



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

ENTERPRISE FUND OF THE
STATE OF MARYLAND



Maryland

**MARYLAND LOTTERY AND
GAMING CONTROL AGENCY**

THIS PAGE INTENTIONALLY BLANK

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

ENTERPRISE FUND OF THE
STATE OF MARYLAND



ENTERPRISE FUND OF THE STATE OF MARYLAND

THIS PAGE INTENTIONALLY BLANK

CONTENTS

INTRODUCTORY SECTION

- 7 LETTER OF TRANSMITTAL
- 15 APPENDIX A: THE MARYLAND OUTLOOK
- 16 APPENDIX B: MARYLAND LOTTERY AND GAMING CONTROL AGENCY OFFERINGS
- 24 COMMISSION ORGANIZATION AS OF JUNE 30, 2022
- 25 EXECUTIVE ORGANIZATION CHART

FINANCIAL SECTION

- 29 INDEPENDENT AUDITORS' REPORT
- 32 MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS:

- 46 STATEMENTS OF NET POSITION
- 47 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
- 48 STATEMENTS OF CASH FLOWS
- 50 NOTES TO THE FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTAL INFORMATION:

- 73 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — BUDGET AND ACTUAL
- 74 NOTES TO THE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — BUDGET AND ACTUAL
- 76 SCHEDULE OF CHANGES IN NET PENSION LIABILITY, CONTRIBUTIONS AND RELATED RATIOS
- 77 SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
- 78 INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

STATISTICAL SECTION

FINANCIAL TRENDS:

- 83 NET POSITION AND CHANGES IN NET POSITION — FISCAL YEARS 2013 THROUGH 2022
- 84 SALES — FISCAL YEARS 2013 THROUGH 2022
- 89 U.S. LOTTERIES PER CAPITA SALES — FISCAL YEAR 2022
- 90 PERCENTAGE CHANGE IN SALES — FISCAL YEARS 2013 THROUGH 2022
- 91 EXPENSES AND CONTRIBUTIONS — CUMULATIVE FOR FISCAL YEARS 2013 THROUGH 2022
- 92 LOTTERY CONTRIBUTIONS — INCEPTION TO DATE
- 94 GROSS TERMINAL REVENUE DISTRIBUTIONS — FISCAL YEARS 2013 THROUGH 2022
- 106 TABLE GAME REVENUE DISTRIBUTIONS — FISCAL YEARS 2013 THROUGH 2022

REVENUE CAPACITY:

- 110 RETAILERS, POPULATION AND SALES BY REGION

DEBT CAPACITY:

- 120 RATIO OF OUTSTANDING DEBT BY TYPE — FISCAL YEARS 2013 THROUGH 2022

DEMOGRAPHIC AND ECONOMIC INFORMATION:

- 121 DEMOGRAPHIC AND ECONOMIC STATISTICS — FISCAL YEARS 2013 THROUGH 2022

OPERATING INFORMATION:

- 122 LOTTERY EMPLOYEES — FISCAL YEARS 2013 THROUGH 2022
- 123 OPERATING INDICATORS — FISCAL YEARS 2013 THROUGH 2022
- 124 CAPITAL ASSETS, NET INFORMATION — FISCAL YEARS 2013 THROUGH 2022
- 125 RIGHT-OF-USE ASSETS, NET INFORMATION — FISCAL YEARS 2013 THROUGH 2022

THIS PAGE INTENTIONALLY BLANK



Introductory Section

In fiscal year 2022, the Maryland Lottery and Gaming Control Agency (MLGCA) celebrated 49 years of supporting Marylanders. The MLGCA is the fourth largest revenue contributor to the state after individual tax, corporate tax, and sales and use tax.

THIS PAGE INTENTIONALLY BLANK

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • John Martin, Director

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



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

December 31, 2022

The Honorable Larry Hogan, Governor

Maryland Lottery and Gaming Control Commission

INTRODUCTION

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Maryland Lottery and Gaming Control Agency (MLGCA) for the fiscal years ended June 30, 2022, and June 30, 2021 (FY2022 and FY2021). This report has been prepared by the MLGCA's Accounting Department. Responsibility for both the accuracy of the financial data and the completeness and fairness of presentation, including all disclosures, rests solely with the MLGCA. To the best of our knowledge and belief, the enclosed data are accurate and are reported in a manner designed to present fairly the financial position, results of operations and cash flows of the MLGCA. All disclosures necessary to enable the reader to gain an understanding of the MLGCA's financial activities have been included.

Presented in this report is information about the MLGCA, an independent agency of the State of Maryland. The MLGCA was established by the Maryland General Assembly through the enactment of Chapter 365 of Laws of Maryland of 1972 and the voters' approval that same year of a constitutional amendment. The amendment was ratified on November 7, 1972, and operations commenced on January 2, 1973. During the 2007 special session of the Maryland General Assembly, Chapter 4 was enacted relating to the legalization of Video Lottery Terminals (VLTs; slot machines) in the state and subject to the passage of a voters' constitutional referendum. In 2008, voters approved the installation of up to 15,000 VLTs at five casinos in the state. On August 14, 2012, Senate Bill 1 — Gaming Expansion: Video Lottery Terminals and Table Games — passed the 2012 Second Special Session of the Maryland General Assembly. This bill contained many provisions concerning gaming operations and certain provisions that were subject to voter referendum. The provisions that were subject to voter referendum passed during the November 6, 2012, election and allowed for a sixth casino; increased the number of slot machines in the state from 15,000 to 16,500; established table games; and authorized 24/7 casino operations. The MLGCA's regulatory role further expanded after voters' approval to legalize sports wagering in a constitutional referendum on November 3, 2020. On April 12, 2021, the General Assembly passed House Bill 940, which created the framework for the state's sports wagering market and provided for the regulation of sports wagering and fantasy gaming competitions. The legislation was signed into law on May 18, 2021. MLGCA began collecting tax revenue from fantasy gaming competitions. During Fiscal Year 2022, the MLGCA directed substantial staff time and resources into launching the sports wagering program. Those efforts are ongoing and will continue into the foreseeable future. Staff from the MLGCA and the Office of the Attorney General completed the drafting and promulgation of regulations pertaining to sports wagering operational requirements and licensing

qualifications. Staff in the Licensing Division continue to work on background investigations that are required for all sports wagering applicants. Auditing and Compliance staff members are working with businesses that have been awarded licenses to ensure they have met all regulatory obligations that are necessary for them to launch. In December 2021, the first five retail sportsbooks opened to the public. Significant efforts are ongoing as the MLGCA oversees the launch of multiple mobile sports wagering platforms and additional retail locations in late 2022.

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

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

The MLGCA is operated as a business enterprise within the framework of state laws and regulations. Its primary mission is to generate revenue for the state, both through the sale of traditional Lottery products and through the administration of the casino gaming and sports wagering programs. The MLGCA fulfills this mission by offering the sale of draw games, Fast Play and scratch-off games, as described further on pages 16 through 23. Since its inception in 1973, traditional Lottery sales have exceeded \$56.9 billion and have contributed more than \$18.6 billion in revenue to the state. Most of the revenue from the traditional Lottery is contributed to the State's General Fund, which supports education, public health and safety, and many other state programs and services. In addition, the MLGCA is required by statute to contribute a defined amount of traditional Lottery revenue each year to the Maryland Stadium Authority, and, from FY2017 to FY2019, \$1 million to the International Racing Fund. In addition, a portion of revenue from the Instant Ticket Lottery Machine (ITLM) program, which is exclusive to veterans' organizations, is contributed to the Maryland Veterans Trust Fund. Lotteries across the country have evolved and become more diversified, offering players a variety of choices. Today, 45 states and Washington, D.C., operate lotteries, most selling both draw games and scratch-off games. During FY2022, these lotteries generated \$96.2 billion in sales nationwide. The Maryland Lottery ranked 5th 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 FY2022, slot machine and table game revenues generated by the casinos totaled more than \$13.8 billion. Casino gaming contributions to the state through FY2022 totaled more than \$6.0 billion. The distribution of casino gaming revenue is directed by statute and described more fully on page 44 of this report.

ECONOMIC OUTLOOK AND MLGCA PRODUCTS

Please see Appendix A on page 15 for Maryland's Bureau of Revenue Estimates' economic outlook and Appendix B on page 16 for MLGCA products, both of which are an integral part of the transmittal letter.

HIGHLIGHTS OF FISCAL YEAR 2022

In FY2022, the MLGCA contributed an all-time record of more than \$1.5 billion to support the State of Maryland's good causes, including the Maryland Education Trust Fund; the Blueprint for Maryland's Future Fund; public health and safety programs; the state's horse-racing industry; the communities and jurisdictions where the state's six casinos are located; small, minority, women-owned business programs; and veterans' organizations. Lottery ticket sales contributed \$673.7 million to the state, while casino gaming revenue contributed \$832.3 million — both all-time records. Meanwhile, sports wagering and fantasy competitions (including daily fantasy sports) combined to contribute another \$5.4 million to an already record-breaking total.

TRADITIONAL LOTTERY

Lottery ticket sales established an all-time record of \$2.7 billion, an increase of \$51.5 million compared to the previous record set in FY2021. From that record, numerous other new benchmarks followed. The Lottery narrowly set a new profit record, with its \$673.7 million in contributions to the state outpacing the FY2021 mark by \$6.3 million. Sales of scratch-off tickets set a new record for the eighth consecutive year, surpassing the \$1 billion mark for the first time, a year-over-year increase of \$16.1 million.

Lottery players won \$1.7 billion, an all-time record that surpassed the previous mark set in FY2021 by \$37.5 million. The Lottery's retailers earned a record-setting total of \$203.0 million in commissions, beating the previous high set in FY2021 by \$5.7 million. Players won an average of more than \$4.6 million per day, and the average retailer commission totaled more than \$46,000.

The addition of Pick 5 on February 7, 2022, provided a considerable boost to the Lottery's sales. In slightly less than five full months during FY2022, Pick 5 sales totaled \$27.1 million, exponentially outpacing the sales of 5 Card Cash, which was retired to make room for Pick 5. In its last five full fiscal years (FY2017 through FY2021), 5 Card Cash sales totaled just \$29.2 million.

VAXCASH PROMOTION

On February 8, 2022, the Maryland Lottery announced the VaxCash 2.0 Promotion, a follow-up to the original VaxCash Promotion that took place from May to July 2021. Initiated by Governor Hogan, VaxCash 2.0 was a collaboration of the Maryland Lottery and the Maryland Department of Health aimed to incentivize Marylanders to get COVID-19 booster vaccines.

VaxCash 2.0 featured weekly drawings each Tuesday from February 15 through May 3, 2022 and gave away \$2 million in prizes. Maryland residents 18 and older who had received their initial shot(s) and a booster shot of COVID-19 vaccine at eligible facilities in Maryland were eligible to win. The first drawing awarded a \$500,000 prize, followed by 10 weekly drawings that each awarded a \$50,000 prize and a final drawing on May 3 that awarded a \$1 million prize. While VaxCash 2.0 winners had the option to remain anonymous, three of the 12 winners consented to full publicity, allowing the Lottery to publish their names and photos and tell their stories. This supported the governor's goal of emphasizing the importance of getting COVID-19 booster shots.

The Lottery's Executive team, Communications, Marketing, Claims and IT departments had day-to-day roles in operating the VaxCash 2.0 Promotion, with substantial assistance from the Office of the Attorney General and creative agency GKV.

CASINO GAMING

Maryland's casino partners put the closures and capacity restrictions of the COVID-19 pandemic behind them in FY2022 and had the strongest year in the history of the state's casino program.

The six casinos began the fiscal year with a then-record single-month gaming revenue total of \$180.1 million in July 2021.

All told, the casinos generated a record-setting total of \$2.0 billion in gaming revenue during FY2022, a 13.7% increase from the previous record set in FY2019. The \$832.3 million in contributions to the state went to the following beneficiaries:

- **Education Trust Fund:** \$611.6 million
- **Local Aid:** \$105.9 million (including local impact grants and local jurisdiction contributions)
- **Maryland's Horse Racing Industry:** \$90.8 million (including contributions to the Racetrack Facility Renewal Account and the Horse Racing Purse Dedication Account)
- **Maryland's Small, Minority and Women-Owned Business Fund:** \$19.6 million
- **Responsible Gaming Programs:** \$4.5 million

SPORTS WAGERING AND FANTASY COMPETITIONS

Maryland's sports wagering program launched in December 2021, with the opening of five retail sportsbook locations (MGM National Harbor Casino in Prince George's County; Live! Casino in Anne Arundel County; Horseshoe Casino in Baltimore City; Hollywood Casino in Cecil County; and Ocean Downs Casino in Worcester County). Sports wagering licensees pay 15% of their taxable win to the Blueprint for Maryland's Future Fund. In six-plus months of operations during FY2022, these contributions totaled nearly \$2.9 million. Expired sports wagering prizes are contributed to the Problem Gambling Fund. Those contributions totaled \$132,415 during FY2022. Sports wagering licensees pay a license fee every five years. In FY2022, net license fees totaled \$10.2 million. Of that amount, nearly \$9.7 million was contributed to the Blueprint for Maryland's Future Fund, with another \$500,000 going to the Sports Wagering Assistance Fund, which supports small businesses in their efforts to enter the sports wagering industry. An additional \$300,000 was collected by the Agency for our internal licensing fees.

The operators of fantasy competitions (including daily fantasy sports) also contribute 15% of their revenue to the Blueprint for Maryland's Future Fund. In FY2022, these contributions totaled more than \$2.5 million.

RESPONSIBLE GAMING

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

In July 2022, the Maryland Lottery was approved for Level 4 certification by the World Lottery Association (WLA). Comprised of approximately 150 lotteries, the WLA is a global organization that maintains a set of responsible gaming and social responsibility principles that provide the framework for four levels of certification. The Maryland Lottery is one of 10 U.S. lotteries to receive the WLA's highest level of certification.

The WLA's evaluation standards place an emphasis on continual enhancement and evaluation of responsible gaming programs. To facilitate meaningful development, lotteries have a three-year window to apply for each new level of certification and must recertify every three years once reaching Level 4.

The Lottery spent 2019 through 2021 expanding its responsible gaming program in preparation for the submission of its Level 4 application in April 2022. The application included a detailed presentation and evaluation of the work that was completed. Many initiatives were developed in pursuit of WLA Level 4 certification. Here is a partial list of those efforts, which will remain ongoing over the next three years:

- Maryland Lottery and Gaming formed a responsible gaming work group that includes members of the executive team and department heads. The group is responsible for enhancing existing programs and creating new initiatives that are necessary to maintain the WLA's Level 4 criteria.
- Maryland Lottery and Gaming's Responsible Gambling Program Director substantially enhanced the Agency's responsible gambling training resources, including the addition of insight from a peer counselor with the Maryland Center of Excellence on Problem Gambling in a training webinar that all employees are required to complete. The webinar also incorporated pre- and post-tests so that employees' knowledge of responsible gaming principles can be tracked and used to determine areas where staff need more training.
- The Sales Division created a responsible gaming checklist that district managers use in their regular visits to all Lottery retailers to ensure that the proper messaging is on display and available to customers.
- The Product Development staff purchased and implemented the Gamgard tool, which evaluates games and promotions for their potential risk factors. The insight gained from this tool is helping to guide the Lottery's use of certain messaging and the frequency of certain promotions.
- The Product Development staff implemented a set of three responsible gaming/social responsibility checklists that are used during the development of all new games to assess the risks to problem gamblers or vulnerable populations. The checklists are particularly useful in guiding the Lottery away from launching certain scratch-off games with logos or imagery that might appeal to minors or over-promise results.
- The Marketing team implemented a Positive Play survey, which gauged reaction to messaging that reinforces positive player behaviors. Information gained from the survey is being used in the development of marketing and advertising campaigns and is being used to enhance player education efforts.
- In March 2021, the Marketing team opted to conduct a paid advertising campaign for Problem Gambling Awareness Month for the first time, rather than relying on the placement of public service announcements provided by a third party. The "Play Responsibly" campaign represented a decisive shift in strategy, as it emphasized Positive Play messaging and replaced public service announcements that had been used previously. A similar paid ad campaign was conducted for Problem Gambling Awareness Month in March 2022, and another is being planned for March 2023.
- As part of the "Play Responsibly" campaign, the responsible play page on mdlottery.com was refreshed with new photos and graphics and new information on the warning signs of problem gambling, the MLGCA's voluntary exclusion program, and links to problem gambling resources.

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

Maryland Lottery and Gaming also has continued its leadership role in the Maryland Alliance for Responsible Gambling (MARG), which brings together the state's gambling stakeholders and the problem gambling treatment community in a collaborative forum to enhance and develop resources. Agency staff have also

increased collaboration with the Maryland Center of Excellence on Problem Gambling, with plans for quarterly meetings between MLGCA and Center of Excellence staff to coordinate activities. In addition to offering input for the MLGCA's employee training webinar, staff from the Center of Excellence are also providing guidance on responsible gaming content for the Retailer Report quarterly newsletter, a vital source of information for the Lottery's 4,300-plus retail partners.

