521,106,646
2015	506,492,648	20,000,000	—	34,267	—	526,526,915
2016	529,753,849	40,000,000	—	59,507	—	569,813,356
2017	483,832,419	40,000,000	—	70,173	1,000,000	524,902,592
2018	534,595,837	40,000,000	—	76,575	1,000,000	575,672,412
2019	552,375,065	40,000,000	—	78,023	1,000,000	593,453,088
2020	548,511,872	40,000,000	—	156,301	—	588,668,173
Total	\$ 16,434,394,006	\$ 823,996,000	\$ 31,253,000	\$ 474,842	\$ 3,000,000	\$ 17,293,117,852
TOTAL LIFETIME CONTRIBUTIONS						\$ 17,293,117,852

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

Lottery Contributions — Inception to Date (continued)

TOTAL LIFETIME CONTRIBUTIONS: \$17,293,117,852



Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020*

FISCAL YEAR 2020

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

FISCAL YEAR 2019

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

FISCAL YEAR 2018

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

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

Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

FISCAL YEAR 2017

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

FISCAL YEAR 2016

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

FISCAL YEAR 2015

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

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

Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

FISCAL YEAR 2014

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

FISCAL YEAR 2013

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

FISCAL YEAR 2012

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

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

Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

FISCAL YEAR 2011

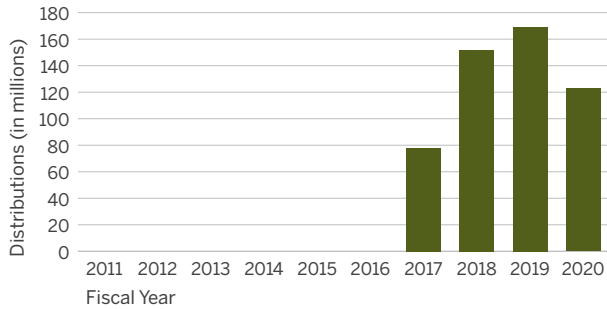
	Hollywood Casino — Perryville	Casino at Ocean Downs	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Horseshoe Casino	Total
Education Trust Fund	\$ 40,108,178	\$ 9,911,227	\$ —	\$ —	\$ —	\$ —	\$ 50,019,405
Casino	27,290,101	6,743,721	—	—	—	—	34,033,822
Horse Racing	7,856,241	1,941,374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

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

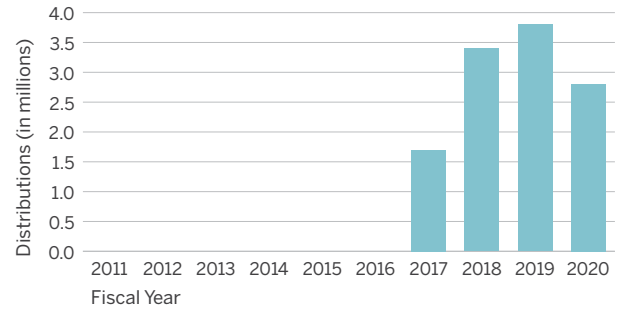
Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

MGM NATIONAL HARBOR CASINO

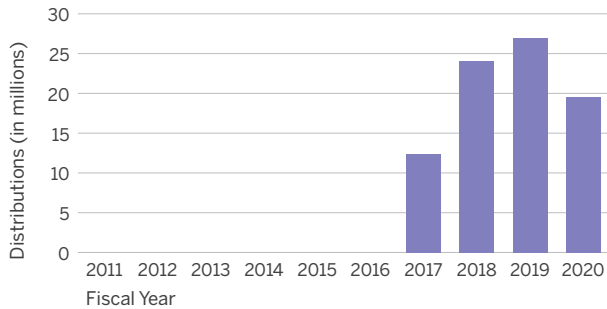
CASINO OPERATORS



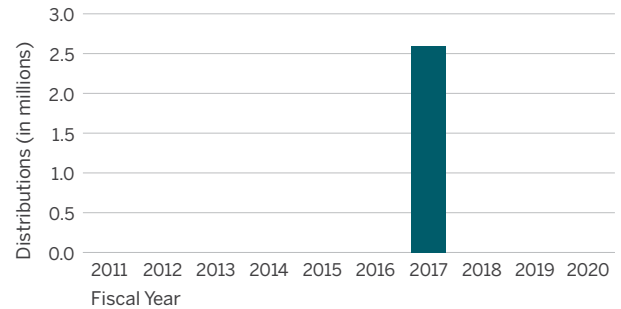
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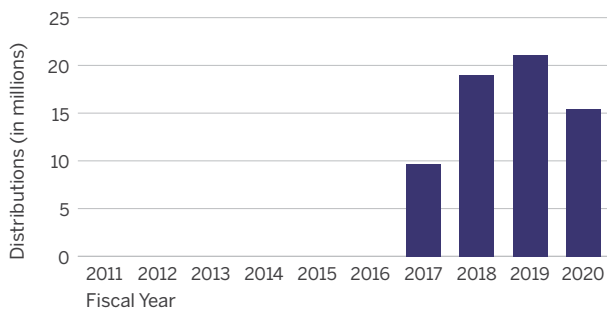
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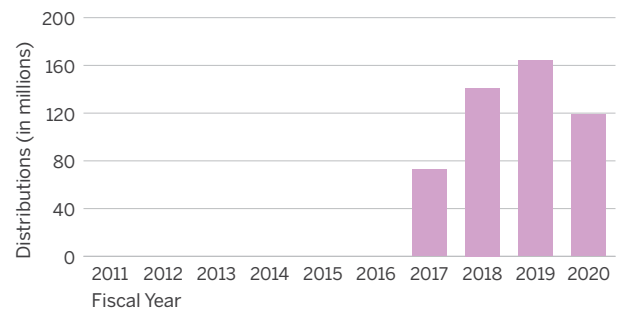
SMALL, MINORITY, WOMEN OWNED BUSINESS



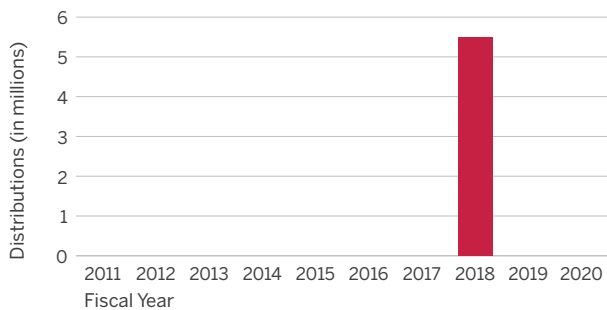
LOCAL IMPACT GRANTS



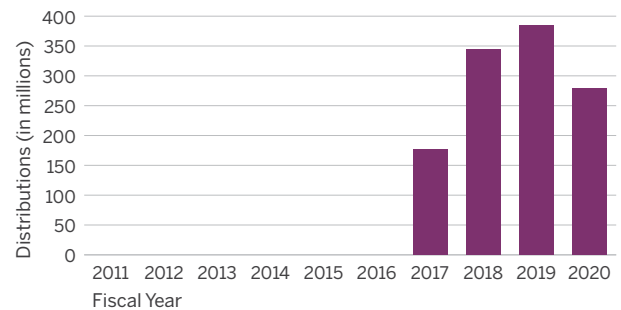
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

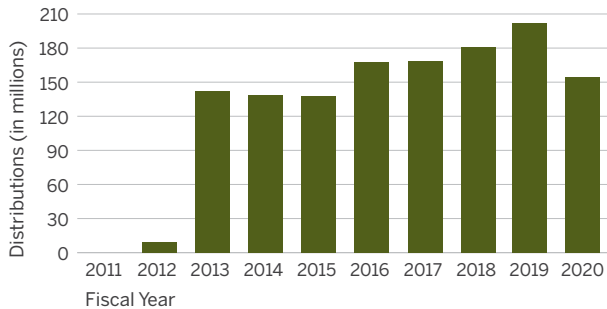


*Fiscal year 2011 was the first year for gross terminal revenue.