FINANCIAL INFORMATION

ACCOUNTING SYSTEMS AND POLICIES

The MLGCA operates enterprise activities, which include sales of scratch-off, jackpot, Fast Play and draw game tickets; the Instant Ticket Lottery Machine (ITLM) program available exclusively to veterans' organizations; and 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 the costs to operate the Lottery and to oversee casino gaming, sports wagering and fantasy gaming operations. Excluded from the budget are Lottery prizes paid to winners, commissions paid to Lottery retailers, and commissions paid to casino, sports wagering and fantasy gaming 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. Commissions paid to sports wagering and fantasy gaming operators are funded from sports wagering and fantasy gaming revenues, respectively.

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

DEBT ADMINISTRATION

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

INTERNAL CONTROL ENVIRONMENT

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

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

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

- employing specialized compliance staff who are present at the casinos 24 hours a day, 7 days a week;
- maintaining secure facilities and limiting access to them;
- performing background checks on Lottery retailers, vendors, employees and anyone requiring a gaming and/or sports wagering license;
- printing Lottery tickets with special security features;
- performing unannounced inspections at the drawing studio to ensure compliance with established operating procedures;
- reprocessing daily transactional data of all Lottery vendor activity by MLGCA personnel using internal control system programs and reconciling transactions to reports generated by the Lottery vendor;
- comparing, on a daily basis, gross slot machine revenue recorded on the MLGCA's central monitoring system to gross terminal revenue reported by the casinos' slot accounting systems, and reconciling any differences;
- employing auditors to ensure table game, sports wagering and fantasy competition revenue is accurately accounted for and that the operators 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 320 employees, including contractual employees. As of December 2022, all Maryland Lottery draw games (Pick 3, Pick 4, Pick 5, Bonus Match 5, Multi-Match, Keno and Racetrax) are conducted by random number generators (RNGs). The RNG systems that operate Keno and Racetrax are maintained at a secure, multi-tenant data center located in Nevada. Pick 3, Pick 4, Pick 5, Bonus Match 5 and Multi-Match drawings are conducted by an RNG system housed at the Maryland Lottery's facility in Baltimore. Mega Millions, Powerball and Cash4Life drawings are held in Georgia, Florida, and New Jersey, respectively.

FUTURE PROJECTS

In FY2023, Maryland Lottery and Gaming aims to continue generating record levels of contributions to the state and remains intensely focused on fully implementing Maryland's sports wagering law.

TRADITIONAL LOTTERY

The Lottery is once again up against an all-time sales record in FY2023, but finished a strong first quarter of FY2023 with estimated sales up 2.4% year-over-year and estimated profits up 9.7%.

As mentioned above, in December 2022, the Lottery is modernizing with a shift to digital drawings of Pick 3, Pick 4, Pick 5, Bonus Match 5 and Multi-Match. The numbered balls and drawing machines that have been used to conduct the drawings for decades are being replaced by a random number generator (RNG), a computer system that will randomly select the numbers. More than 30 other lotteries in the U.S. conduct

their drawings using similar systems, which are more efficient and cost-effective than mechanical drawings and are extremely secure. Staff in the Communications, Marketing and IT departments conducted a procurement process and selected New Jersey-based Smartplay International Lottery Systems to supply the RNG system. MLGCA staff have worked with Smartplay to install and activate the system and will work with our creative agency, GKV, to produce a variety of messaging to introduce the system to players.

The Lottery first opened its doors in January 1973 and will spend 2023 celebrating its 50th anniversary. Activities will begin in early 2023 with recognition of the Lottery's longest-tenured retailers, and numerous 50th anniversary-themed initiatives will be conducted from January through August 2023. The Lottery will launch its first \$50 scratch-off ticket, as well as a \$1 scratch-off that will feature historical Lottery logos. An all-games promotion will run from February through August, culminating in an event at the Maryland State Fair where one lucky player could win up to \$5 million.

CASINO GAMING

Coming off a record-setting year in FY2022, Maryland's casino operators set a single-month revenue record in the opening month of FY2023, totaling \$181.5 million in July 2022. Five of the six casinos have integrated sportsbooks into their operations, with Hollywood Casino in Cecil County opening a newly constructed permanent sportsbook facility in October 2022. Horseshoe Casino and its parent company, Caesars Entertainment, have continued their contributions toward the development of an entertainment district along Warner Street. A Topgolf facility opened next door to the casino's parking garage in late 2022. Construction is continuing on the Paramount Theater, a 70,000-square foot concert and event venue being built at the corner of Warner Street and West Ostend Street, between Horseshoe Casino and M&T Bank Stadium. The completion of the entertainment options along Warner Street is expected to provide a boost to Horseshoe Casino.

SPORTS WAGERING

For the duration of FY2022, MLGCA staff worked in conjunction with the Sports Wagering Application Review Commission (SWARC) to implement the sports wagering law, and that effort continues in FY2023. During the first half of FY2023, four additional sports wagering facilities opened, bringing the total number of retail sportsbooks to nine. We also launched mobile sports betting at seven locations on November 23. The MLGCA's Auditing and Compliance staff members spent the first half of FY2023 working with other facilities and mobile applicants to help them complete the regulatory requirements necessary to launch. With the openings of those four locations, 9 of the 17 entities that the sports wagering law designated for retail sportsbooks will be active. The Licensing staff is focused on completing the background investigations of additional applicants for sports wagering licenses, and the Auditing and Compliance teams will be working with those entities to launch their operations.

Respectfully Submitted,

MARYLAND LOTTERY AND GAMING CONTROL AGENCY



John A. Martin
Director



James Nielsen
*Deputy Director and Chief
Operating Officer*



Paula Yocum
*Managing Director and Chief
Financial Officer*

APPENDIX A: THE MARYLAND OUTLOOK

Maryland's economy has structural factors in its favor. Typically, the State's economy and employment contracts less than the nation during a recession. This is partly due to high education and skill levels of the labor force and the presence of the federal government, a stable source of well-paying jobs. Maryland employment in October 2022 was 4.8% higher than the pre-pandemic peak, compared to 0.7% for the U.S. economy. Year-over-year employment in Maryland rose 2.2%.

This is an especially challenging time to forecast economic and revenue conditions. Economic growth is slowing but so far remains elevated. Our near-term outlook calls for a soft landing — for growth to slow significantly but not turn negative. While soft landings have been difficult to achieve, this outlook balances the risks to both the upside and downside, in terms of nominal revenue collection. We expect that if the Federal Reserve (the Fed) were to slow the economy to the point of a recession, it would likely be a comparatively mild one.

Beyond the near term, we expect growth to return to a trend rate that is marginally higher than the expansion that occurred after the Great Recession. That expansion was unusually slow, due in part to demographic trends that held down productivity and wage growth — most significantly, millennials entering the labor force. We expect wage growth to fall to near 4.0% in the out-years and employment growth to practically come to a halt, owing to Maryland's slowing population growth. In 2021, Maryland's population declined by 0.1%, compared to growth of 0.3% for the U.S. In September 2022, year-over-year labor force growth in Maryland was 0.8%, compared to 1.9% for the U.S. labor force. However, as of October 2022, Maryland's labor force participation remains higher than the nation's, at 65.9% and 62.1%, respectively.

Outlook for Key Maryland Economic Variables

Calendar Year	Employment	Personal Income	Aggregate Wages	Average Wage
2020	-6.8%	5.6%	1.4%	9.0%
2021	2.5	6.2	6.6	3.9
2022E	2.9	1.5	7.0	4.0
2023E	1.3	5.1	4.7	3.4
2024E	0.7	4.4	4.4	3.7
2025E	0.5	3.9	4.1	3.5
2026E	0.3	4.2	3.8	3.6

Source: Bureau of Revenue Estimates

RISKS

The most significant risk to the current forecast is monetary policy. The Fed must tighten policy the right amount in order to slow the economy down while avoiding tipping the economy into a recession. If the Fed does too little too late, inflation will continue to be elevated in the near term. In that case, the Fed would then need to tighten even more drastically to correct for past mistakes, raising the likelihood of a significant recession later. If the Fed does too much too soon, it could tip the economy into a mild recession in the near term.

Geopolitics, namely the war in Ukraine and its impact on energy and food prices, and COVID-19 both remain significant risks to the forecast. A significant change in the war or the pandemic could create additional supply shocks, positive or negative, that could alter the expected trajectory of economic growth.

Source: Robert J. Rehrmann, Director, Maryland Bureau of Revenue Estimates

APPENDIX B: MARYLAND LOTTERY AND GAMING CONTROL AGENCY OFFERINGS

The Lottery continues to offer a variety of draw and instant-win games. Draw games allow players to pick their numbers or utilize random computer-generated plays. Customers receive a ticket and then wait for the drawing to determine if they have won. The Lottery offers two types of instant-win games that allow players to immediately determine if they've won by matching numbers or symbols. Fast Play games, which were launched in February 2020, are printed at the time of purchase by Lottery retailer terminals and self-service vending machines. Scratch-off games are played by scratching a latex covering off a play area to reveal pre-printed combinations. If a winning combination appears, the customer is an instant winner. The Instant Ticket Lottery Machine (ITLM) program, available exclusively to veterans' organizations, gives players an entertaining animated display of a predetermined prize amount.

MLGCA products offered during Fiscal Year 2022 included the following:

DAILY DRAW GAMES



FISCAL YEAR 2022 STATISTICS — PICK 3:

\$266.6 million in net sales
10.0% of total net sales
\$24.2 million increase from Fiscal Year 2021 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. Tickets can be purchased for 50 cents or \$1, and the game has nine bet types with payouts ranging from \$25 to \$500.



FISCAL YEAR 2022 STATISTICS — PICK 4:

\$373.1 million in net sales
14.0% of total net sales
\$22.5 million decrease from Fiscal Year 2021 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. Tickets can be purchased for 50 cents or \$1, and the game has 13 bet types with payouts ranging from \$100 to \$5,000.



FISCAL YEAR 2022 STATISTICS — PICK 5:

\$27.1 million in net sales
1.0% of total net sales

PICK 5 made its debut on February 7, 2022. Drawings are held twice daily, seven days a week. Players choose five numbers from a range of 0 to 9. Tickets can be purchased for 50 cents or \$1, and the game has 13 bet types with payouts ranging from \$25 to \$50,000.



FISCAL YEAR 2022 STATISTICS — BONUS MATCH 5:

\$19.1 million in net sales

0.7% of total net sales

\$1.4 million decrease from Fiscal Year 2021 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 the five winning numbers on a single line win the top prize of \$50,000. The Bonus Ball provides additional chances to win prizes ranging from \$2 to \$600. In the event that there are more than 12 top-prize \$50,000 winners in one drawing, each winner receives an equal share of a \$600,000 prize pool.



FISCAL YEAR 2022 STATISTICS — 5 CARD CASH™:

\$3.4 million in net sales

0.1% of total net sales

\$1.4 million decrease from Fiscal Year 2021 5 Card Cash net sales

5 CARD CASH launched in November 2012 and was discontinued after the drawing on February 6, 2022. The game included both a nightly drawing and an instant-win component. On each \$2 ticket, players received five randomly selected cards from a standard deck of 52 playing cards. Instant-win prizes ranged from \$3 to \$10,000 or a free 5 Card Cash ticket. The nightly drawings offered prizes that ranged from \$3 to \$100,000.



FISCAL YEAR 2022 STATISTICS – FAST PLAY:

\$76.9 million in net sales

2.9% of total net sales

\$10.4 million increase from Fiscal Year 2021 Fast Play net sales

FAST PLAY games were introduced on February 10, 2020. The games are printed by Lottery retailer terminals and self-service vending machines at the time of purchase, and players find out immediately if they've won by looking to see if their numbers or symbols match the winning numbers or symbols. Like scratch-offs, Fast Play tickets feature a variety of themes and play styles and multiple prize tiers, with price points ranging from \$1 to \$20. Some of the games have a set top prize, while others have progressive jackpot top prizes, which grow with the purchase of each ticket until a jackpot-winning ticket is sold. During Fiscal Year 2022, the Maryland Lottery launched 18 new Fast Play games.

MONITOR GAMES



FISCAL YEAR 2022 STATISTICS — KENO:

\$287.1 million in net sales

10.8% of total net sales

\$13.6 million increase from Fiscal Year 2021 Keno net sales

KENO is a draw game that is predominantly played in a social setting, and drawings are held every three and a half minutes. Keno was introduced in January 1993. In each Keno 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, and recaps are available on Lottery apps. Players select up to 10 numbers from a range of 1 to 80 and win prizes ranging from \$1 to \$100,000 by matching some, all or — in some cases — none of the numbers.

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

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



FISCAL YEAR 2022 STATISTICS — RACETRAX®:

\$319.1 million in net sales

12.0% of total net sales

\$20.3 million increase from Fiscal Year 2021 Racetrax® net sales

RACETRAX® is a draw game that launched in August 2006 and is predominantly played in a social setting. Computer-generated drawings are held approximately every four and a half minutes. Racetrax® is a computer-animated virtual game that offers the thrill of horse racing with advanced 3-D graphics that are displayed on monitors at Maryland Lottery retail locations. The game offers 13 different types of bets, with players selecting from a range of horses numbered 1 to 12, with prizes ranging from \$1.20 to \$650,248, depending on the bet type.

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

JACKPOT GAMES



FISCAL YEAR 2022 STATISTICS — MEGA MILLIONS®:

\$81.0 million in net sales

3.0% of total net sales

\$26.9 million decrease from Fiscal Year 2021 Mega Millions net sales

MEGA MILLIONS® is a multi-state jackpot game, with drawings conducted each Tuesday and Friday evening. The Maryland Lottery began selling Mega Millions tickets in September 1996, and tickets for the game are sold in 47 U.S. states and jurisdictions. Tickets cost \$2, and the starting jackpot is currently \$20 million, growing based on game sales when there is no winner. 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 2022 STATISTICS — MULTI-MATCH®:

\$39.6 million in net sales

1.5% of total net sales

\$5.9 million increase from Fiscal Year 2021 Multi-Match® net sales

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



FISCAL YEAR 2022 STATISTICS — POWERBALL®:

\$127.6 million in net sales

3.0% of total net sales

\$34.2 million increase from Fiscal Year 2021 Powerball net sales

POWERBALL® is a multi-state jackpot game, with drawings conducted each Monday, Wednesday and Saturday evening. The game expanded from two nights per week to three with the addition of Monday night drawings starting Aug. 23, 2021. The Maryland Lottery began selling Powerball® tickets in January 2010, and tickets for the game are available in 48 U.S. states and jurisdictions. Tickets cost \$2, and the starting jackpot is currently \$20 million, growing based on game sales when there is no winner. Players choose or request the computer to generate a total of six numbers from two different fields: five numbers from a range of 1 to 69 and one Powerball® number from a range of 1 to 26. Players matching all six numbers win the jackpot. If there are multiple winners, the jackpot prize is divided evenly among all winners. The odds of winning the jackpot are 1 in 292 million. There are also eight other prize tiers ranging from \$4 to \$1 million. Power Play® is an optional feature of Powerball® that allows winners to multiply their prizes. By adding the Power Play® option to their tickets for an additional \$1, players can multiply any prizes they win except for the jackpot. Double Play is another optional feature that was launched along with the Monday drawings on Aug. 23, 2021. Players can add the Double Play for an additional \$1, making their ticket eligible to win prizes in both the Powerball® drawing and a separate Double Play drawing, which is held 30 minutes after each Powerball® drawing. Double Play offers a fixed \$10 million jackpot and eight other prize tiers.



FISCAL YEAR 2022 STATISTICS — CASH4LIFE®:

\$19.5 million in net sales

0.7% of total net sales

\$1.3 million decrease from Fiscal Year 2021 Cash4Life net sales

CASH4LIFE® is a multi-state game with nightly drawings. The Maryland Lottery began selling Cash4Life tickets in January 2016, and tickets for the game are available in 10 states. For \$2, players pick five numbers from a range of 1 to 60 and one Cash Ball from a range of 1 to 4. Players matching all five winning numbers and the Cash Ball number win the top prize of \$1,000 a day for life, and players who match the five winning numbers but do not match the Cash Ball number win \$1,000 a week for life. Multiple winners share the top prize equally. In some cases, with multiple winners, the second-level prize pool may also be shared among the winners. 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 2022 STATISTICS — SCRATCH-OFFS:

\$1.0 billion in net sales
37.9% of total net sales
\$16.1 million increase from Fiscal Year 2021 scratch-off net sales

SCRATCH-OFF games were first introduced in 1976. Players reveal their prizes by scratching a latex play area. From 1976 to 1985, a limited number of scratch-off games were launched. The Maryland Lottery began launching scratch-offs on a more frequent basis in 1986, and in recent years new tickets have been launched monthly. During Fiscal Year 2022, the Maryland Lottery launched 50 new scratch-off games, with price points of \$1, \$2, \$3, \$5, \$10, \$20 and \$30. Each scratch-off game has multiple prize tiers, with prizes starting at \$1 and ranging up to \$2 million.