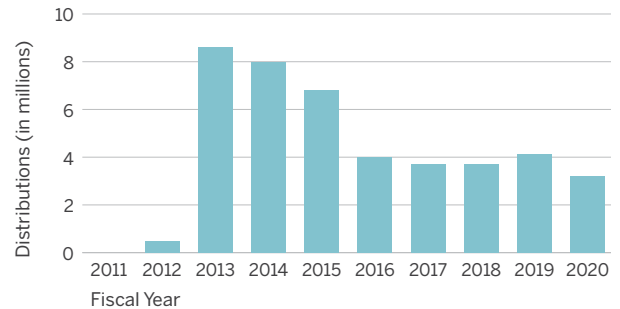
Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

MARYLAND LIVE! CASINO

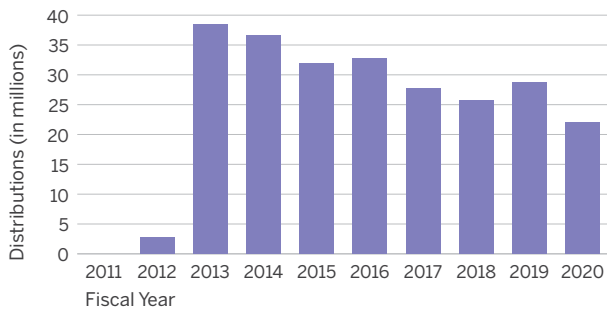
CASINO OPERATORS



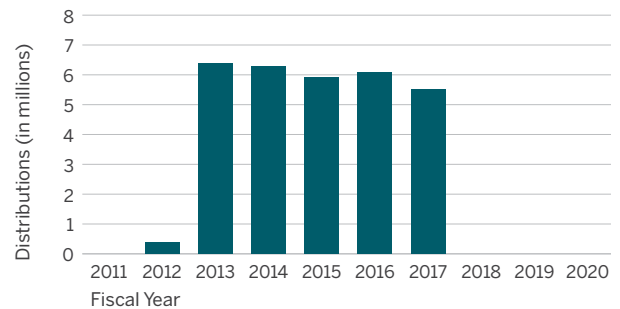
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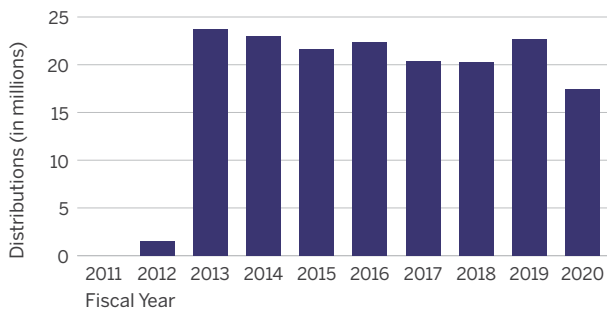
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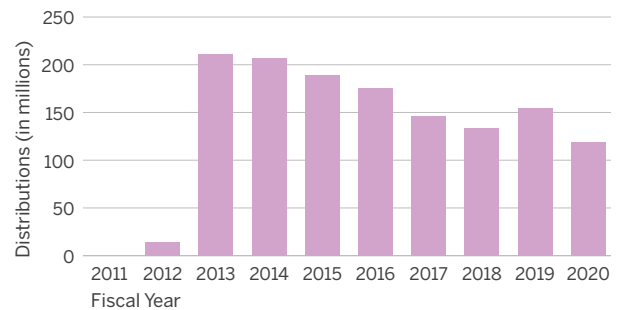
SMALL, MINORITY, WOMEN OWNED BUSINESS



LOCAL IMPACT GRANTS



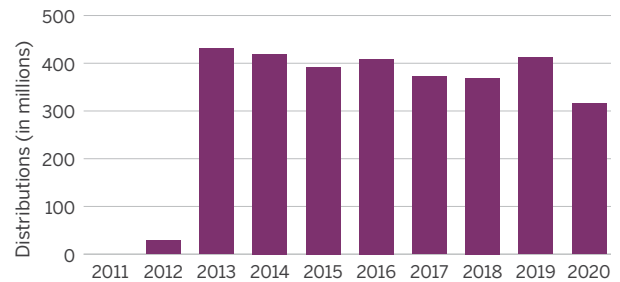
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

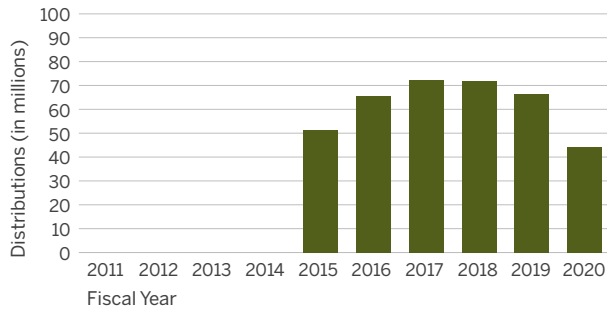


*Fiscal year 2011 was the first year for gross terminal revenue.

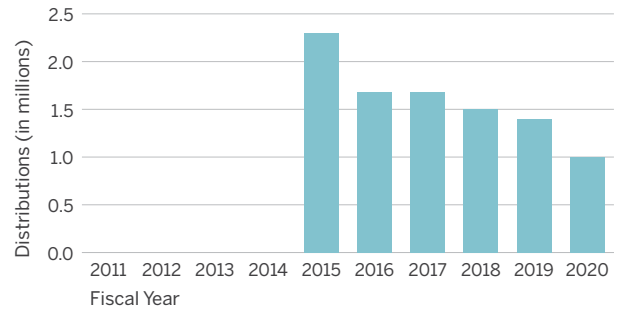
Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