FISCAL YEAR 2022 STATISTICS — INSTANT TICKET LOTTERY MACHINES:

\$13.1 million in net sales
0.5% of total net sales
\$2.6 million increase from Fiscal Year 2021 ITLM net sales

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

MARYLAND CASINOS

Maryland casinos offered the following during Fiscal Year 2022:



FISCAL YEAR 2022 STATISTICS — VIDEO LOTTERY TERMINALS:

\$1.3 billion in gross terminal revenue
9,571 slot machines as of June 30, 2022
\$171.4 million increase from Fiscal Year 2021 gross terminal revenue

VIDEO LOTTERY TERMINALS (VLT) were approved during the 2007 special session of the Maryland General Assembly, and Maryland's six casinos opened between September 2010 and December 2016.



FISCAL YEAR 2022 STATISTICS — TABLE GAMES:

\$670.0 million in revenue
584 total table games as of June 30, 2022
\$84.6 million increase from Fiscal Year 2021 table game revenue

TABLE GAMES were approved for all six Maryland casinos after voters approved a gaming expansion referendum in the November 2012 General Election. Casinos began launching table game operations during Fiscal Year 2013.

MARYLAND SPORTS WAGERING AND FANTASY COMPETITIONS

Maryland sports wagering and fantasy competition operators offered the following during Fiscal Year 2022:



FISCAL YEAR 2022 STATISTICS — SPORTS WAGERING:

\$174.8 million in handle
\$19.2 million in taxable win
\$2.9 million in contributions to the state

Maryland's sports wagering market launched on December 9, 2021 with the opening of the state's first retail sportsbook at MGM National Harbor in Oxon Hill. Additional retail sportsbooks opened during December 2021 at Live! Casino in Hanover, Horseshoe Casino in Baltimore, Ocean Downs Casino in Berlin and Hollywood Casino in Perryville. As of December 2022, four additional retail sportsbooks have opened during FY2023 at Bingo World in Brooklyn Park, Riverboat on the Potomac in Charles County, Greenmount Station in Hampstead and Long Shot's in Hagerstown. On November 23, 2022, the state's first ever mobile sportsbooks began operations: Barstool Sportsbook (operator for PENN Maryland/Hollywood Casino); BetMGM (operator for BetMGM Maryland Sports/MGM National Harbor); BetRivers (operator for Arundel Amusements/Bingo World); Caesars Sportsbook (operator for CZR Maryland Mobile Opportunity/Horseshoe Casino); DraftKings (Crown MD Online Gaming); FanDuel (operator for PPE Maryland Mobile/Live! Casino); PointsBet (operator for Riverboat on the Potomac). All retail and mobile sports wagering operators pay 15% of their taxable win to the Blueprint for Maryland's Future Fund, which supports public education.

Sports wagering licensees pay a license fee every five years. In FY2022, net license fees totaled \$10.2 million, with \$9.7 million contributed to the Blueprint for Maryland's Future Fund and \$500,000 contributed to the Sports Wagering Assistance Fund, which provides financial support to small businesses that are entering the sports wagering market.

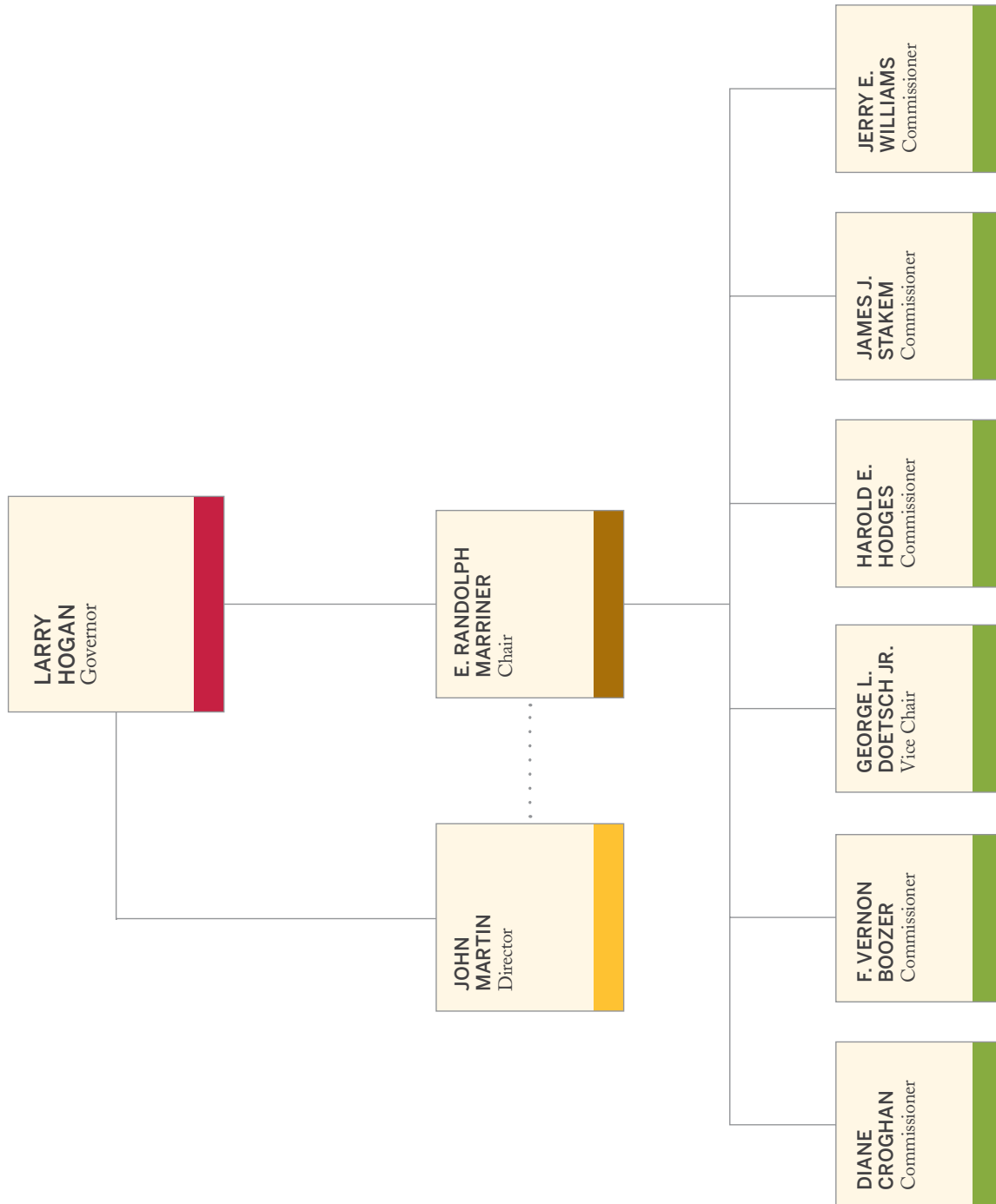


FISCAL YEAR 2022 STATISTICS — FANTASY COMPETITIONS:

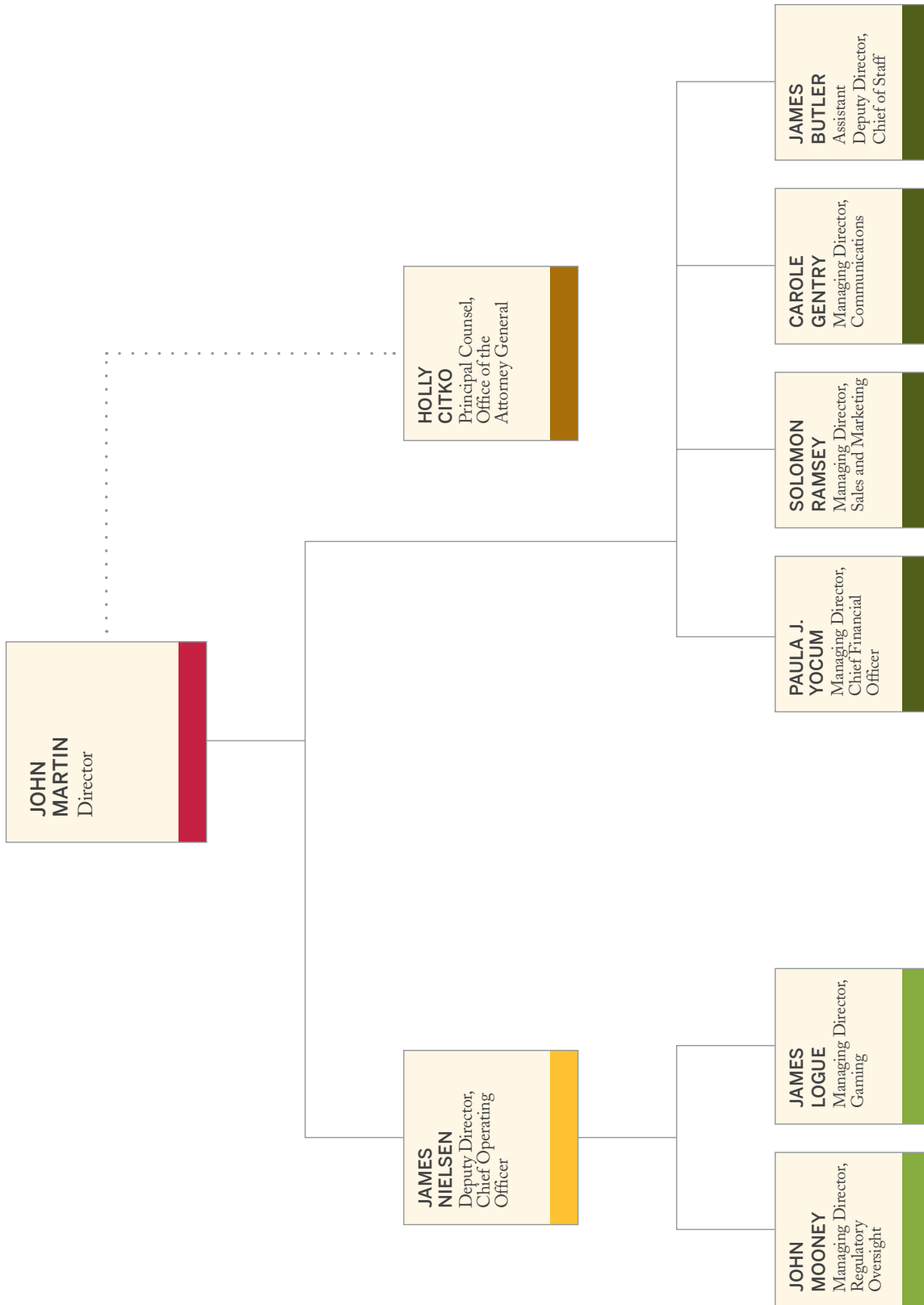
\$17.1 million in revenue
\$2.6 million in contributions to the state

As of June 30, 2022, Maryland had 17 licensed fantasy competition operators: Bid Ventures; Blitz Studios; DataForce Fantasy Football; DraftKings; FanDuel; Fantasy Football Players Championship; Fantasy Sports Shark; Fulltime Fantasy Sports; OwnersBox 3.0; ParlayPlay; RealTime Fantasy Sports; SidePrize; SportsHub Games Network; SuperDraft; Two Nine Sports (Stat Hero); Underdog Sports; Yahoo Fantasy Sports. Fantasy competition operators pay 15% of their revenue to the Blueprint for Maryland's Future Fund, which supports public education.

Commission Organization as of June 30, 2022



Executive Organization Chart



THIS PAGE INTENTIONALLY BLANK



Financial Section

In fiscal year 2022, the MLGCA contributed \$1.5 billion to the State of Maryland. \$673.7 million from the Lottery, \$832.3 million from casino gaming, \$2.9 million from sports wagering, and \$2.6 million from fantasy gaming competitions.

THIS PAGE INTENTIONALLY BLANK

INDEPENDENT AUDITORS' REPORT



To the Maryland Lottery and Gaming Control Agency:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

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 or MLGCA), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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 Agency, as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements of the Agency are intended to present the financial position, 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, 2022 and 2021, 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.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Maryland Lottery and Gaming Control Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Main | 410-403-1500

Toll Free | 800-832-3008

Address | 910 Ridgebrook Road, Sparks, MD 21152

Visit | www.schgroup.com

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Maryland Lottery and Gaming Control Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Maryland Lottery and Gaming Control Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison and changes in net pension liability, contributions and related ratios and employer contributions for other postemployment benefit plan on pages 32 through 45 and 73 through 77, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 20, 2022, 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 20, 2022

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, 2022 and 2021. As you read the MD&A, 2022 refers to the fiscal year ended June 30, 2022; 2021 refers to the fiscal year ended June 30, 2021, and 2020 refers to the fiscal year ended June 30, 2020. 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 46.

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 Instant Ticket Lottery Machine (ITLM) program and the traditional lottery products. The casinos were closed from March 15, 2020 through June 19, 2020, at which time the casinos began reopening in line with individual county guidelines, including limiting capacity to no greater than 50%. As of June 30, 2020, all six casinos had reopened at reduced capacity. As of June 30, 2021, all six casinos had reopened with no capacity restrictions. As of July 1, 2021, the State of Maryland lifted the remaining restrictions on the casinos, bars and restaurants, and the veteran organizations (Note 13).

FINANCIAL HIGHLIGHTS

- Net lottery sales totaled \$2.66 billion in 2022, an increase of \$51.55 million or 1.97% as compared to \$2.61 billion in 2021, an increase of \$421.38 million or 19.24% as compared to \$2.19 billion in 2020.
- Gross video lottery terminal (VLT) revenue totaled \$1.33 billion in 2022, an increase of \$171.42 million or 14.77% compared to \$1.16 billion in 2021, an increase of \$331.11 million or 39.93% as compared to \$829.28 million in 2020.
- Table game revenue (TGR) totaled \$669.97 million in 2022, an increase of 14.46% in 2022 compared to \$585.33 million in 2021, an increase of \$134.64 million or an increase of 29.87% as compared to \$450.69 million in 2020.
- Transfers of lottery proceeds to the State of Maryland in 2022 totaled \$635.07 million, an increase of \$3.36 million or 0.53% compared to 2021, which were \$631.72 million, an increase of \$83.21 million or 15.17% as compared to \$548.51 million in 2020.
- Transfers to Other Governmental Funds/Agencies totaled \$892.03 million in 2022, an increase of \$131.00 million or 18.56% in 2022 compared to 2021, which was \$761.03 million, an increase of \$67.92 million or 12.05% compared to 2020.

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, 2022, there were six casinos operating in the State with 9,571 VLTs and 584 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 50 to 72 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, 2022, 2021 and 2020. The table reflects the Agency's overall change in financial resources and claims on those resources. The majority of the assets consist of cash held by the State Treasury, investments, accounts receivable and net capital and right-of-use assets. The Agency's investments and the majority of accounts receivable, as well as the majority of cash held by the State Treasury, are used to pay lottery winners or are transferred as income to the State of Maryland and other government agencies. Most liabilities represent prize awards payables, annuities payable, amounts due to the State of Maryland, amounts due to other government agencies, lease liabilities and pension obligations.

TABLE 1 — NET POSITION (IN THOUSANDS)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets	\$ 288,424	\$ 206,889	\$ 263,102
Other Non-Current Assets	26,785	33,659	33,134
Capital and Right-of-Use Assets	4,466	7,031	9,518
Total Assets	<u>\$ 319,675</u>	<u>\$ 247,579</u>	<u>\$ 305,754</u>
Deferred Outflows of Resources	\$ 12,741	\$ 11,529	\$ 12,640
Total Assets and Deferred Outflows	<u>\$ 332,416</u>	<u>\$ 259,108</u>	<u>\$ 318,394</u>
Current Liabilities	\$ 279,738	\$ 204,810	\$ 263,745
Non-Current Liabilities	32,536	37,494	36,326
Net Pension Liability	22,461	33,400	30,537
Total Liabilities	<u>\$ 334,735</u>	<u>\$ 275,704</u>	<u>\$ 330,608</u>
Deferred Inflows of Resources	\$ 15,768	\$ 3,539	\$ 4,768
Total Liabilities and Deferred Inflows	<u>\$ 350,503</u>	<u>\$ 279,243</u>	<u>\$ 335,376</u>
Net Position			
Net Investment in Capital Assets	\$ —	\$ —	\$ —
Restricted	—	—	—
Unrestricted	(18,087)	(20,135)	(16,982)
Total Net Position	<u>\$ (18,087)</u>	<u>\$ (20,135)</u>	<u>\$ (16,982)</u>

CURRENT ASSETS

The Agency's current assets increased by \$81.54 million or 39.41% in 2022 compared to \$56.21 million or 21.37% in 2021 as compared to 2020.