HORSESHOE CASINO

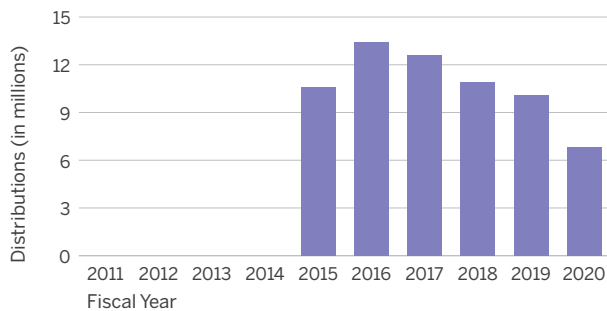
CASINO OPERATORS



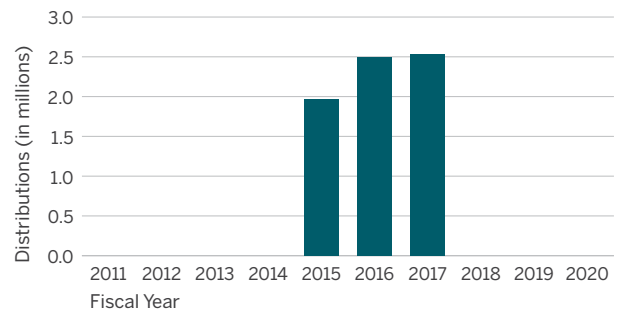
MLGCA



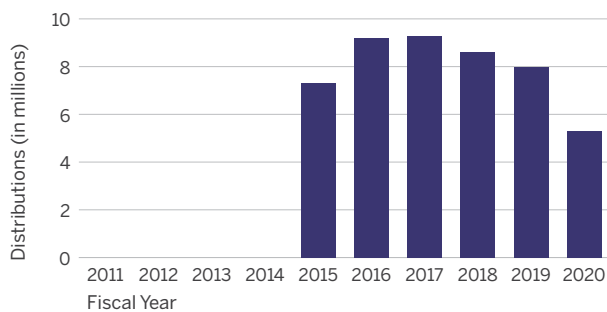
HORSE RACING



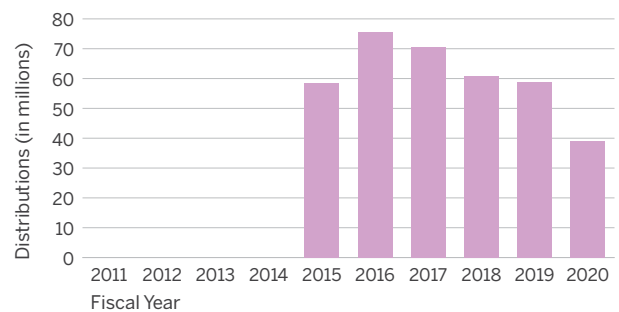
SMALL, MINORITY, WOMEN OWNED BUSINESS



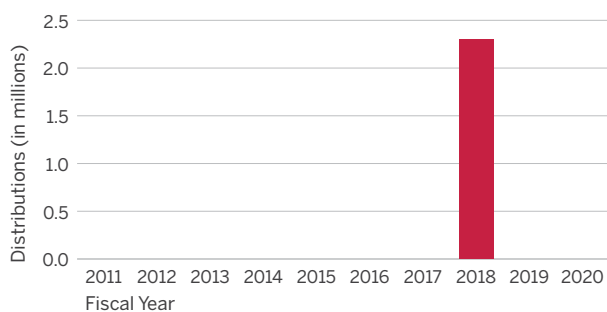
LOCAL IMPACT GRANTS



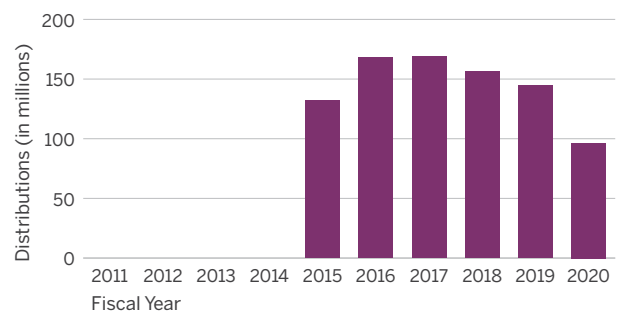
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

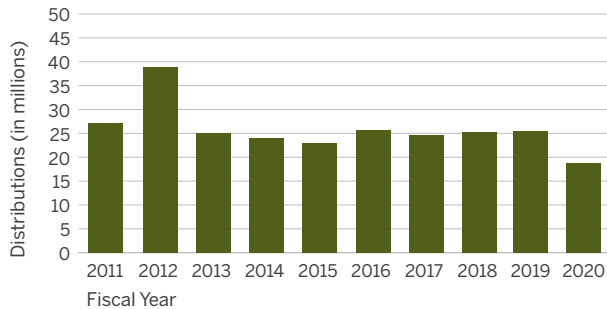


*Fiscal year 2011 was the first year for gross terminal revenue.

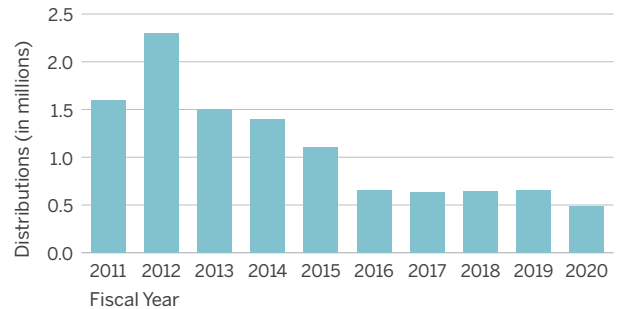
Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

HOLLYWOOD CASINO — PERRYVILLE

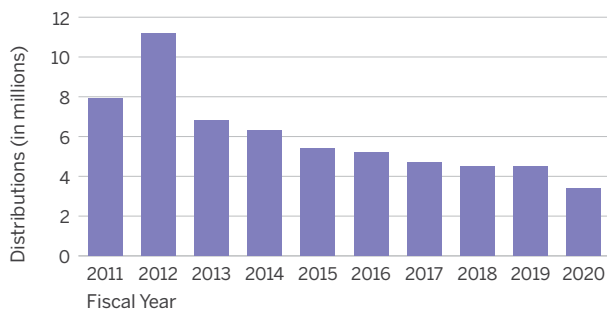
CASINO OPERATORS



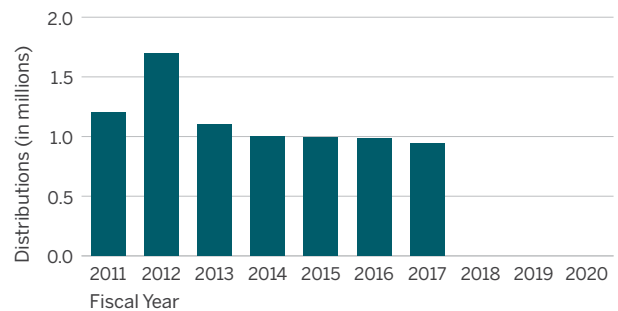
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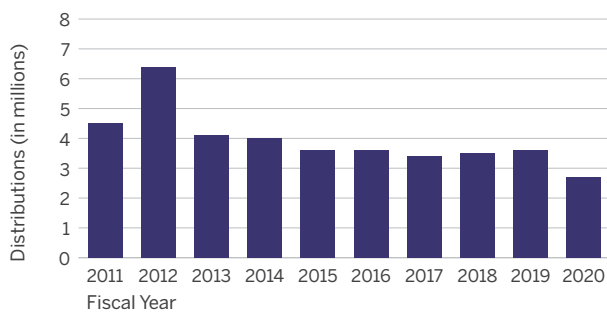
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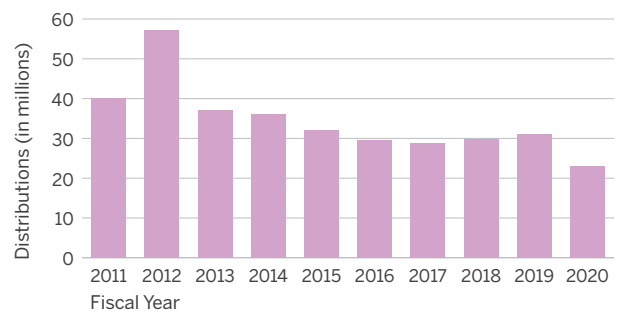
SMALL, MINORITY, WOMEN OWNED BUSINESS