Cash held with the State Treasury increased by \$67.03 million or 51.03% in 2022 compared to 2021, which decreased by \$55.31 million or 29.63% compared to 2020. At the end of 2022, there were two months of lottery income and one month of gaming revenue waiting to be transferred. At the end of 2021 there were four months of lottery income waiting to be transferred, whereas at the end of 2020 there were three months of lottery income waiting to be transferred to the General Fund.

Management's Discussion and Analysis

CURRENT ASSETS (continued)

Accounts receivable increased by \$13.81 million or 22.83% in 2022 compared to 2021, which had decreased by \$2.23 million or 3.55% in 2021 compared to 2020. Accounts receivable is primarily comprised of amounts due from lottery retailers from the sale of lottery tickets and revenue due from the casino operators. Accounts receivable from lottery retailers increased by \$12.61 million or 23.38% in 2022 compared to \$1.97 million or 3.78% in 2021 compared to 2020. On a weekly basis, amounts due from retailers are collected electronically from the lottery retailers' bank accounts. In 2022, four days of sales activity had not yet been collected. In 2021, three days of sales activity had not yet been collected. In 2020, two days of sales activity had not yet been collected.

Accounts receivable from casino operators increased by \$577,900 or 8.95% in 2022 compared to an increase of \$809,977 or 14.35% in 2021 compared to 2020. Gross terminal revenue is electronically transferred to the Agency on a daily basis, and table game revenue is electronically transferred to the Agency every two days. Corresponding increases and decreases in accounts receivables from casino operators are a function of the change in gaming revenue for the last days of the fiscal year and timing of when the revenue is received.

Accounts Receivable for Sports Wagering and Fantasy Competitions are new in 2022.

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 increased by \$72.10 million or 29.12% in 2022 compared to 2021, which had decreased by \$1.96 million or 4.60% compared to 2020.

Capital assets, net of depreciation, were fully depreciated in 2020.

Right-of-use assets, net of amortization, decreased by \$2.56 million or 36.47% in 2022 compared to 2021, which decreased by \$2.49 million or 26.13% compared to 2020. The decrease in 2022 and 2021 was the result of amortization.

The Agency's investments for annuity payments, net of current portion, decreased by \$6.87 million or 20.42% in 2022 compared to 2021, which had increased by \$525,885 or 1.59% in 2021 compared to 2020. The decrease in 2022 resulted from fewer winners using annuities as a payment option in the preceding years. The increase in 2021 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.

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 increased by \$1.21 million or 10.51% in 2022 compared to 2021, which had decreased by \$1.11 million or 8.79% compared to 2020. The increase in 2022 resulted from the change in actuarial assumptions in connection with the pension liability, offset by the amortization of the deferred outflows. The decrease in 2021 resulted from amortization of the deferred outflows.

Management's Discussion and Analysis

CURRENT LIABILITIES

Current liabilities increased by \$74.93 million or 36.58% in 2022 compared to 2021, which had decreased by \$58.94 million or 22.35% compared to 2020. The change between years is related to changes in the amount of lottery income due to the General Fund at year-end, increases in the amount due to other government agencies and in prize awards payable. Amounts due to the General Fund increased by \$69.95 million or 178.32% compared to 2021, which had decreased by \$117.71 million or 75.00% in 2021 compared to 2020. The increase in amounts due to the General Fund was a result of two months of state share being outstanding as of June 30, 2022 versus one month as of June 30, 2021. The decrease in the amounts due to the General Fund in 2021 was a result of one month's revenue being due as of June 30, 2021, versus three months being due as of June 30, 2020. Prize awards payable decreased by \$7.46 million or 10.63% in 2022 compared to 2021, which had increased by \$1.52 million or 39.84% in 2021 compared to 2020. The decrease in 2022 is related to larger individual prizes being outstanding as of June 30, 2022 versus June 30, 2021. The increase in 2021 is related to overall higher sales. As sales increase, prizes won increases. Amounts due to Other Governmental Agencies – Gaming increased by \$10.27 million or 16.34% compared to 2021, which increased by \$47.64 million or 313.28% in 2021 compared to 2020. The increase in the amounts due to Other Governmental Agencies – Gaming was a result of overall increase in gross terminal revenue and table games revenue.

NON-CURRENT LIABILITIES

Non-current liabilities decreased by \$15.90 million or 22.42% in 2022 compared to 2021, which increased by \$4.03 million or 6.03% compared to 2020. Net pension liability decreased by \$10.94 million or 32.75% in 2022 compared to 2021, which increased by \$2.86 million or 9.37% in 2021 compared to 2020. The net pension liability represents the Agency's proportionate share of the State of Maryland's total net pension liability. The changes between the years are primarily the result of the changes in the Agency's proportionate share of the State Retirement and Pension Funds overall pension liability. In addition, the annuity prizes payable liability decreased by \$3.16 million or 10.15% in 2022 compared to 2021, which increased by \$3.28 million or 11.77% due to an increase in annuity investments purchased. The non-current portion of lease liability decreased by \$1.95 million or 45.68% compared to 2020, which decreased by \$2.57 million or 37.55% in 2021 compared to 2020 due to lease payments made in line with the lease agreements.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows increased by \$12.23 million or 345.56% in 2022 compared to 2021, which decreased by \$1.22 million or 25.77% in 2021 compared to 2020. The increase in deferred pension inflows in 2022 resulted from the net difference between projected and actual earnings on pension plan investments is described in Note 10 to the financial statements.

NET POSITION

Net position increased by \$2.05 million or 10.17% in 2022 compared to 2021, which decreased by \$3.15 million or 18.56% compared to 2020. Because the Agency is required by law to transfer its entire budgetary basis net position to the State of Maryland and its gaming and sports wagering revenues to various 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, 2022, 2021 and 2020.

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

	2022	2021	2020
Revenue			
Draw games	\$ 1,640,098	\$ 1,607,218	\$ 1,329,164
Scratch-Off games	1,009,474	993,407	852,739
ITLMs	13,132	10,525	7,865
Total sales	2,662,704	2,611,150	2,189,768
Gaming revenue — gross terminal revenue	1,331,811	1,160,393	829,281
Gaming revenue — state grant	5,205	4,943	6,461
Gaming revenue — table games	669,969	585,329	450,693
Gaming revenue — facility applicants	2,841	1,535	1,471
Gaming revenue — machine assessments	4,455	4,132	3,779
ITLM lease revenue	3,938	3,158	2,362
MDH Revenue	—	—	96
Gaming Revenue — Fantasy Gaming	17,076	—	—
Gaming Revenue — Sports Wagering	30,603	—	—
Total revenue	4,728,602	4,370,640	3,483,911
Cost of sales	3,144,575	2,924,405	2,330,243
Gross profit	1,584,027	1,446,235	1,153,668
Operating expenses	51,249	54,016	55,546
Income from operations	1,532,778	1,392,219	1,098,122
Non-operating revenues (expenses)			
Gain (loss) on investments for annuity payments and amortization of discount for annuity prize liabilities	(3,769)	(2,741)	3,700
Voluntary exclusion program	147	124	123
Payments to State of Maryland General Fund	(635,074)	(631,719)	(548,512)
Payments to other government funds/agencies — gaming	(892,034)	(761,036)	(563,804)
Total non-operating expenses	(1,530,731)	(1,395,372)	(1,108,493)
Change in net position	2,048	(3,153)	(10,371)
Total net position — beginning of year	(20,135)	(16,982)	(6,611)
Total net position — end of year	\$ (18,087)	\$ (20,135)	\$ (16,982)

Management's Discussion and Analysis

SALES

Net lottery sales were \$2.66 billion in 2022 compared to \$2.61 billion in 2021, an increase of \$51.55 million or 1.97%, compared to \$2.19 billion in 2020, an increase of \$421.38 million or 19.24% compared to 2020.

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

TABLE 3 — NET SALES (IN THOUSANDS)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Jackpot	\$ 267,736	\$ 255,740	\$ 198,537
Draw	766,221	779,284	641,145
Monitor	606,141	572,194	489,483
Scratch-Off	1,009,474	993,407	852,739
ITLM	13,132	10,525	7,864
Total	<u>\$ 2,662,704</u>	<u>\$ 2,611,150</u>	<u>\$ 2,189,768</u>

Sales for Jackpot games, which includes Mega Millions, Powerball, Multi-Match, and Cash4Life increased by \$12.00 million or 4.69% compared to 2021, which had increased by \$57.20 million or 28.81% compared to 2020. In August 2021, a new Powerball add-on game, Doubleplay, was introduced. Powerball sales increased by \$34.33 million or 36.82% in 2022 compared to 2021.

Draw games include Pick 3, Pick 4, Pick 5, Bonus Match 5, 5 Card Cash, and FAST PLAY. In 2022, Pick 5 was added and 5 Card Cash was retired. Sales for Draw games decreased by \$13.06 million or 1.68% compared to 2021, which had increased by \$138.14 million or 21.55% compared to 2020. In fiscal year 2022, Pick 5 sales were \$27.15 million. FAST PLAY sales increased \$10.40 million or 15.63% compared to 2021, which had increased by \$35.33 million or 113.22% compared to its launch in 2020.

Pick 3 and Pick 4 sales both decreased in 2022. Pick 3 decreased by \$24.25 million or 8.34% compared to 2021, which had increased \$39.12 million or 15.55% compared to 2020. Pick 4 sales decreased by \$22.53 million or 5.69% compared to 2021, which had increased by \$61.94 million or 18.56% over 2020.

Sales for Bonus Match 5 decreased by \$1.40 million or 6.81% compared to 2021, which had increased by \$1.98 million or 10.71% compared to 2020.

Sales for the Monitor games, which includes Racetrax[®] and Keno, increased by \$33.95 million or 5.93% compared to 2021, which had increased by \$82.71 million or 16.90% compared to 2020. Racetrax[®] sales increased by \$20.34 million or 6.81% compared to 2021, which had increased by \$68.37 million or 29.69% compared to 2020.

Keno 2022 sales increased by \$13.60 million or 4.97% compared to 2021, which had increased by \$14.34 million or 5.53% compared to 2020.

Management's Discussion and Analysis

SALES (continued)

Scratch-off games continue to be a growth product for the Agency. Scratch-off game sales increased by \$16.07 million or 1.62% compared to 2021, which had increased by \$140.67 million or 16.50% compared to 2020. Scratch-off sales represented 37.91% of the net lottery sales in 2022.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
\$1	\$ 21,570	\$ 23,815	\$ 26,151
\$2	34,430	38,701	40,397
\$3	38,209	39,413	39,279
\$5	244,272	251,433	245,211
\$10	321,178	309,356	270,601
\$20	186,777	172,170	126,748
\$30	163,038	158,519	104,352
Total	<u>\$ 1,009,474</u>	<u>\$ 993,407</u>	<u>\$ 852,739</u>

Scratch-off sales growth in 2022, 2021 and 2020 was fueled by the continued growth of the \$10, \$20 and \$30 tickets. Players gravitate towards higher price point tickets, as the payouts are more rewarding. Scratch-off sales growth has continued over the past several years due to improved inventory management, an aggressive planning and development schedule and increased advertising. By closing older games and replenishing inventory with newer games, retailer and player interest and enthusiasm remained high throughout the past years. In addition, a strategic approach to invest in more advertising on the scratch-off product category has been essential to the sales growth.

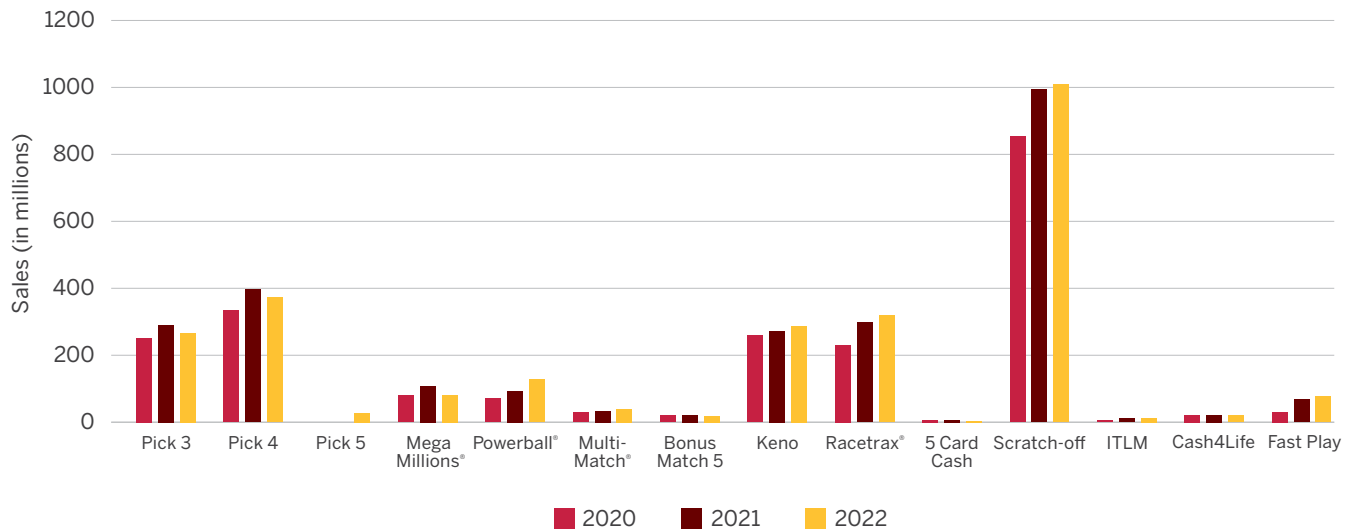
Instant ticket lottery machines (ITLM) were first introduced in September 2014 and under law are allowed only in veterans' organizations in certain counties in Maryland. An ITLM is an electronic device that dispenses pre-printed tickets and utilizes a touch screen monitor to display the results in an entertaining manner. The device accumulates winnings and prints out a voucher at the conclusion of play. ITLM sales (which are accounted for as amount bet less amount won) increased by \$2.61 million or 24.77% compared to 2021, which had increased by \$2.66 million or 33.83% compared to 2020. In 2021, the veteran organizations were open throughout the year although some had limited capacity for a portion of the year depending on the county.

Management's Discussion and Analysis

SALES (continued)

The following graph depicts sales for 2020, 2021 and 2022.

SALES — FISCAL YEARS 2020, 2021, AND 2022



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

Gaming revenue – gross terminal revenue (GTR) represents the revenue generated by the VLTs net of total prize payouts. Gross terminal revenue in 2022 totaled \$1.33 billion, an increase of \$171.42 million or 14.77% compared to 2021, which totaled \$1.160 billion, an increase of \$331.11 million or 39.93% compared to 2020.

In 2020, the COVID-19 pandemic resulted in casinos being closed for three months. As of June 30, 2021, all casinos were open with no capacity reductions. Further, this change in closures and capacity is clearly reflected in the substantial increase from 2020 to 2021 of \$331.11 million. Table 5 shows the GTR for 2022, 2021 and 2020.

TABLE 5 — GROSS TERMINAL REVENUE STATISTICS

Casino	Date Opened	Number of Machines as of June 30, 2022	2022 GTR (in millions)	2021 GTR (in millions)	2020 GTR (in millions)
Hollywood Casino	September 27, 2010	703	\$ 80.06	\$ 75.43	\$ 48.19
Ocean Downs Casino	January 4, 2011	848	85.00	74.97	52.60
Live! Casino	June 6, 2012	3,760	498.44	432.65	315.80
Rocky Gap Casino	May 22, 2013	629	58.53	53.35	36.81
Horseshoe Casino	August 24, 2014	1,532	137.11	137.39	96.43
MGM National Harbor	December 8, 2016	2,099	472.67	386.60	279.45
Total		9,571	\$ 1,331.81	\$1,160.39	\$ 829.28

Management's Discussion and Analysis

GAMING REVENUE – GROSS TERMINAL REVENUE, TABLE GAMES, STATE GRANT, FACILITY APPLICANTS, MACHINE ASSESSMENTS, ITLM LEASE REVENUE, GAMING REVENUE – FANTASY GAMING AND GAMING REVENUE – SPORTS WAGERING (continued)

Gaming revenue – table games revenue (TGR) generated in 2022 increased by \$84.64 million or 14.46% compared to 2021, which increased by \$134.64 million or 29.87% compared to 2020. All six casinos experienced growth in table game revenue in 2022 and 2021.

Table game revenue at MGM National Harbor had the largest increase of \$44.78 million or 14.65% in 2022 compared to 2021, which increased by \$74.17 million or 32.04% compared to 2020. As of June 30, 2022, MGM had 210 table games.

Table game revenue at the Live! Casino increased by \$25.73 million or 13.55% in 2022 compared to 2021, which had increased by \$56.12 million or 41.97% compared to 2020.

Table 6 shows the table game revenue statistics for each casino.

TABLE 6 – TABLE GAME REVENUE (TGR) STATISTICS

Casino	Date Tables Games Debuted	Number of Tables as of June 30, 2022	2022 TGR (in millions)	2021 TGR (in millions)	2020 TGR (in millions)
Hollywood Casino	March 6, 2013	18	\$ 12.85	\$ 11.06	\$ 7.62
Ocean Downs Casino	December 29, 2017	19	9.99	9.36	6.50
Live! Casino	April 11, 2013	184	215.58	189.85	133.73
Rocky Gap Casino	May 22, 2013	16	7.06	7.19	5.58
Horseshoe Casino	August 24, 2014	137	74.06	62.23	65.79
MGM National Harbor	December 8, 2016	210	350.43	305.64	231.50
Total		584	\$ 669.97	\$ 585.33	\$ 450.72

For the gaming operations, the gross terminal revenue and table game revenue is required to be transferred to specified Government agencies to be used for certain purposes or is retained by the casinos and the Agency to assist in covering the costs of the operations. Changes in the distribution of gaming proceeds occurred in 2021. Effective for fiscal year 2021, there is an allocation of GTR to the Small, Minority and Women-Owned Business (SMWOB). This allocation change to the SMWOB impacted the increase comparison between 2021 and 2020. In 2021, there was an increase to SMWOB of \$16.98 million or 61.636% compared to 2020. No changes occurred in 2022.

Management's Discussion and Analysis

GAMING REVENUE – GROSS TERMINAL REVENUE, TABLE GAMES, STATE GRANT, FACILITY APPLICANTS, MACHINE ASSESSMENTS, ITLM LEASE REVENUE, GAMING REVENUE – FANTASY GAMING AND GAMING REVENUE – SPORTS WAGERING (continued)

Overall, the gaming revenue disbursements increased \$256.04 million or 14.67% in 2022 compared to 2021, which had increased \$465.75 million or 36.39% compared to 2020. Table 7 shows the game revenue disbursements/allocations for 2022, 2021 and 2020.

TABLE 7 – GAMING REVENUE DISBURSEMENTS/ALLOCATIONS

Fund	2022 Disbursements (in millions)	2021 Disbursements (in millions)	2020 Disbursements (in millions)
Casino Operators	\$ 1,160.62	\$ 1,014.73	\$ 750.85
Maryland Education Trust Fund	611.61	531.40	396.82
Horse Racing	90.79	78.83	56.44
Local Impact Grants	72.40	62.89	45.01
Maryland Lottery and Gaming	13.27	11.60	8.28
Local Jurisdictions	33.59	29.27	22.53
Small, Minority and Women-Owned Businesses	19.58	17.01	0.03
Total	\$ 2,001.77	\$ 1,745.73	\$ 1,279.96

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 increased by \$262,000 or 5.30% in 2022 compared to 2021, which decreased by \$1.52 million or 23.49% compared to 2020. In addition to the state grant, the Agency receives 1% of the gross gaming revenue from the VLTs to help fund its gaming operations. Over the years, as the gaming revenue from VLTs increase, the amount of the state grant decreases, leading to a self-sustaining program. In 2022, the amount of VLT revenue received by the Agency increased by \$1.67 million or 14.40% compared to 2021, which increased by \$3.32 million or 40.10% compared to 2020.

Gaming revenue – facility applicants represents money received to perform background investigations on applicants who have applied for a gaming and/or sports wagering license. Gaming revenue – facility applicants increased by \$1.31 million or 85.07% in 2022 compared to \$65,000 or 4.40% in 2021 compared to 2020. This account fluctuates based on the number of license applications received, and in 2022 it also includes sports wagering facility applicants.

Gaming revenue – machine assessments represents assessments made to casino operators based on the maximum number of VLTs and table games on the floor during the fiscal year. In accordance with the law, casino operators are assessed a yearly fee of \$425 per VLT and \$500 per table. These funds are collected by the Agency and subsequently remitted to the Maryland Department of Health's Problem Gambling Fund. Machine assessments increased by \$323,000 or 7.81% in 2022 compared to 2021, which had increased \$353,000 or 9.04% compared to 2020. Assessments fluctuate based on the number of VLTs and table games that are on the casino floor during the year.

Management's Discussion and Analysis

GAMING REVENUE – GROSS TERMINAL REVENUE, TABLE GAMES, STATE GRANT, FACILITY APPLICANTS, MACHINE ASSESSMENTS, ITLM LEASE REVENUE, GAMING REVENUE – FANTASY GAMING AND GAMING REVENUE – SPORTS WAGERING (continued)

Gaming revenue – ITLM lease revenue increased by \$780,000 or 24.70% in 2022 compared to 2021, which increased \$796,000 or 33.72% compared to 2020. ITLM lease revenue represents the amount collected from the veterans' organizations that is used to pay the machine fees to the ITLM vendor.

In 2022, Sports Wagering and Fantasy Gaming were included in the total Gaming Revenue. Sports Wagering totaled \$30.60 million. The revenue from this program is required to be transferred to specified Government agencies to be used for certain purposes or is retained by the Sports Wagering licensee or the Agency to assist in covering the costs of the operations. See table below for 2022 Sports Wagering information.

TABLE 8 – SPORTS WAGERING

Licensee	Retail/ Mobile	Handle (in millions)	Prizes Paid (in millions)	Hold %	Promotion Play	Other Deductions (in millions)	Taxable Win (in millions)	Contributions to the State (in millions)	Expired Prizes (in millions)
MGM National Harbor	Retail	\$ 52.28	\$ 47.19	9.7%	\$ –	\$ 0.13	\$ 4.96	\$ 0.74	\$ 0.05
Live! Casino	Retail	78.85	69.76	11.5%	–	0.20	8.90	1.34	0.08
Horseshoe Casino	Retail	26.63	23.17	13.0%	–	0.07	3.40	0.51	–
Ocean Downs Casino	Retail	7.45	6.31	15.3%	–	0.02	1.11	0.17	–
Hollywood Casino	Retail	9.54	8.68	9.0%	–	0.02	0.84	0.13	–
Combined		\$ 174.75	\$ 155.11	12.7%	\$ –	\$ 0.44	\$ 19.21	\$ 2.89	\$ 0.13

Handle	is the amount of wagers made by players during the reporting period, including promotional play, if any.
Hold Percentage	is determined based on wagers that were placed during the reporting period even if the sporting event has not concluded. As a result, the reported Hold will change as wagers are settled in future periods.
Other Deductions	include such things as federal excise taxes paid and loss carryforward. Loss Carryforward occurs when a licensee pays out more in prizes than the amounts wagered during a month. Losses not recovered in the current month may be carried forward and deducted from taxable win within the subsequent 3 months.
Contributions to the State	represent funds payable to the Blueprint for Maryland's Future.
Expired Prizes	are included in the Prizes Paid total in the month they expire. Funds are transferred to the Problem Gambling Fund.

Fantasy gaming revenue totaled \$17.01 million. The revenue from this program is required to be transferred to specified Government agencies to be used for certain purposes or is retained by the Fantasy Gaming operators.

COST OF SALES

Cost of sales consists of lottery prize expense, lottery retailer commissions, casino operator commissions, costs paid to vendors to operate and maintain the lottery and gaming systems, and costs paid for the printing and delivery of scratch-off games. Cost of sales increased by \$220.17 million or 7.53% in 2022 compared to 2021, which increased by \$594.16 million or 25.50% compared to 2020.

Commission paid to casino operators increased by \$145.89 million or 14.38% in 2022 compared to 2021, which increased by \$263.88 million or 35.14% compared to 2020. The increase in commissions paid in 2022 is the result of higher overall gaming revenue.

Management's Discussion and Analysis

COST OF SALES – (continued)

Commissions paid to lottery retailers increased by \$5.77 million or 2.93% in 2022 compared to 2021, which increased by \$33.49 million or 20.45% compared to 2020. 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. Increased sales in 2022 resulted in an increase in commission paid to retailers.

Prize expense increased by \$33.15 million or 2.00% in 2022 compared to 2021, which increased by \$286.92 million or 20.96% compared to 2020. There is a direct correlation between prize expense and sales. As such, the increase in 2022 was the result of an increase in sales.

OPERATING EXPENSES

Operating expenses decreased by \$2.77 million or 5.12% compared to 2021, which had decreased by \$1.53 million or 2.75% compared to 2020.

Salaries, wages, and benefits increased by \$1.10 million or 3.95% compared to 2021, which had decreased by \$351,000 or 1.25% compared to 2020. Advertising and promotions decreased by \$634,000 or 3.16% compared to 2021, which had increased by \$1.65 million or 8.97% compared to 2020. Fluctuations between advertising expenses are related to changes in the advertising budget and encumbrances.

Depreciation increased by \$77,000 or 3.11% compared to 2021, which had decreased by \$8,000 or 0.30% compared to 2020.

Other general and administrative expenses decreased by \$3.31 million or 90.62% compared to 2021, which had decreased by \$2.82 million or 43.58% compared to 2020. Fluctuations are related to changes in pension expense.

NON-OPERATING REVENUE (EXPENSES)

Non-operating expenses increased by \$135.36 million or \$9.70% compared to 2021, which had increased by \$286.88 million or 25.88% compared to 2020. 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 and Other Government Funds/Agencies. The Agency expects to realize the face value of its investments, since it intends to hold these investments until maturity. Therefore, any interim unrealized gains or losses on investments will reverse. The change in fair value of the investments held by the Agency is discussed in more detail in Note 3.

The increase in 2022 is attributed to both the increase of payments to the State of Maryland General Fund and Other Governmental Funds/Agencies. Payments to the State of Maryland increased by \$3.36 million or 0.53% compared to 2021, which had increased by \$83.21 million or 15.17% compared to 2020. As previously mentioned, this increase in 2022 and in 2021 is related to more sales. Payments to Other Governmental Funds/Agencies increased by \$131.00 or 17.21% compared to 2021, which had increased by \$201.59 million or 38.50% compared to 2020. The increases in 2022 and 2021 are directly related to the casinos being operational for the entire year. Table 9 on page 45 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 and various other governmental funds/agencies from its lottery operations. Furthermore, it is required to transfer revenue from its gaming and sports wagering operations to various government agencies. Accordingly, the Agency's success can be measured by the income it transfers.

Management's Discussion and Analysis

NON-OPERATING REVENUE (EXPENSES) (continued)

TABLE 9 — PAYMENTS TO THE STATE OF MARYLAND FROM LOTTERY PROCEEDS (in millions)

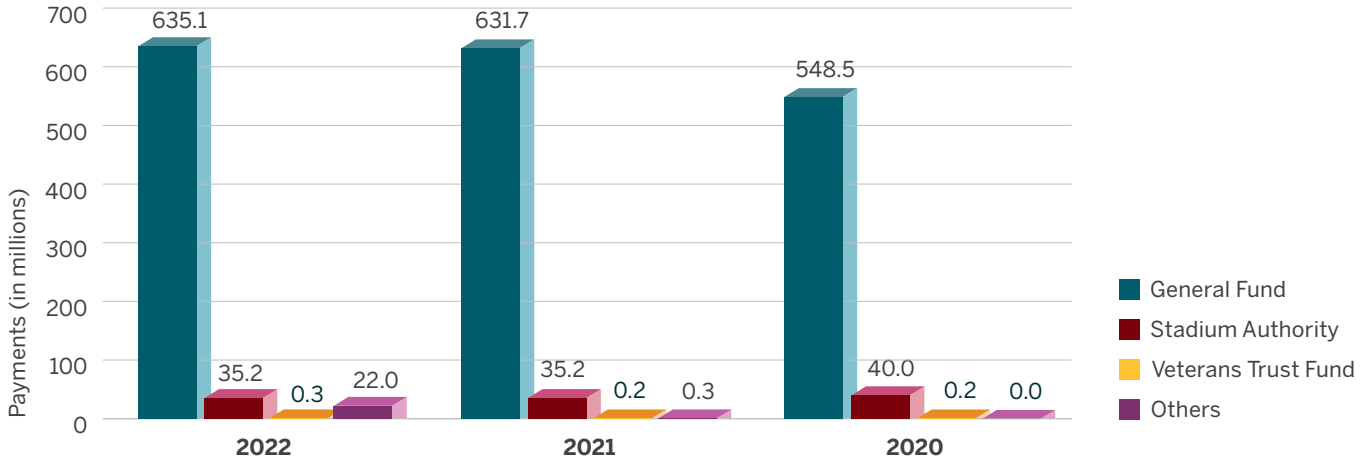
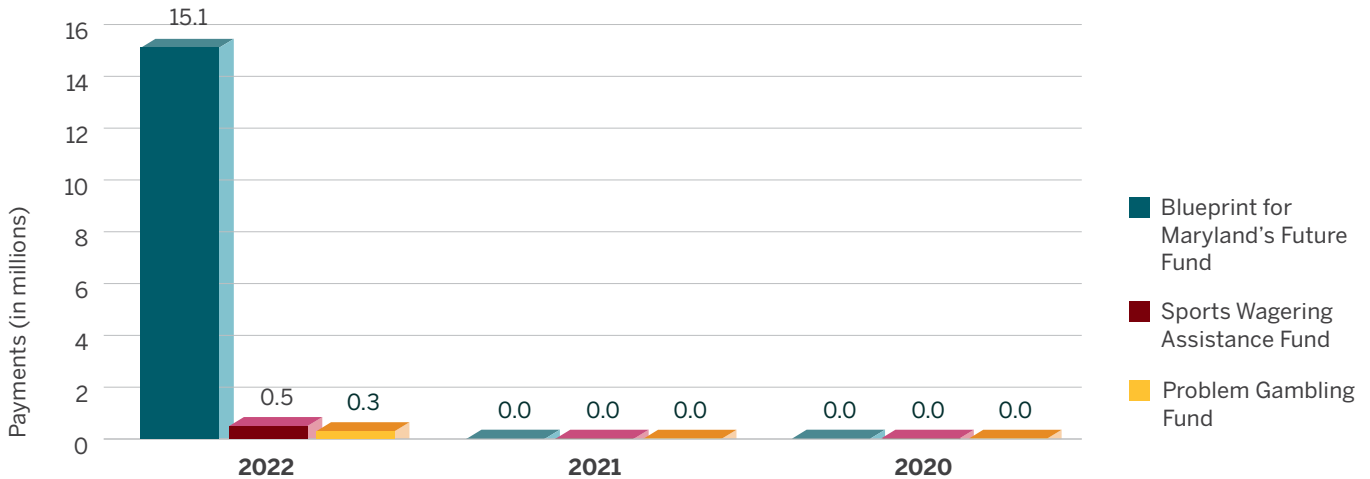


TABLE 10 — PAYMENTS TO THE STATE OF MARYLAND FROM SPORTS WAGERING AND FANTASY COMPETITIONS PROCEEDS (in millions)



CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

Statements of Net Position

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,496,166	\$ 6,957,549
Cash and cash equivalents — gaming	40,767	40,764
Cash and cash equivalents — gaming licensing deposits	5,848,710	2,344,920
Cash and cash equivalents — agent	104,137	156,637
Cash held with State Treasury	198,385,623	131,357,190
Accounts receivable — lottery	66,568,679	53,955,893
Accounts receivable — fantasy gaming	397,388	-
Accounts receivable — casino operators	7,033,689	6,455,789
Accounts receivable — sports wagering	321,739	-
Accounts receivable — Maryland Department of Health	-	95,651
Prepaid commissions	85,917	64,222
Current portion of investments for annuity payments	4,141,416	5,459,897
Total current assets	<u>288,424,231</u>	<u>206,888,512</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	-	-
Right-of-use assets, net of accumulated amortization	4,466,197	7,030,594
Investments for annuity payments, net of current portion	26,785,010	33,659,788
Total non-current assets	<u>31,251,207</u>	<u>40,690,382</u>
Total assets	<u>319,675,438</u>	<u>247,578,894</u>
Deferred Outflows of Resources:		
Deferred pension outflows	12,740,809	11,529,030
Total deferred outflows of resources	<u>12,740,809</u>	<u>11,529,030</u>
Total assets and deferred outflows of resources	<u>\$ 332,416,247</u>	<u>\$ 259,107,924</u>
Liabilities:		
Current liabilities:		
Current portion of annuity prizes payable	\$4,101,555	\$ 5,364,630
Current portion of employee related payables	1,824,923	1,743,302
Current portion of lease liability	2,127,682	2,822,801
Transfer due to State of Maryland General Fund	109,184,491	39,230,145
Transfer due to other government agencies	73,117,144	62,845,153
Transfer due to local jurisdictions	8,604,803	8,524,387
Prize awards payable	62,691,472	70,150,045
Accounts payable and accrued expenses	6,027,626	7,475,353
Gaming licensing deposits	2,575,149	2,109,323
Gaming payable	40,767	40,764
Agent payable	104,137	134,637
Unearned revenue	2,366,352	1,951,905
Taxes and other liabilities	6,972,410	2,417,227
Total current liabilities	<u>279,738,511</u>	<u>204,809,672</u>
Non-current liabilities:		
Annuity prizes payable, net of current portion	27,997,316	31,158,574
Employee related payables, net of current portion	2,214,227	2,057,293
Lease liability, net of current portion	2,324,235	4,278,604
Pension liability	22,461,244	33,399,589
Total non-current liabilities	<u>54,997,022</u>	<u>70,894,060</u>
Total liabilities	<u>334,735,533</u>	<u>275,703,732</u>
Deferred Inflows of Resources:		
Deferred pension inflows	15,768,213	3,538,954
Total deferred inflows of resources	<u>15,768,213</u>	<u>3,538,954</u>
Total liabilities and deferred inflows of resources	<u>350,503,746</u>	<u>279,242,686</u>
Commitments and contingencies (Note 8)		
Net Position:		
Net investment in capital assets	-	-
Restricted	-	-
Unrestricted	(18,087,499)	(20,134,762)
Total net position	<u>(18,087,499)</u>	<u>(20,134,762)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 332,416,247</u>	<u>\$ 259,107,924</u>

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

Statements of Revenues, Expenses, and Changes in Net Position

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Draw games	\$ 1,640,098,216	\$ 1,607,217,524
Scratch-Off games	1,009,473,559	993,407,426
ITLMs	13,132,050	10,525,120
Total sales	<u>2,662,703,825</u>	<u>2,611,150,070</u>
Gaming revenue — gross terminal revenue	1,331,811,554	1,160,392,613
Gaming revenue — state grant	5,205,432	4,943,387
Gaming revenue — table games	669,968,678	585,329,183
Gaming revenue — facility applicants	2,841,363	1,535,251
Gaming revenue — machine assessments	4,455,075	4,132,375
ITLM lease revenue	3,937,554	3,157,573
Gaming revenue — fantasy gaming	17,075,872	—
Gaming revenue — sports wagering	30,602,849	—
Total revenue	<u>4,728,602,202</u>	<u>4,370,640,452</u>
Cost of sales:		
Prize expense	1,689,109,893	1,655,957,335
Retailer commissions	202,994,272	197,223,468
Casino commissions	1,160,618,368	1,014,728,108
Sports wagering operators commissions	16,337,370	—
Fantasy operator commissions	14,514,491	—
Gaming vendor and data processing fees	53,217,325	48,566,232
Scratch-Off ticket printing and delivery	7,783,450	7,929,358
Total cost of sales	<u>3,144,575,169</u>	<u>2,924,404,501</u>
Gross profit	1,584,027,033	1,446,235,951
Operating expenses:		
Salaries, wages and benefits	28,918,676	27,819,882
Advertising and promotions	19,422,934	20,056,834
Depreciation	2,564,396	2,487,007
Other general and administrative expenses	342,560	3,653,008
Total operating expenses	<u>51,248,566</u>	<u>54,016,731</u>
Income from operations	1,532,778,467	1,392,219,220
Non-operating revenues (expenses):		
Investment income (loss)	(2,732,063)	(1,496,473)
Amortization of discount for annuity prize liabilities	(1,036,863)	(1,244,548)
Voluntary exclusion program	146,508	123,890
Payments to State of Maryland General Fund	(635,074,503)	(631,718,854)
Payments to Other Governmental Funds/Agencies	(892,034,283)	(761,035,923)
Total non-operating expenses	<u>(1,530,731,204)</u>	<u>(1,395,371,908)</u>
Change in net position	2,047,263	(3,152,688)
Total net position — beginning of year	<u>(20,134,762)</u>	<u>(16,982,074)</u>
Total net position — end of year	<u>\$ (18,087,499)</u>	<u>\$ (20,134,762)</u>

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

Statements of Cash Flows

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from customers	\$ 4,715,055,981	\$ 4,372,577,582
Payments to suppliers	(81,646,408)	(75,222,678)
Payments to employees	(28,521,851)	(27,281,016)
Payments to agents	(1,394,551,084)	(1,211,983,583)
Prize payments/awards to players	<u>(1,692,013,283)</u>	<u>(1,647,137,625)</u>
Net cash and cash equivalents provided by operating activities	1,518,323,355	1,410,952,680
Cash flows from noncapital financing activities:		
Transfers to the State of Maryland General Fund and Stadium Authority	(600,681,039)	(784,759,282)
Transfers to DHMH	(4,132,393)	(3,903,148)
Transfers to other government agencies	(841,842,092)	(667,344,191)
Prize payments/awards	<u>(5,461,196)</u>	<u>(4,369,196)</u>
Net cash and cash equivalents used in noncapital financing activities	(1,452,116,720)	(1,460,375,817)
Cash flows from investing activities:		
Coupon bonds purchased	-	(7,933,140)
Proceeds from matured annuities and bonds	<u>5,461,196</u>	<u>4,369,196</u>
Net cash and cash equivalents used in investing activities	<u>5,461,196</u>	<u>(3,563,944)</u>
Cash flows from capital and related financing activities:		
Payments on lease liabilities	<u>(2,649,488)</u>	<u>(2,521,416)</u>
Net cash and cash equivalents used in capital and related financing activities	(2,649,488)	(2,521,416)
Net increase (decrease) in cash and cash equivalents	69,018,343	(55,508,497)
Cash and cash equivalents, beginning of year	<u>140,857,060</u>	<u>196,365,557</u>
Cash and cash equivalents, end of year	<u>\$ 209,875,403</u>	<u>\$ 140,857,060</u>
Noncash investing and financing activities:		
Change in fair value of investments	<u>\$ (3,768,926)</u>	<u>\$ 2,741,021</u>

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

Statements of Cash Flows (continued)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 1,532,778,467	\$ 1,392,219,220
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	2,564,396	2,487,007
Deferred prize payments	-	7,933,140
Deferred inflows pension expense	12,229,259	(1,228,808)
Deferred outflows pension expense	(1,211,779)	1,111,288
Effect of changes in operating assets and liabilities:		
Accounts receivable	(13,814,162)	2,229,581
Prepaid commissions	(21,695)	16,873
Accounts payable and accrued expenses	(1,012,398)	2,219,630
Employee related payables	238,555	507,864
Taxes and other liabilities	4,555,183	(843,014)
Prize awards payable	(7,458,573)	1,729,584
Unearned revenue (decrease) increase	414,447	(292,451)
Increase on pension liability	(10,938,345)	2,862,766
Net cash and cash equivalents provided by operating activities	<u>\$ 1,518,323,355</u>	<u>\$ 1,410,952,680</u>

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LEGISLATIVE ENACTMENT

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

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

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

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

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

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEGISLATIVE ENACTMENT (continued)

Pursuant to § 9-1A-26 of the Maryland State Government Article, the jackpot proceeds won at a video lottery terminal that are not claimed by the winner within 182 days after the jackpot is won shall become the property of the State. The proceeds shall be allocated as follows: 2.5% to the Small, Minority and Women-Owned Business Account, 9.5% to Local Impact Grants, 10% to Purse Dedication, 1.5% to the Racetrack Facility Renewal Account and the remainder to the Education Trust Fund. In March 2020, the State of Maryland's Governor issued an Executive Order which extended the unclaimed prize deadline from 182 days until 30 days after the State of the Emergency due to COVID-19 was lifted. The grace period for tickets that reached their expiration dates during the COVID-19 pandemic expired on June 30, 2021. The unclaimed prize deadline has returned to 182 days.

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

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

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

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

BASIS OF ACCOUNTING AND PRESENTATION

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

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

The Agency implemented GASB Statement No. 89 (GASB No 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 92 (GASB No 92), *Omnibus 2020*, GASB Statement No. 93, (GASB No 93), *Replacement of Interbank Offered Rates* and GASB Statement No. 97 (GASB No 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, for the fiscal year ended June 30, 2021, with no effect to the Agency.

USE OF ESTIMATES

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

LOTTERY GAMES – REVENUE RECOGNITION AND PRIZE OBLIGATIONS

REVENUE RECOGNITION

Revenue from lottery games originates from three product lines: draw games, scratch-off games and instant ticket lottery machines (ITLMs). The Agency develops multiple game themes and prize structures to comply with its enabling legislation and customer demand. Independent and corporate retailers comprised principally of grocery and convenience stores, package goods stores, and restaurants serve as the primary distribution channel for draw and scratch-off games sales. Veterans' organizations are the only distribution channel for ITLMs. Retailers receive a sales commission of 5.5% of net sales. Cashing commissions of 3% on draw and scratch-off games and of 1.7679% on ITLM games are paid. 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/Megaplier, Powerball/Powerplay/Double Play®, Multi-Match and Cash4Life). Daily Draw Games (Pick 3, Pick 4, Pick 5, Bonus Match 5 and 5 Card Cash), Monitor Games (Keno, Keno Bonus®, Keno Superbonus, Racetrax®, and Racetrax® Bonus) and FAST PLAY. Draw revenue is recognized in the month in which the related drawings are held. Revenue from the sale of tickets and commissions paid for future drawings is deferred until the drawings are held. Revenue from scratch-off games is recognized when the retailer activates the book of tickets. Revenue from the sale of FAST PLAY is recognized in the month in which the ticket is sold. 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 in the month in which the wager was placed.

Prize obligations for draw games are determined and recognized after each drawing is held. For draw games, winners are paid a certain amount that may depend upon the number of winners and the order of the winning numbers drawn. The Multi-Match, Mega Millions, Powerball and Cash4Life jackpots are calculated as a percentage of total game revenue. If there is not a jackpot winner, the prize pool is carried forward until there

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LOTTERY GAMES – REVENUE RECOGNITION AND PRIZE OBLIGATIONS (continued)

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, SPORTS WAGERING AND FANTASY GAMING) – REVENUE RECOGNITION AND PRIZE OBLIGATIONS

As of the end of fiscal year 2022, six casinos were in operation with a total of 9,571 VLTs. VLTs are a self-activated video version of lottery games which allow for a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The prize structures of these video lottery terminals 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 2022 and 2021 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 2022 there were 584 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.

As of the end of fiscal year 2022, there were 17 Fantasy Competition Operators. Fantasy competitions includes any online fantasy or simulated game or contest such as fantasy sports in which a participant owns, manages, or coaches an imaginary team. Fantasy Competition Operators' revenue is equivalent to all wagers, net of related prizes. Fantasy Operators received 85% of the fantasy competition revenues to operate. The remaining 15% is remitted to the Agency, who in turn transfers it to the Blueprint for Maryland's Future Fund.

GAMING OPERATIONS (VLTs, TABLE GAMES, SPORTS WAGERING AND FANTASY GAMING) – REVENUE RECOGNITION, PRIZE OBLIGATIONS AND EXPENSES

The Gaming program was initially provided startup costs to assist in the operations of the VLT program. Ongoing operation funding assistance is provided in the form of a State grant for both the VLT and Sports Wagering/Fantasy Gaming programs. These programs are not fully supported by their gaming revenues and require this additional funding. During fiscal years 2022 and 2021, the State provided revenue grants in the amounts of \$6,136,943 and \$6,729,048, respectively, for VLT and \$2,122,824 was allocated to Sports Wagering for FY22. For the year ended Jun 30, 2022 and Jun 30, 2021 the Agency had used \$5,205,432 and \$4,943,387 of the VLT state grant and \$1,729,000 of the Sports Wagering/Fantasy Gaming state grant. Expanded state grants are recognized as revenue.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GAMING OPERATIONS (VLTs, TABLE GAMES, SPORTS WAGERING AND FANTASY GAMING) – REVENUE RECOGNITION, PRIZE OBLIGATIONS AND EXPENSES (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

The Cash and Cash Equivalents – Restricted - 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 receives a background investigation deposit which is used to pay the investigation costs for the principal employee applicant. These deposit amounts remain in Cash and Cash Equivalents – Restricted - Gaming License Deposits and are recorded as a licensing deposit liability until the investigation is completed. To the extent that the investigation deposit is greater than the costs incurred for the investigation, the monies are refunded to the applicant. To the extent that the investigation deposit is less than the costs incurred for the investigation, the applicant is billed for the deficit. After the investigation is completed, the deposit is recorded as revenue and is transferred to the Gaming Special Fund account.

Notes to the Financial Statements

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, 2022 and 2021, management believes all accounts receivable are collectible, and, as such, no allowance for doubtful accounts has been recorded.

ACCOUNTS RECEIVABLE – FANTASY GAMING

Accounts Receivable – Fantasy Gaming represents the amount of fantasy gaming competition revenue due from the Fantasy Gaming competition operators. As of June 30, 2022, 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 represent 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: The State of Maryland law requires the Agency to assess the Casino Operators annually a \$425-per-VLT fee and a \$500-per-table fee, which are transferred to the Maryland Department of Health (MDH) Problem Gambling Fund to provide treatment services to Maryland citizens who have been identified, either voluntarily or involuntarily, as having a gambling addiction or related illness. These assessments are made in June for the fiscal year (as reported on the June 30th end of fiscal year statements of allocation of income) and the monies collected are transferred to the MDH Problem Gambling Fund. The Agency has recognized the amount due to the MDH Problem Gambling Fund for the VLTs and table games that were in service during the fiscal year ended June 30, 2021. These funds were transferred to the MDH during September 2021. Management believes that all accounts receivable is collectible, and as such, no allowance for doubtful accounts has been recorded.

ACCOUNTS RECEIVABLE – SPORTS WAGERING

Accounts Receivable – Sports Wagering represents the amount of sports wagering revenue due from the sports wagering operators. Management believes all accounts receivables 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 all accounts receivable are collectible, and as such, no allowance for doubtful accounts has been recorded.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, *Leases*. 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. Depreciation and amortization are not recognized as an expense but rather recorded as a reduction in net position.

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 State of Maryland law requires the Agency to transfer its lottery revenue in excess of funds allocated to prize awards, operating expenses, the Maryland Veterans Trust Fund, the Maryland Stadium Authority and the Busch Sports Fund, and beginning in fiscal year 2022, Anne Arundel County and the Maryland Humanities Council, to the State of Maryland General Fund. A portion of income from operations of the Mega Millions game is transferred to the Maryland Stadium Authority up to an annual cap set by the authorized appropriation. These payments are recorded as a non-operating expense in the accompanying statements of revenues, expenses and changes in net position.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PAYMENTS TO THE STATE OF MARYLAND (continued)

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 Blueprint for Maryland's Future 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.

A summary of the total game revenue and the distributions for the years ended June 30, 2022 and 2021, respectively, follows:

Fund	2022	2021
Education Trust Fund	\$ 611,613,821	\$ 531,402,965
Horse Purse Dedication	78,036,882	67,756,243
Local Impact Grants	72,399,726	62,887,937
Local Jurisdictions	33,498,434	29,266,459
Maryland Lottery and Gaming Control Agency	13,275,117	11,603,926
Racetracks Facility Renewal	12,755,671	11,070,408
Small, Minority and Women-Owned Businesses	19,582,213	17,005,751
Sports Wagering Assistance Fund	500,000	-
Casino Operators	1,160,618,368	1,014,728,108
Blueprint for Maryland's Future Fund	15,132,574	-
Total	<u>\$ 2,017,412,806</u>	<u>\$ 1,745,721,797</u>

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.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beginning in fiscal year 2022, the Agency is required to transfer \$17 million to the Racing and Community Development Financing Fund for each fiscal year from the State Lottery Fund. The State Lottery Fund will receive \$5 million from the Purse Dedication Account, \$3.5 million from the Pimlico Community Development Authority, and the balance from the Racetrack Facility Renewal Account (RFRA). The Agency may receive an excess of \$17 million. The excess will be allocated to the General Fund.

NEW ACCOUNTING PRONOUNCEMENTS

GASB also issued GASB Statement No. 91 (GASB No 91), *Conduit Debt Obligations*, for reporting periods beginning after December 15, 2021, GASB Statement No. 94 (GASB No 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96 (GASB No. 96), *Subscription-Based Information Technology Arrangements*, for reporting periods beginning after June 15, 2022, GASB Statement No. 100 (GASB No. 100), *Accounting Changes and Error Corrections*, for reporting periods beginning after June 15, 2023, and GASB Statement No. 101 (GASB No. 101), *Compensated Absences*, for reporting periods beginning after December 15, 2023. 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, 2022, and June 30, 2021, the carrying amounts of deposits with financial institutions were \$11,489,780 and \$9,499,870, respectively. The corresponding bank balances were \$8,914,002 and \$9,421,699 as of June 30, 2022, and June 30, 2021, respectively.