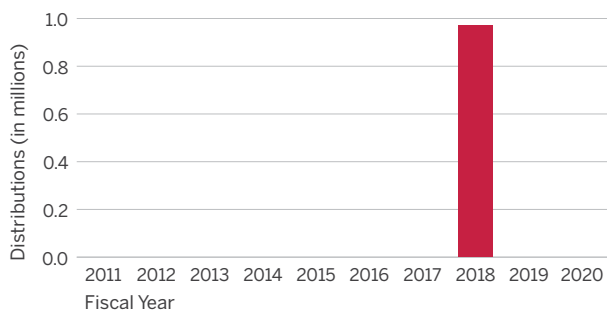
LOCAL IMPACT GRANTS



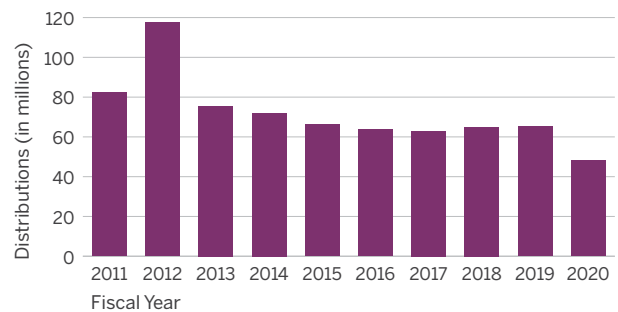
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

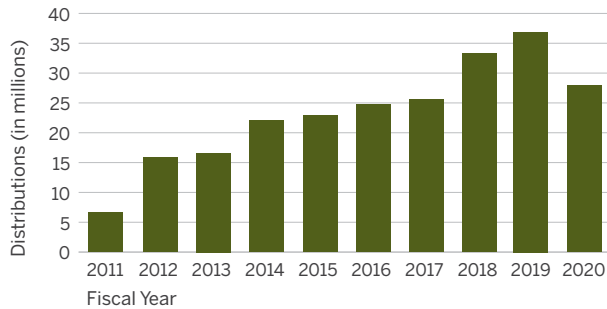


*Fiscal year 2011 was the first year for gross terminal revenue.

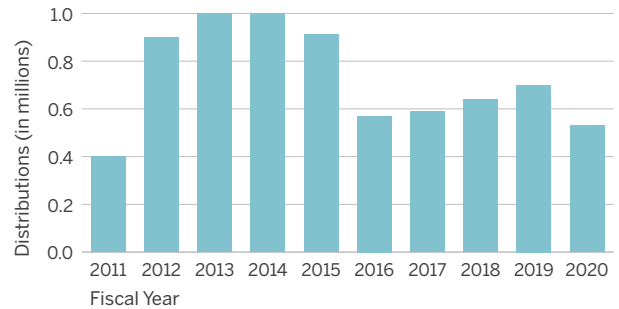
Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

CASINO AT OCEAN DOWNS

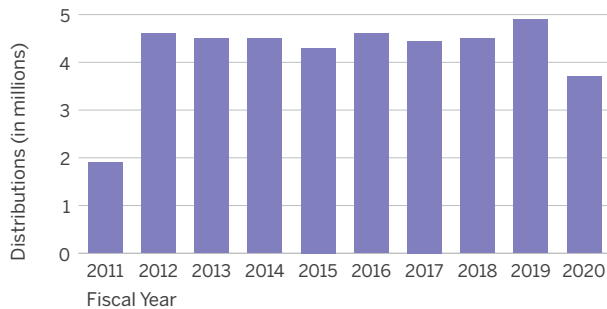
CASINO OPERATORS



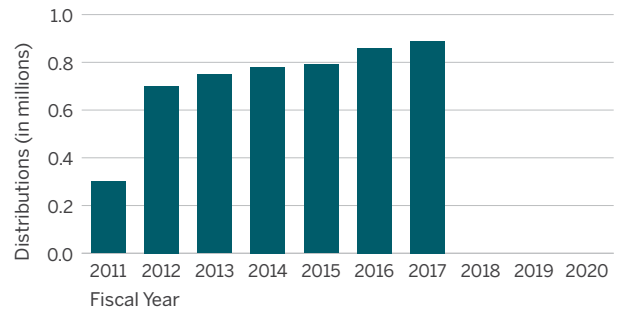
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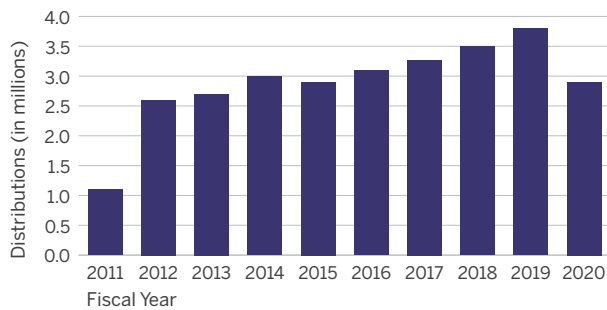
HORSE RACING



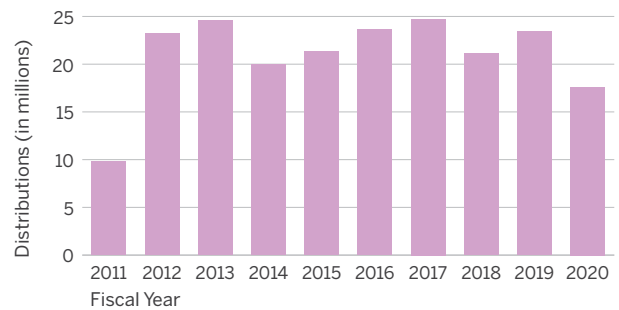
SMALL, MINORITY, WOMEN OWNED BUSINESS



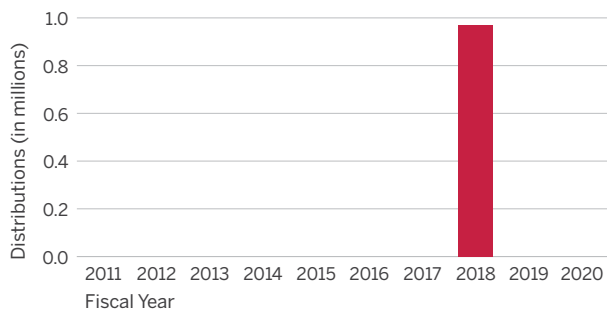
LOCAL IMPACT GRANTS



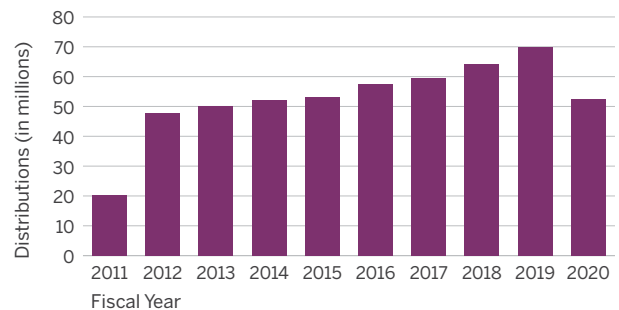
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

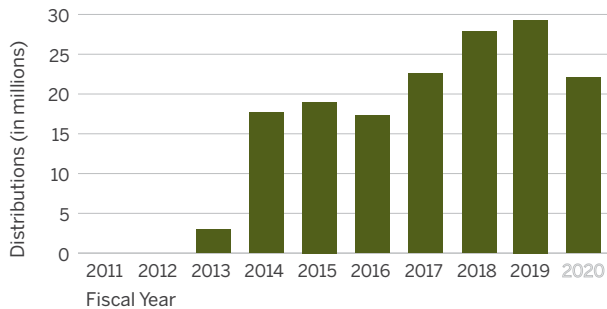


*Fiscal year 2011 was the first year for gross terminal revenue.