As of June 30, 2022, and June 30, 2021, the carrying amounts of cash on deposit with the Maryland State Treasury were \$198,385,623 and \$131,357,190, respectively. The corresponding Maryland State Treasury balances were \$21,656,386 and \$31,368,851, as of June 30, 2022, and June 30, 2021, 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, 2022, and 2021, the Agency's deposits with the State Treasury were 1.17% and 1.11% of the total deposits with the State Treasury, respectively.

The amount of deposits is 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.

Notes to the Financial Statements

2. CASH AND CASH EQUIVALENTS (continued)

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

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

Concentration of credit risk – The State Treasury's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. As of June 30, 2022 and 2021, more than 5% of government fund investments are in the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC) and Federal Home Loan Mortgage Corporation (FHLB). As of June 30, 2022, these investments are 14.47%, 5.81%, and 17.63% of the State of Maryland's internal investment pool total investments, respectively. As of June 30, 2021, these investments are 21.04%, 9.24% and 13.52% 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 0.077% to 6.066%. As of June 30, 2022, and June 30, 2021, the Agency's United States Government Treasury Bonds totaled \$30,887,680 and \$39,077,557, 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, 2022, and June 30, 2021, the annuity contracts totaled \$38,746 and \$42,128, 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.

Notes to the Financial Statements

3. INVESTMENTS (continued)

INVESTMENT RISK (continued)

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.

UNITED STATES GOVERNMENT TREASURY BONDS AND ANNUITY CONTRACTS

As of June 30, 2022, the Agency had the following investments:

Investment Type	Fair Value	Credit Quality Rating	% of Investments	Investment Maturities (In Years)				
				Less than 1	1-5	6-10	11-20	21-30
Investments in prize annuities:								
United States Treasury Bonds	\$30,887,680	1	99.9%	\$4,136,292	\$11,991,827	\$7,740,871	\$6,989,455	\$29,235
Annuity Contracts	38,746	2	.1%	5,124	24,220	9,402	-	-
Total Investments	<u>\$30,926,426</u>		<u>100.0%</u>	<u>\$ 4,141,416</u>	<u>\$12,016,047</u>	<u>\$7,750,273</u>	<u>\$6,989,455</u>	<u>\$29,235</u>

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

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

Investment Type	Fair Value	Credit Quality Rating	% of Investments	Investment Maturities (In Years)				
				Less than 1	1-5	6-10	11-20	21-30
Investments in prize annuities:								
United States Treasury Bonds	\$39,077,557	1	99.9%	\$5,454,795	\$14,344,140	\$9,707,193	\$6,084,470	\$3,486,959
Annuity Contracts	42,128	2	.1%	5,102	23,578	13,448	-	-
Total Investments	<u>\$ 39,119,685</u>		<u>100.0%</u>	<u>\$5,459,897</u>	<u>\$ 14,367,718</u>	<u>\$9,720,641</u>	<u>\$6,084,470</u>	<u>\$ 3,486,959</u>

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

Notes to the Financial Statements

3. INVESTMENTS (continued)

UNITED STATES GOVERNMENT TREASURY BONDS AND ANNUITY CONTRACTS (continued)

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Agency's investments at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level:				
U.S. Treasury Obligations	\$ 30,887,680	\$ -	\$ -	\$ 30,887,680
Annuities	-	38,746	-	38,746
Total	\$ 30,887,680	\$ 38,746	\$ -	\$ 30,926,426

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

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

Notes to the Financial Statements

4. CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2022, is as follows:

	<u>2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>2022</u>
Capital Assets				
Machinery and Equipment	\$ 1,611,341	\$ -	\$ -	\$ 1,611,341
Leasehold Improvements	613,240	-	-	613,240
Total Capital Assets	\$ 2,224,581	\$ -	\$ -	\$ 2,224,581
Less Accumulated Depreciation and Amortization				
Machinery and Equipment	\$ 1,611,341	-	-	1,611,341
Leasehold Improvements	613,240	-	-	613,240
Total Accumulated Depreciation and Amortization	2,224,581	-	-	2,224,581
Capital Assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Notes to the Financial Statements

5. RIGHT-OF-USE ASSETS

A summary of right-of-use asset activity for the year ended June 30, 2022, is as follows:

	<u>June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Right-of-Use Assets				
Machinery and Equipment	\$ 8,250,829	\$ –	\$ –	\$ 8,250,829
Office and Warehouse Space	6,471,988	–	–	6,471,988
Total Right-of-Use Assets	14,722,817	–	–	14,722,817
Less Accumulated Amortization				
Machinery and Equipment	3,170,344	1,325,456	–	4,495,800
Office and Warehouse Space	4,521,879	1,238,941	–	5,760,820
Total Accumulated Amortization	7,692,223	2,564,397	–	10,256,620
Right-of-Use Assets, net	<u>\$ 7,030,594</u>	<u>\$ (2,564,397)</u>	<u>\$ –</u>	<u>\$ 4,466,197</u>

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

	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Right-of-Use Assets				
Machinery and Equipment	\$ 8,250,829	\$ –	\$ –	\$ 8,250,829
Office and Warehouse Space	6,471,988	–	–	6,471,988
Total Right-of-Use Assets	14,722,817	–	–	14,722,817
Less Accumulated Amortization				
Machinery and Equipment	1,884,012	1,286,332	–	3,170,344
Office and Warehouse Space	3,321,204	1,200,675	–	4,521,879
Total Accumulated Amortization	5,205,216	2,487,007	–	7,692,223
Right-of-Use Assets, net	<u>\$ 9,517,601</u>	<u>\$ (2,487,007)</u>	<u>\$ –</u>	<u>\$ 7,030,594</u>

Notes to the Financial Statements

6. ANNUITY PRIZE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,101,555	\$ 83,641	\$ 4,185,196
2023	3,163,260	169,936	3,333,196
2024	3,161,576	304,620	3,466,196
2025	3,183,215	442,982	3,626,197
2026	2,302,215	342,981	2,645,196
2027–2031	8,114,409	1,577,612	9,692,021
2032–2036	5,587,851	1,742,149	7,330,000
2037–2041	2,438,411	1,162,589	3,601,000
2042–2043	46,379	15,620	61,999
Total	<u>\$ 32,098,871</u>	<u>\$ 5,842,130</u>	<u>\$ 37,941,001</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, 2022 and 2021, 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, 2022	\$ 36,523,204	\$ 1,036,863	\$ 5,461,196	\$ 32,098,871	\$ 4,101,555
June 30, 2023	\$ 31,714,711	\$ 9,177,689	\$ 4,369,196	\$ 36,523,204	\$ 5,364,630

Notes to the Financial Statements

7. EMPLOYEE-RELATED PAYABLES

The employee-related payables due within one year are included in the current portion of the employee-related payables on the accompanying statements of net position, which also includes salaries payable in the amounts of \$733,423 and \$655,252 and as of June 30, 2022 and 2021, respectively. Changes in long-term employee-related payables were as follows for the year ended June 30, 2022 and 2021:

	2022		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 2,558,343	\$ 587,000	\$ 3,145,343
Additions	1,316,587	116,064	1,432,651
Reductions	(1,179,203)	(93,064)	(1,272,267)
Ending Balance	<u>\$ 2,695,727</u>	<u>\$ 610,000</u>	<u>\$ 3,305,727</u>
Amount Due Within One Year	\$ 1,000,000	\$ 91,500	\$ 1,091,500
Non-Current Portion	<u>1,695,727</u>	<u>518,500</u>	<u>2,214,227</u>
	<u>\$ 2,695,727</u>	<u>\$ 610,000</u>	<u>\$ 3,305,727</u>
	2021		
	Compensated Absences	Workers' Compensation	Combined
Beginning Balance	\$ 2,032,378	\$ 664,000	\$ 2,696,378
Additions	1,207,930	53,671	1,261,601
Reductions	(681,965)	(130,671)	(812,636)
Ending Balance	<u>\$ 2,558,343</u>	<u>\$ 587,000</u>	<u>\$ 3,145,343</u>
Amount Due Within One Year	\$ 1,000,000	\$ 88,050	\$ 1,088,050
Non-Current Portion	<u>1,558,343</u>	<u>498,950</u>	<u>2,057,293</u>
	<u>\$ 2,558,343</u>	<u>\$ 587,000</u>	<u>\$ 3,145,343</u>

8. COMMITMENTS AND CONTINGENCIES

LEASES

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

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

Notes to the Financial Statements

8. COMMITMENTS AND CONTINGENCIES (continued)

LEASES (continued)

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

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

2023	\$	2,127,682
2024		1,418,340
2025		1,063,755
Total future minimum lease payments		4,609,777
Less: discount to present value		(157,860)
Lease liability, net	\$	4,451,917

LITIGATION

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

9. PARTICIPATION IN MULTI-STATE LOTTERIES

MEGA MILLIONS AND POWERBALL

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

CASH4LIFE

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

10. RETIREMENT BENEFITS

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

Notes to the Financial Statements

10. RETIREMENT BENEFITS (continued)

PLAN DESCRIPTIONS

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

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

The Pension Plan provides retirement, death and disability benefits to its members. Certain aspects of eligibility and benefit calculations are different for 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 ten years of service. The annual pension allowance for New Hires equals 1.5% of the member's AFS, multiplied by the number of years of creditable service. AFS for New Hires is calculated using the highest five consecutive years. A New Hire may retire with reduced benefits upon attaining age 60 with at least 15 years of eligible service. A New Hire who terminates employment before attaining retirement age but after accumulating ten years of eligible service is eligible for a vested retirement allowance.

Notes to the Financial Statements

10. RETIREMENT BENEFITS (continued)

FUNDING POLICY

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

The Agency contributions, which equal 100% of the required contributions, for the years ended June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Agency Contribution	\$ 3,544,347	\$ 3,489,405
Percentage of Payroll	19.35%	19.67%

GASB NO. 68 – PENSION DISCLOSURES

The Agency accounts for the pension in accordance with Statement No. 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No 27." GASB Statement No. 68 requires the Agency to recognize the long-term obligations for pension benefits as a liability and to measure the annual cost of pension benefits.

On June 30, 2022 and 2021, the Agency's proportion of the State of Maryland's net pension liability of \$13,934,828,067 and \$21,092,525,011, respectively (State pool only) was \$22,461,244 and \$33,399,589, or 0.161% and 0.158% of the total State's pension liability, respectively.

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, 2022:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Beginning Balance	\$ 11,529,030	\$ 3,538,954
Agency's contributions during the year	(3,489,405)	-
Amortization of prior year deferred outflows and inflows	(3,094,925)	(1,210,014)
Net difference between projected and actual earnings on pension plan investments	-	12,365,008
Net difference between projected and actual experience	-	943,149
Change in assumptions	4,251,762	-
Change in proportionate share	-	131,116
Agency's contributions subsequent to the measurement date	<u>3,544,347</u>	<u>-</u>
Ending Balance	<u>\$ 12,740,809</u>	<u>\$ 15,768,213</u>

Notes to the Financial Statements

10. RETIREMENT BENEFITS (continued)

GASB NO. 68 – PENSION DISCLOSURES (continued)

The Agency's contributions of \$3,489,405 reported as deferred outflows of resources resulted from contributions subsequent to the measurement date. This amount will be recognized as a reduction in the net pension liability for the year ended June 30, 2022.

The Agency reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources for the year ended June 30, 2021:

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

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

<u>Year End June 30,</u>	
2023	\$ (705,898)
2024	(829,687)
2025	(1,706,730)
2026	(1,415,026)
2027	(1,902,137)
2028	298,443
Total	<u>\$ (6,261,035)</u>

Notes to the Financial Statements

10. RETIREMENT BENEFITS (continued)

GASB NO. 68 – PENSION DISCLOSURES (continued)

ASSUMPTIONS AND OTHER INPUTS:

Valuation method	Individual Entry Age Normal Cost Method
Amortization method.	Level Percentage of Payroll, Closed
Salary increases	2.75% to 9.25% including inflation
Inflation	2.25% general, 2.75% wage
Investment rate of return	6.80%
Discount rate	6.80%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to THE 2018 experience study of the period 2014-2018.
Mortality.	Public Sector Mortality Tables with generational mortality projections using scale MP-2018 (2-dimensional) mortality improvement scale.

DISCOUNT RATE

A single discount rate of 6.80% 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 6.80%. 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.

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.

Notes to the Financial Statements

11. OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2022, and June 30, 2021, the Agency's contributions were \$1,650,281 and \$1,339,576 respectively.

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.

Notes to the Financial Statements

12. RISK MANAGEMENT (continued)

To minimize risks associated with lottery game liabilities, the Agency has established aggregate payout limits for each game type. This approach discontinues sales of the daily numbers games once the potential liability limit is reached for a specific player selection. A maximum payout limit is established for those games with a first-tier prize, which requires multiple first-tier winners to split the related prize. Because of the low volume of activity and intention that the ITLM program will be used to generate proceeds to help veterans' organizations, the risks for the ITLM program are minimized. The veterans' organization keep 50% of the net proceeds and ITLMs have a payout rate of 90.5%.

Risk is minimized for gaming operations as the law requires a VLT to have an average payout of 87% or more but may not exceed 100%. A casino's gaming floor is to be configured to collectively achieve, at all times, an average payout of 87% and which may not exceed 95%. For table games, an overall loss for a day is spread over a maximum of seven days. Any excess losses not recovered over the seven-day period are absorbed by the Casino and do not impact the Agency. Sports betting is the activity of predicting sports results and placing a wager on the outcome. The payout is based on the outcome. The State receives 15% of the amount wagered less prizes paid in the month in which the wager was made. An overall loss for the month is spread over three months.

13. COVID-19

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

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

14. SUBSEQUENT EVENTS

Beginning October 1, 2022, lottery retailers' selling commission was raised from 5.5% to 6.0% pursuant to a legislative change in Md. Code Ann., State Government § 9-117(a)(1). Pursuant to § 9-1E-06 of the Maryland State Government Article, up to 60 mobile licenses and up to 30 Class facility licenses may be awarded. If the maximum numbers of licenses are not awarded, one or more additional application windows for any portion of the remaining mobile licenses or Class B facility licenses may be opened. The establishment of any additional application windows is at the Sports Wagering Application Review Commission's (SWARC) discretion and would require approval of a majority of SWARC members. Applications and non-refundable application fees for Class B facility licenses and mobile licenses were accepted from Tuesday, Sept. 6, 2022, through Friday, Oct. 21, 2022.