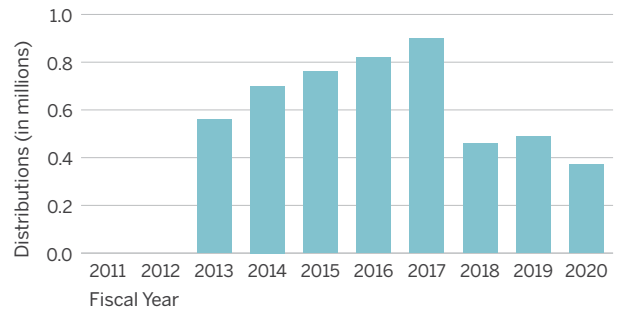
Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

ROCKY GAP CASINO RESORT

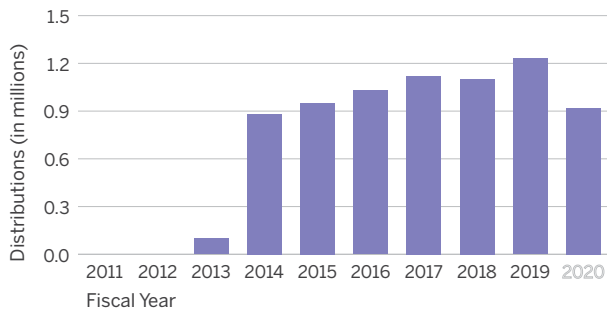
CASINO OPERATORS



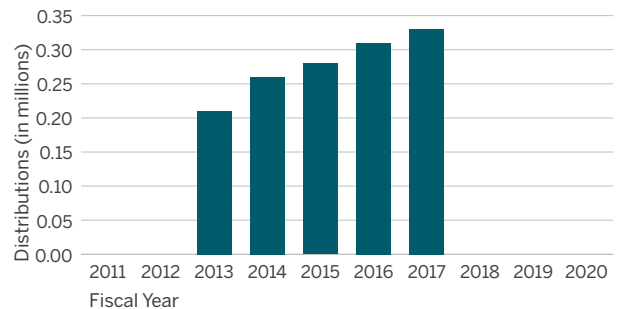
MLGCA



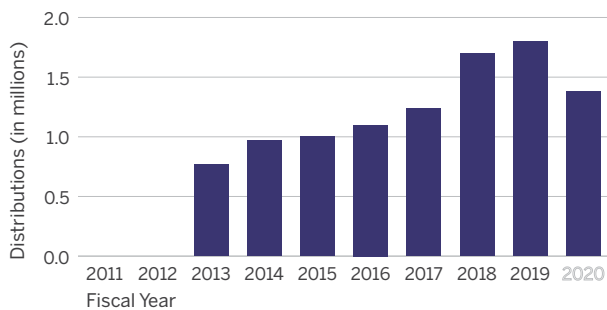
HORSE RACING



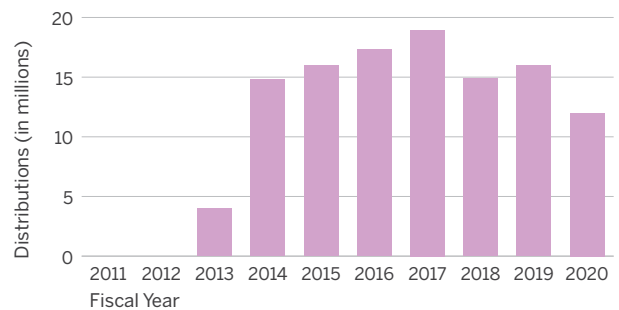
SMALL, MINORITY, WOMEN OWNED BUSINESS



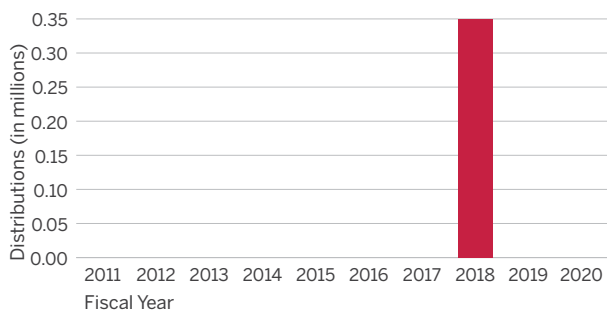
LOCAL IMPACT GRANTS



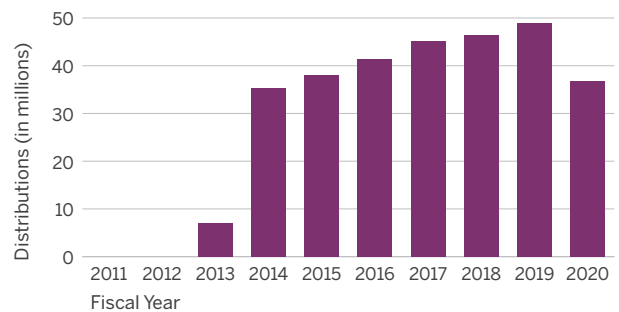
EDUCATION TRUST FUND



GENERAL FUND



TOTAL VLT TRANSFERS

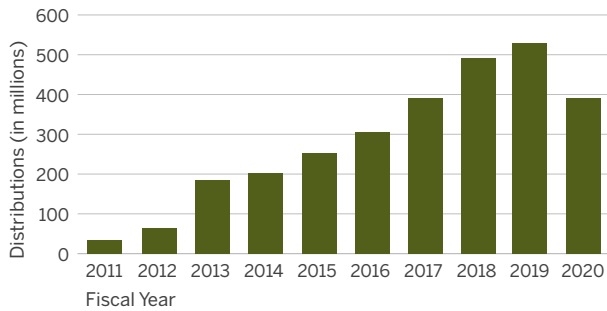


*Fiscal year 2011 was the first year for gross terminal revenue.

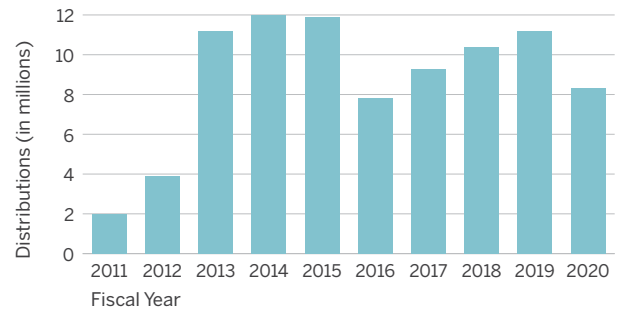
Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020* (continued)

ALL CASINOS COMBINED

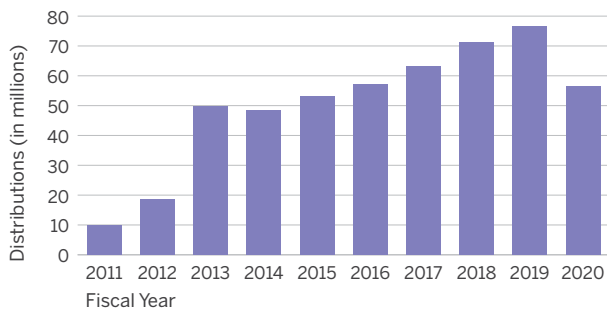
CASINO OPERATORS



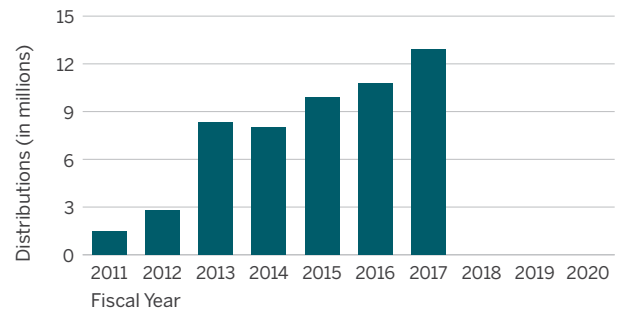
MLGCA



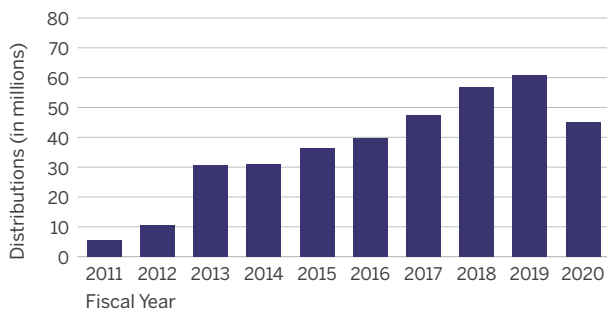
HORSE RACING



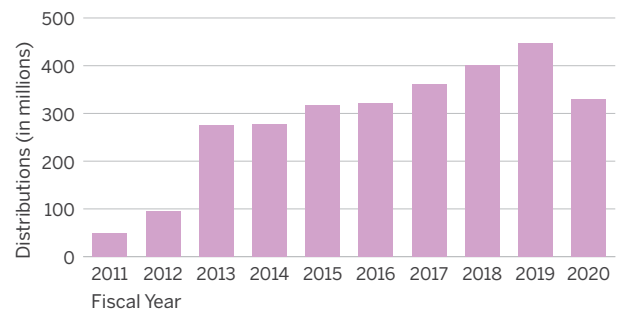
SMALL, MINORITY, WOMEN OWNED BUSINESS



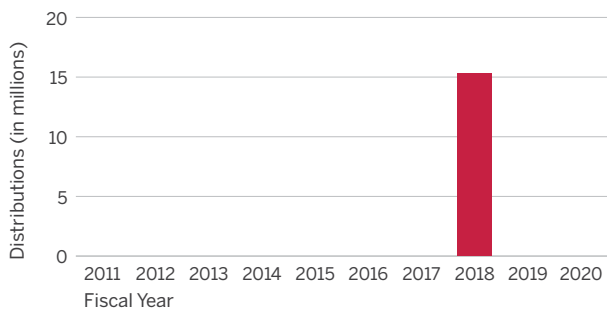
LOCAL IMPACT GRANTS



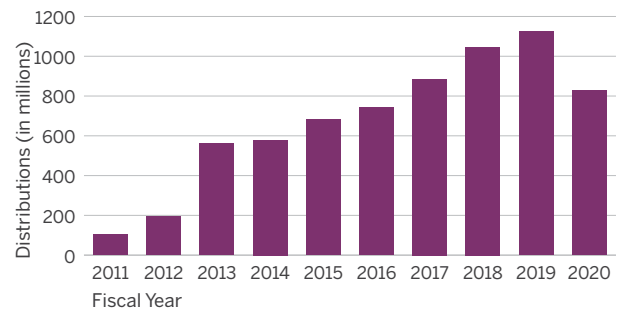
EDUCATION TRUST FUND



GENERAL FUND

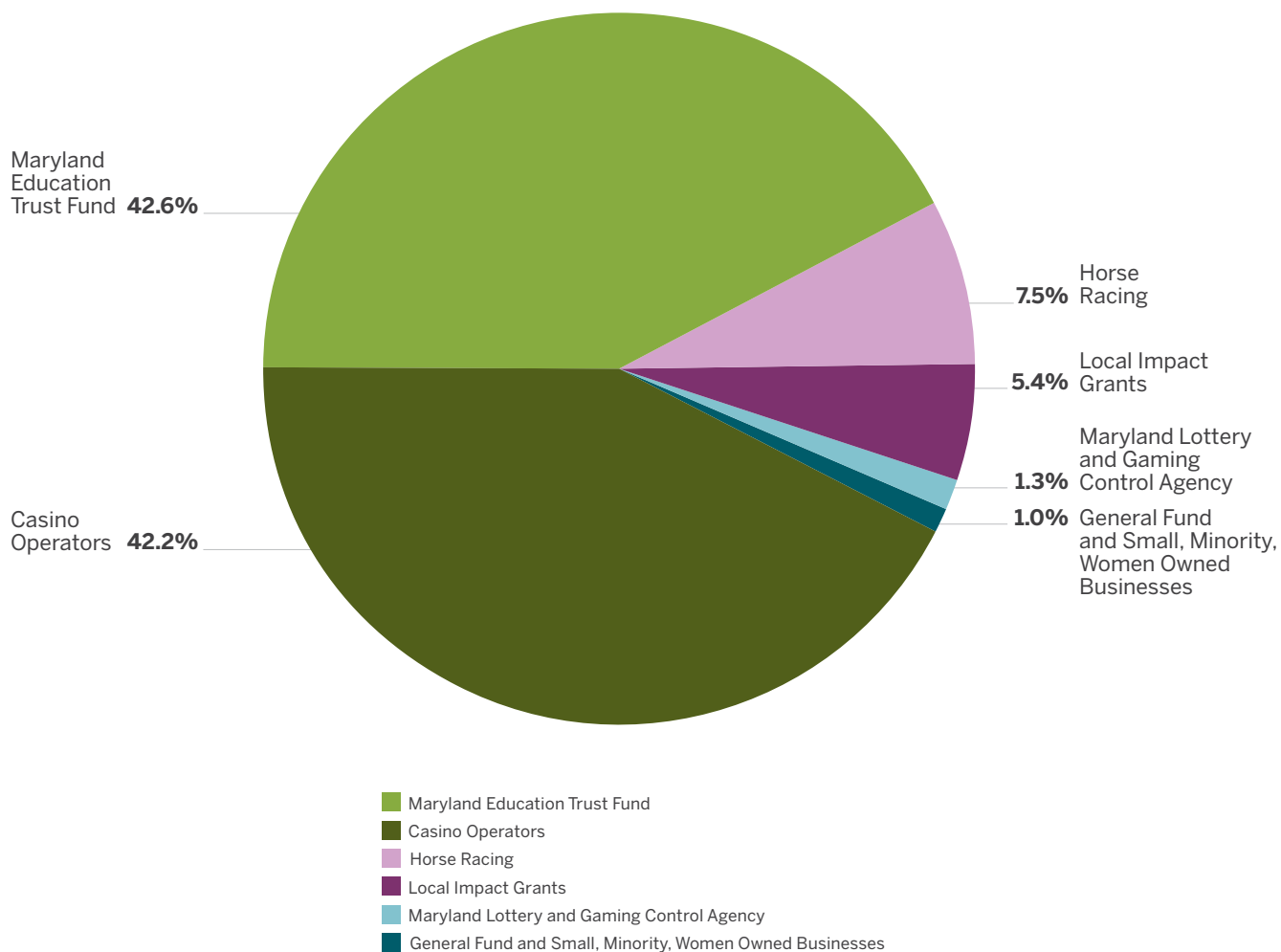


TOTAL VLT TRANSFERS



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

Gross Terminal Revenue Distributions — Fiscal Years 2011 Through 2020*



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

Table Game Revenue Distributions — Fiscal Years 2013 Through 2020*

FISCAL YEAR 2020

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

FISCAL YEAR 2019

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

FISCAL YEAR 2018

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

FISCAL YEAR 2017

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

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

Table Game Revenue Distributions — Fiscal Years 2013 Through 2020* (continued)

FISCAL YEAR 2016

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

FISCAL YEAR 2015

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

FISCAL YEAR 2014

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	Total
Education Trust Fund	\$ —	\$ 2,713,278	\$ 47,078,737	\$ 1,181,901	\$ —	\$ —	\$ 50,973,916
Casino	—	10,853,113	188,314,949	4,727,604	—	—	203,895,666
Local Jurisdictions	—	—	—	—	—	—	—
Total	\$ —	\$ 13,566,391	\$ 235,393,687	\$ 5,909,505	\$ —	\$ —	\$ 254,869,582

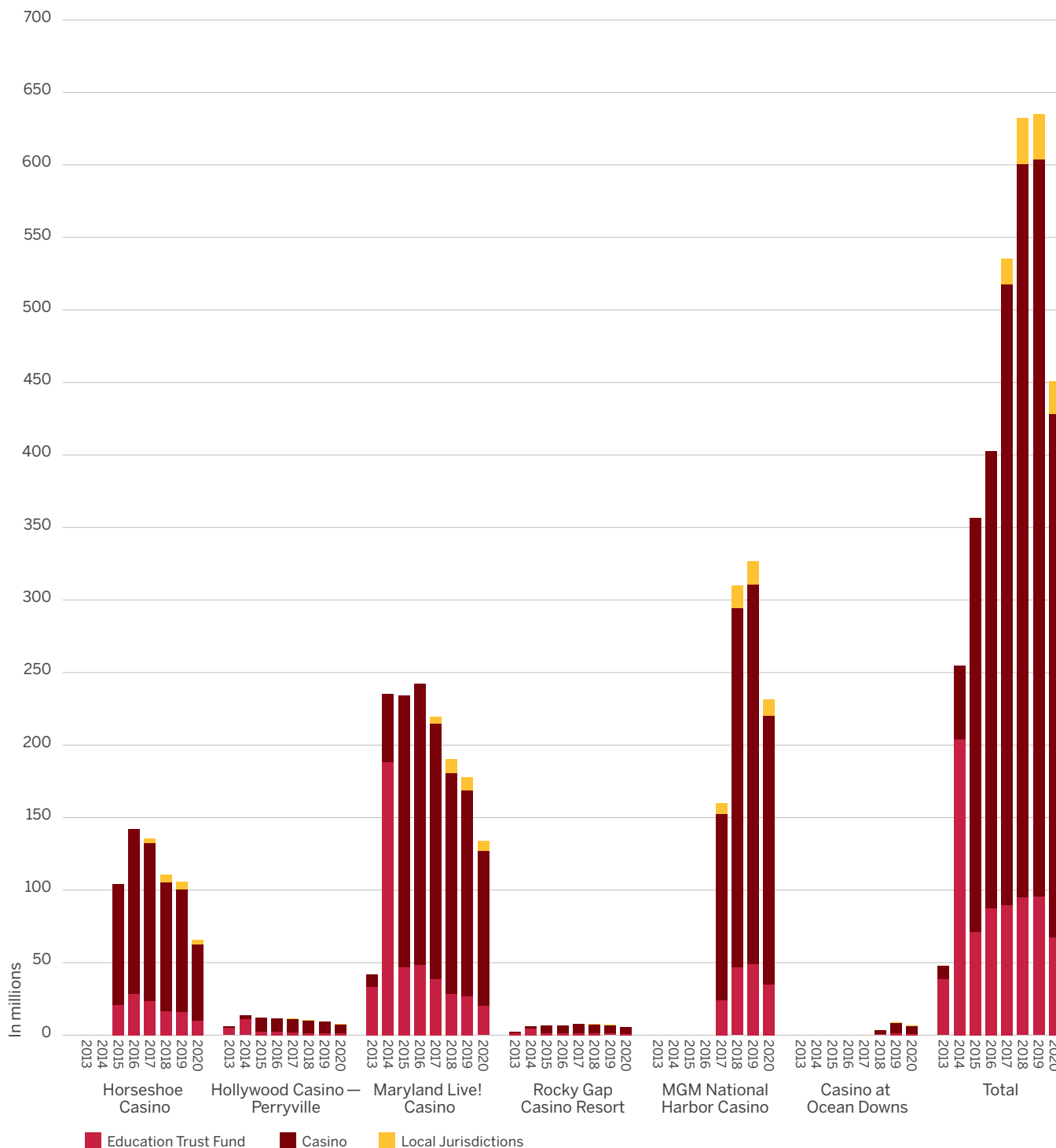
FISCAL YEAR 2013

	Horseshoe Casino	Hollywood Casino — Perryville	Maryland Live! Casino	Rocky Gap Casino Resort	MGM National Harbor Casino	Casino at Ocean Downs	Total
Education Trust Fund	\$ —	\$ 1,191,443	\$ 8,323,862	\$ 92,254	\$ —	\$ —	\$ 9,607,559
Casino	—	4,765,772	33,295,447	369,016	—	—	38,430,235
Local Jurisdictions	—	—	—	—	—	—	—
Total	\$ —	\$ 5,957,215	\$ 41,619,309	\$ 461,270	\$ —	\$ —	\$ 48,037,794

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

Table Game Revenue Distributions — Fiscal Years 2013 Through 2020* (continued)

TABLE GAME REVENUE DISTRIBUTIONS



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

Retailers, Population and Sales by Region

FISCAL YEAR 2020

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

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

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

Retailers, Population and Sales by Region (continued)

FISCAL YEAR 2019

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

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

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

Retailers, Population and Sales by Region (continued)**FISCAL YEAR 2018**

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

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

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

Retailers, Population and Sales by Region (continued)

FISCAL YEAR 2017

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

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

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

Retailers, Population and Sales by Region (continued)**FISCAL YEAR 2016**

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

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

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

Retailers, Population and Sales by Region (continued)

FISCAL YEAR 2015

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

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

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

Retailers, Population and Sales by Region (continued)**FISCAL YEAR 2014**

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

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

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

Retailers, Population and Sales by Region (continued)

FISCAL YEAR 2013

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

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

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

Retailers, Population and Sales by Region (continued)**FISCAL YEAR 2012**

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

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

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

Retailers, Population and Sales by Region (continued)

FISCAL YEAR 2011

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

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

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

Maryland's Largest Employers

2020 EMPLOYERS (listed alphabetically)

BYK Gardner Inc.
 Johns Hopkins Hospital
 Johns Hopkins University Applied Physics Laboratory
 Johns Hopkins University
 Lockheed Martin Information Systems & Global Solutions
 Northrop Grumman
 Stephen James Associates
 University of Maryland
 University of Maryland Medical System

2018 EMPLOYERS (listed alphabetically)

Applied Physics Laboratory
 BYK Gardner Inc.
 CareFirst Blue Cross Blue Shield
 F.H. Furr Plumbing, HVAC & Electrical
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Electronic Systems
 Sap America Inc.
 University of Maryland Biotechnology
 University of Maryland Medical Center

2016 EMPLOYERS (listed alphabetically)

Applied Physics Laboratory
 BYK Gardner Inc.
 Johns Hopkins University
 Liberty Tax Service
 Northrop Grumman Electronic Systems
 Stephen James Associates
 Sylvan Learning Center
 University of Maryland Medical Center
 Vitamin Shoppe
 Werner Enterprises Inc.

2014, 2013, 2012 AND 2011 EMPLOYERS (listed alphabetically)

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

2019 EMPLOYERS (listed alphabetically)

Anne Arundel County Board of Education
 BYK Gardner Inc.
 Care First Blue Cross Blue Shield
 Johns Hopkins University Applied Medical School
 Johns Hopkins University School of Medicine
 Northrop Grumman Electronic Systems
 University of Maryland Marlene Stewart
 University of Maryland Medical Center
 University of Maryland School of Medicine
 Walter Reed National Military Medical Center

2017 EMPLOYERS (listed alphabetically)

Applied Physics Laboratory
 BYK Gardner Inc.
 Clean Harbors Inc.
 Cristal USA
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Electronic Systems
 Sap America Inc.
 Sinai Hospital
 University of Maryland Medical Center

2015 EMPLOYERS (listed alphabetically)

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

2010 AND 2009 EMPLOYERS (listed alphabetically)

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

Source: Maryland Department of Labor; Division of Workforce Development and Adult Learning; Office of Workforce Information and Performance — Major Employer Lists — December 2020.

Ratio of Outstanding Debt by Type — Fiscal Years 2011 Through 2020

Fiscal Year	Capital Leases	Percentage of Annual Lottery Sales
2011	\$ 4,094,609	0.24%
2012	2,933,939	0.16%
2013	1,780,253	0.10%
2014	600,149	0.00%
2015	—	0.00%
2016	—	0.00%
2017	—	0.00%
2018	—	0.00%
2019	—	0.00%
2020	—	0.00%

Fiscal Year	VLT Capital Leases	Percentage of Gross Terminal Revenue
2011	\$ 40,791,831	39.60%
2012	53,278,861	27.30%
2013	29,242,927	5.22%
2014	16,880,000	2.91%
2015	60,714,472	8.90%
2016	48,284,425	6.51%
2017	35,667,968	4.02%
2018	—	0.00%
2019	—	0.00%
2020	—	0.00%

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

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

Demographic and Economic Statistics — Fiscal Years 2011 Through 2020

Fiscal Year	Statewide Population ⁽¹⁾	Statewide Personal Income ⁽¹⁾ (expressed in thousands)	Statewide Per Capita Personal Income ⁽¹⁾	Unemployment Rate ⁽²⁾
2011	5,833,033	\$ 304,905.50	\$ 52,272	7.3%
2012	5,881,072	313,881.80	53,372	7.0%
2013	5,918,530	313,742.20	53,010	6.6%
2014	5,953,067	324,336.40	54,482	5.9%
2015	5,982,050	340,012.70	56,839	5.1%
2016	6,000,984	352,596.70	58,756	4.4%
2017	6,021,192	363,681.10	60,400	4.2%
2018	6,034,169	376,998.70	62,477	4.0%
2019	6,044,224	389,857.80	64,501	3.6%
2020	6,054,708	\$ 424,348.70	\$ 70,086	8.3%

Sources:

(1) U.S. Department of Commerce, Bureau of Economic Analysis. Regional Data Charts as of December 2020.

(2) U.S. Bureau of Labor Statistics Local Area Unemployment Statistics as of December 2020.

Lottery Employees — Fiscal Years 2011 Through 2020

Number of Employees (includes contractual)

As of June 30,	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Agent Administration	7	7	5	5	5	5	5	5	5	4
Commissioners*	–	–	7	7	7	7	7	6	7	7
Communications	22	22	25	24	23	23	22	24	24	22
Customer Service	9	9	10	10	10	10	9	9	9	7
Executive	6	6	9	9	9	9	8	8	8	7
Facilities	4	4	4	4	5	5	5	5	6	5
Finance, Budget & Procurement and Special Projects	16	16	23	24	22	24	17	21	21	18
Information Technology	27	27	18	21	21	16	16	16	16	18
Instant Ticket Warehouse	7	7	7	6	7	7	7	7	7	7
Legal Services	7	7	8	8	8	8	7	7	6	6
Personnel	3	3	4	4	3	3	3	3	3	4
Product Development & Creative Services	8	8	12	13	15	12	11	11	11	9
Sales	61	61	60	61	56	60	59	61	61	59
Security	5	5	8	8	8	8	8	8	8	8
Gaming	36	36	94	124	128	141	145	146	146	138
Total	218	218	294	328	327	338	329	337	338	319

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

Operating Indicators — Fiscal Years 2011 Through 2020

Percentage of Lottery Administrative Expenses to Sales

Fiscal Year	Sales	Administrative Expenses	Percentage of Administrative Expenses to Sales
2011	\$ 1,714,402,578	\$ 53,221,207	3.10%
2012	1,794,892,455	53,856,627	3.00%
2013	1,756,119,267	54,699,834	3.10%
2014	1,723,990,568	56,552,165	3.28%
2015	1,760,866,028	57,441,563	3.26%
2016	1,905,543,252	62,035,390	3.26%
2017	1,931,545,666	67,144,568	3.47%
2018	2,042,794,337	70,366,608	3.44%
2019	2,196,908,499	79,793,722	3.63%
2020	2,189,768,013	77,743,420	3.55%

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

Capital Assets, Net Information — Fiscal Years 2011 Through 2020

Fiscal Year	Lottery Equipment	Data Processing Equipment	Office Equipment	Leasehold Improvements	VLTs	Total Capital Assets
2011	3,074,412	9,418	4,860	86,875	35,258,146	38,433,711
2012	1,956,444	—	—	25,551	47,247,813	49,229,808
2013	838,476	—	—	—	22,987,684	23,826,160
2014	—	—	—	—	10,525,562	10,525,562
2015	1,026,010	—	—	—	60,730,078	61,756,088
2016	817,330	—	—	—	47,900,001	48,717,331
2017	608,650	—	—	—	35,126,668	35,735,318
2018	399,970	—	—	—	—	399,970
2019	191,290	—	—	—	—	191,290
2020	—	—	—	—	—	—

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