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

	For the Year Ended June 30, 2022			
	Original Budget	Final Amended Budget	Actual Amounts	Variance with Budget over (under)
Revenues				
Cash revenue receipts from all sources	\$ 4,413,319,000	\$ 4,549,649,000	\$ 4,728,602,202	\$ 178,953,202
Expenditures and encumbrances				
Gaming vendor and information technology fees	50,938,129	52,292,799	53,217,325	924,526
Scratch-Off ticket printing and delivery	8,600,000	8,600,000	7,783,450	(816,550)
Salaries, wages, and benefits	19,284,558	30,308,210	28,918,676	(1,389,534)
Advertising and promotions	19,569,623	19,569,623	19,422,934	(146,689)
Other general and administrative expenses	5,371,313	5,371,313	342,560	(5,028,753)
Total expenditures and encumbrances	103,763,623	116,141,945	109,684,945	(6,457,000)
Excess of revenues over expenditures	4,309,555,377	4,433,507,055	4,618,917,257	185,410,202
Other uses of financial resources				
Transfers in (out)				
State of Maryland General Fund	(641,020,000)	(648,688,000)	(635,074,503)	13,613,497
Other government agencies/funds — VLT	(812,156,000)	(849,500,000)	(892,034,283)	(42,534,249)
Excess of revenues over expenditures and other sources of financial resources	\$ 2,856,379,377	\$ 2,935,319,055	\$ 3,091,808,471	\$ 156,489,416
Reconciliation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures				
Change in net position	\$ 2,047,263			
Non-budgetary expenditures:				
Prize expense	1,689,109,893			
Retailer and casino commissions	1,363,612,640			
Sports wagering and fantasy gaming operators share	30,851,861			
Depreciation	2,564,396			
Increase in fair value of investments	2,732,063			
Amortization of discount prize liabilities	1,036,863			
Voluntary exclusion program	(146,508)			
Excess of revenues over expenses	\$ 3,091,808,471			

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

FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (NPL)

	2022	2021	2020	2019	2018	2017	2016	2015
Agency's proportion of the collective NPL	0.16%	0.16%	0.15%	0.15%	0.13%	0.12%	0.11%	0.08%
Agency's proportionate share of the collective NPL	\$ 22,461,244	\$ 33,399,589	\$ 30,536,823	\$ 32,033,294	\$ 27,645,653	\$ 27,137,095	\$ 22,831,103	\$ 13,723,698
Agency's covered payroll	\$ 18,314,449	\$ 17,743,618	\$ 17,386,846	\$ 17,398,689	\$ 17,438,842	\$ 16,262,945	\$ 14,459,261	\$ 13,597,365
Proportionate share of the collective NPL as a percentage of covered payroll	122.64%	188.23%	175.63%	184.11%	158.53%	166.86%	157.90%	100.93%
Plan fiduciary net position as a percentage of total pension liability	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

SCHEDULE OF CONTRIBUTIONS

	2022	2021	2020	2019	2018 (as adjusted)	2017	2016	2015
Actuarially determined contributions	\$ 3,544,347	\$ 3,489,405	\$ 3,237,248	\$ 3,053,641	\$ 3,044,421	\$ 3,115,271	\$ 2,424,201	\$ 2,315,584
Contributions in relation to the actuarially determined contribution	3,544,347	3,489,405	3,237,248	3,053,641	3,044,421	3,115,271	2,424,201	2,315,584
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 18,314,449	\$ 17,743,618	\$ 17,386,846	\$ 17,398,689	\$ 17,438,842	\$ 16,262,945	\$ 14,459,261	\$ 13,597,365
Contributions as a percentage of covered-employee payroll	19.35%	19.67%	18.62%	17.55%	17.46%	19.16%	16.77%	17.03%

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

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

FOR THE YEAR ENDED JUNE 30, 2022

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	2.75% to 9.25%
Inflation	2.25% general, 2.75% wage
Investment rate of return	6.80%
Discount rate	6.80%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study of the period 2014–2018.
Mortality	Public Sector Mortality Tables with generational mortality projections using scale MP-2018.
Notes	New economic assumptions were adopted, reducing the investment return assumption from 7.40% to 6.80%, the inflation assumption from 2.60% to 2.25%, the wage inflation assumption from 3.10% to 2.75%, and the assumed cost of living adjustment from 1.42% to 1.30%. Additionally, 40% of the investment gain was recognized, rather than the 20% normally recognized, in the determination of the actuarial value of assets. The remaining 60% of the investment gain will be recognized equally over the next four valuations (15% each year). The change in the asset valuation method reduced the unfunded actuarial accrued liability and offset a portion of the increase in liabilities due to the assumption changes.

*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, 2022

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

	2022	2021	2020	2019	2018
Contribution	\$ 1,650,281	\$ 1,339,576	\$ 1,654,780	\$ 1,408,400	\$ 1,140,228
Covered Employee Payroll	\$ 18,314,449	\$ 17,743,618	\$ 17,386,846	\$ 17,398,689	\$ 17,438,842
Actual Contributions as a Percentage of Covered Employee Payroll	9.01%	7.55%	9.52%	8.09%	6.54%

NOTES TO SCHEDULE

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

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



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

To the Maryland Lottery and Gaming Control Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of the Maryland Lottery and Gaming Control Agency (an agency of the State of Maryland) (Agency), as of and for the year ended June 30, 2022, 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 20, 2022.

REPORT ON 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) as a basis for beginning audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Maryland Lottery and Gaming Control Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Maryland Lottery and Gaming Control Agency's internal control.

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

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

Main | 410-403-1500

Toll Free | 800-832-3008

Address | 910 Ridgebrook Road, Sparks, MD 21152

Visit | www.schgroup.com

REPORT ON 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 effect on the financial statements. 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 20, 2022

THIS PAGE INTENTIONALLY BLANK



Statistical Section

Since its inception in 1973, the Lottery has contributed more than \$18.6 billion in revenue to the state of Maryland. Maryland's casino program, which began in September 2010, has generated almost \$13.8 billion in revenue, with nearly 4.0 billion supporting education in the state. Maryland's sports wagering, which began in December 2021, has generated \$2.9 million in revenue supporting education in the state. Maryland's fantasy competitions began earning tax revenue May 2021 and have generated \$2.6 million supporting revenue in the state.

Statistical Information Sections

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

CONTENTS

83 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 the lottery, gaming operations, sports wagering and fantasy competitions, as well as the lottery industry as a whole.

110 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.

120 DEBT CAPACITY

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

121 DEMOGRAPHIC AND ECONOMIC INFORMATION

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

122 OPERATING INFORMATION

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

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

Net Position and Changes in Net Position — Fiscal Years 2013 Through 2022

NET POSITION BY COMPONENT — FISCAL YEARS 2013 THROUGH 2022

FISCAL YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net investment in capital assets	\$ (7,197,022)	\$ (6,954,587)	\$ 1,041,616	\$ 432,907	\$ \$67,350	\$ (1,391,694)	\$ 100,422	\$ —	\$ —	\$ —
Unrestricted	(1,153,072)	1,806,301	(285,733)	1,543,692	(4,977,761)	(8,383,766)	(6,711,713)	(16,982,074)	(20,134,762)	(18,087,499)
Total net position	\$ (8,350,094)	\$ (5,148,286)	\$ 755,883	\$ 1,976,599	\$ (4,910,411)	\$ (9,775,460)	\$ (6,611,291)	\$ (16,982,074)	\$ (20,134,762)	\$ (18,087,499)

CHANGE IN NET POSITION — FISCAL YEARS 2013 THROUGH 2022

OPERATING REVENUES:

Daily Draw games	\$ 545,591,321	\$ 545,173,973	\$ 545,723,393	\$ 548,878,901	\$ 556,086,319	\$ 556,913,301	\$ 583,595,693	\$ 641,144,050	\$ 779,283,335	\$ 766,220,887
Monitor games	493,569,979	466,230,592	457,655,976	478,647,528	483,643,007	483,994,276	498,058,435	489,482,954	572,194,487	606,141,596
Jackpot games	231,119,295	232,954,540	207,620,879	259,796,495	206,690,778	241,877,131	293,176,999	198,537,270	255,739,702	267,735,733
Scratch-off games	485,838,672	479,631,463	546,053,764	611,286,137	676,752,374	750,888,512	812,426,311	852,739,383	993,407,426	1,009,473,559
ITLMs	—	—	3,812,016	6,934,191	8,372,989	9,121,117	9,651,061	7,864,356	10,525,120	13,132,050
Total net sales	1,756,119,267	1,723,990,568	1,760,866,028	1,905,543,252	1,931,545,666	2,042,794,337	2,196,908,499	2,189,768,013	2,611,150,070	2,662,703,825
Gaming Revenue — Gross Terminal Revenue	560,679,031	579,133,667	681,822,742	741,694,172	885,867,966	1,046,676,783	1,125,214,916	829,280,731	1,160,392,613	1,331,811,554
Gaming Revenue — State Grant	73,690,820	81,648,408	66,263,057	20,274,795	20,706,322	7,474,980	6,715,636	6,461,424	4,943,387	5,205,432
Gaming Revenue — Table Games	48,037,794	254,869,582	356,401,074	402,278,788	535,074,397	632,289,627	635,193,662	450,693,376	585,329,183	669,968,678
Gaming Revenue — Facility Applicants	2,703,989	3,282,340	2,812,897	1,921,206	2,957,020	2,209,398	2,055,879	1,470,576	1,535,251	2,841,363
Gaming Machine Assessment	2,964,174	3,035,800	3,957,980	3,844,625	4,649,746	5,278,854	5,296,225	3,779,273	4,132,375	4,455,075
ITLM Lease Revenue	—	—	1,587,896	2,894,330	3,494,887	3,807,152	4,028,353	2,361,413	3,157,573	3,937,554
Gaming Revenue-Fantasy Gaming	—	—	—	—	—	—	—	—	—	17,075,872
Gaming Revenue-Sports Wagering	—	—	—	—	—	—	—	—	—	30,602,849
MDH Revenue	—	—	—	—	—	—	—	—	—	95,651
Total operating revenues	2,444,195,075	2,645,960,365	2,873,721,674	3,078,451,168	3,384,296,004	3,740,531,131	3,975,413,170	3,483,910,457	4,370,640,452	4,728,602,202

COST OF SALES:

Prize expense	1,038,475,788	1,022,033,738	1,051,485,747	1,133,301,463	1,195,511,295	1,248,722,984	1,357,478,258	1,369,035,515	1,655,957,335	1,689,109,893
Retailer commissions	119,788,227	122,109,073	128,596,268	141,157,005	145,883,312	153,725,963	165,508,687	163,733,149	197,223,468	202,994,272
Casino commissions	223,930,473	406,227,926	538,999,870	626,102,299	819,389,044	996,857,938	1,036,965,945	750,852,790	1,014,728,108	1,160,618,368
Sports Wagering Operators Share	—	—	—	—	—	—	—	—	—	16,337,370
Fantasy Operators Share	—	—	—	—	—	—	—	—	—	14,514,491
Gaming vendor and data processing fees	21,368,102	20,772,228	23,522,186	27,744,841	29,026,085	30,748,701	39,504,953	38,184,132	48,566,232	53,217,325
Scratch-off ticket printing and delivery	6,435,341	7,940,317	6,167,461	5,997,088	7,464,342	6,637,518	7,327,339	8,437,031	7,929,358	7,783,450
Total cost of sales	1,409,997,931	1,579,083,282	1,748,771,532	1,934,302,696	2,198,274,078	2,436,693,104	2,606,785,182	2,330,242,617	2,924,404,501	3,144,575,169

OPERATING EXPENSES:

Salaries, wages, and benefits	16,929,270	20,205,985	23,198,757	24,476,879	26,873,983	26,966,333	26,724,096	28,171,299	27,819,882	28,918,676
Advertising and promotions	13,297,155	11,593,907	12,369,906	15,645,392	18,379,694	15,536,795	18,108,829	18,405,264	20,056,834	19,422,934
Other general and administrative expenses	59,032,711	74,392,476	50,011,479	5,448,107	7,438,231	1,233,077	1,981,874	2,494,573	2,487,007	2,564,396
Depreciation and amortization	25,403,648	13,300,598	9,827,449	13,038,756	12,982,014	7,382,071	5,899,476	6,474,828	3,653,008	342,560
Total operating expenses	114,662,784	119,492,966	95,407,591	58,609,134	65,673,922	51,118,276	52,714,275	55,545,964	54,016,731	51,248,566

NON-OPERATING REVENUES (EXPENSES):

Unrealized gains (losses) on investments	(4,231,655)	(1,876,860)	(1,016,538)	393,670	(2,108,294)	(1,780,253)	1,257,935	3,699,628	(2,741,021)	(3,768,926)
Interest income (expense)	(719,832)	(567,607)	(641,187)	(819,905)	(633,426)	—	—	—	—	—
Payments to State of Maryland — Lottery	(545,225,121)	(621,106,646)	(526,526,916)	(569,813,356)	(524,902,592)	(575,672,412)	(593,453,089)	(588,668,172)	(667,439,788)	(635,074,503)
Payments to other Government Funds/Agencies — Gaming	(376,536,947)	(420,631,196)	(499,677,022)	(514,154,133)	(599,628,305)	(680,211,579)	(720,662,476)	(523,647,257)	(725,314,989)	(892,034,283)
Gain on Sale of VLTs	—	—	4,206,207	—	—	—	—	—	—	—
Voluntary Exclusion Program	—	—	17,047	75,642	37,603	79,444	108,086	123,142	123,890	146,508
Total non-operating revenues (expenses)	(926,713,555)	(944,182,309)	(1,023,638,409)	(1,084,318,082)	(1,127,235,014)	(1,257,584,800)	(1,312,749,544)	(1,108,492,659)	(1,395,371,908)	(1,530,731,204)

CHANGES IN NET POSITION:

Total net position, beginning of year:	(1,170,899)	(8,350,094)	(5,148,286)	(1,976,599)	(4,910,411)	(9,775,460)	(6,611,291)	(16,982,074)	(20,134,762)	(18,087,499)
Changes in net position:	(7,179,195)	3,201,808	5,904,169	1,220,716	(6,887,010)	(4,865,049)	3,164,169	(10,370,784)	(3,152,688)	2,047,263
Total net position, end of year:	(8,350,094)	(5,148,286)	(5,148,286)	(1,976,599)	(4,910,411)	(9,775,460)	(6,611,291)	(16,982,074)	(20,134,762)	(18,087,499)

MARYLAND LOTTERY AND GAMING CONTROL AGENCY
Sales — Fiscal Years 2013 Through 2022

SALES BY CATEGORY AND GAME

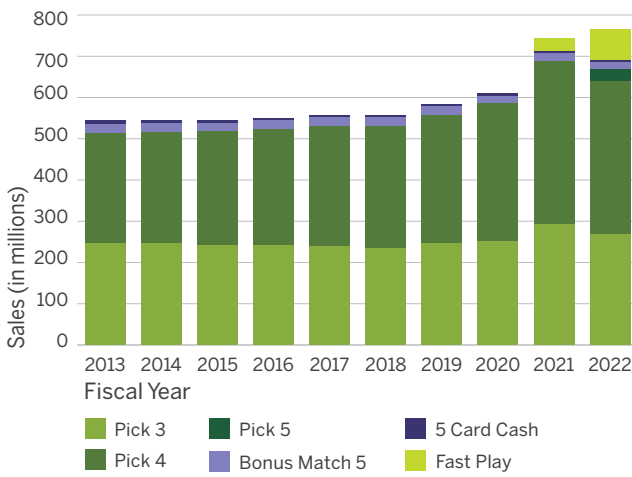
FISCAL YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
DAILY DRAW GAMES										
Pick 3	\$ 245,523,090	\$ 244,538,835	\$ 240,910,861	\$ 241,569,648	\$ 239,153,635	\$ 235,402,012	\$ 245,626,551	\$ 251,674,709	\$ 290,798,740	\$ 266,550,955
Pick 4	267,800,219	270,825,588	276,957,939	280,783,133	291,588,159	296,206,896	312,177,226	333,716,018	395,655,033	373,129,866
Bonus Match 5	21,078,755	21,444,445	21,320,570	20,611,878	19,799,308	19,658,089	19,573,334	18,524,396	20,508,033	19,111,113
5 Card Cash	11,189,257	8,365,105	6,534,023	5,914,242	5,545,217	5,646,303	6,218,582	6,027,647	5,793,802	3,353,375
Fast Play	-	-	-	-	-	-	-	31,201,280	66,527,727	76,928,138
Pick 5	-	-	-	-	-	-	-	-	-	27,147,440
Daily Draw Games Total	545,591,321	545,173,973	545,723,393	548,878,901	556,086,319	556,913,300	583,595,693	641,144,049	779,283,335	766,220,887
MONITOR GAMES										
Keno	344,802,037	308,104,967	302,987,619	311,555,811	303,244,462	291,409,988	286,865,920	259,195,345	273,532,999	287,135,225
Racetraz®	148,767,942	158,125,625	154,668,357	167,091,717	180,398,545	192,584,289	211,192,515	230,287,609	298,661,489	319,006,371
Monitor Games Total	493,569,979	466,230,592	457,655,976	478,647,528	483,643,007	483,994,277	498,058,435	489,482,954	572,194,487	606,141,596
JACKPOT GAMES										
Mega Millions	71,019,424	100,493,295	82,020,637	73,217,563	66,344,693	88,555,640	137,707,762	78,588,223	107,949,942	81,010,003
Multi-Match®	28,755,909	26,699,000	34,499,811	31,095,004	24,018,675	28,952,844	29,001,325	28,983,416	33,702,488	39,647,358
Powerball®	131,343,962	105,762,245	89,507,596	143,525,324	100,133,706	111,194,931	114,078,139	70,394,314	93,235,563	127,568,523
Cash4Life	-	-	-	11,958,604	16,193,704	13,173,716	12,389,773	20,571,318	20,851,709	19,509,849
Monopoly Millionaires' Club	-	-	1,592,835	-	-	-	-	-	-	-
Jackpot Games Total	231,119,295	232,954,540	207,620,879	259,796,495	206,690,778	241,877,131	293,176,999	198,537,270	255,739,702	267,735,733
SCRATCH-OFF GAMES:	485,838,672	479,631,463	546,053,764	611,286,137	676,752,574	750,888,512	812,426,311	852,739,383	993,407,426	1,009,473,559
ITLM:	-	-	3,812,016	6,934,191	8,372,989	9,121,117	9,651,061	7,864,356	10,525,120	13,132,050
TOTAL SALES:	\$ 1,756,119,267	\$ 1,723,990,568	\$ 1,760,866,028	\$ 1,905,543,252	\$ 1,931,545,666	\$ 2,042,794,337	\$ 2,196,908,499	\$ 2,189,768,012	\$ 2,611,150,070	\$ 2,662,703,825

PRODUCT MIX BY CATEGORY

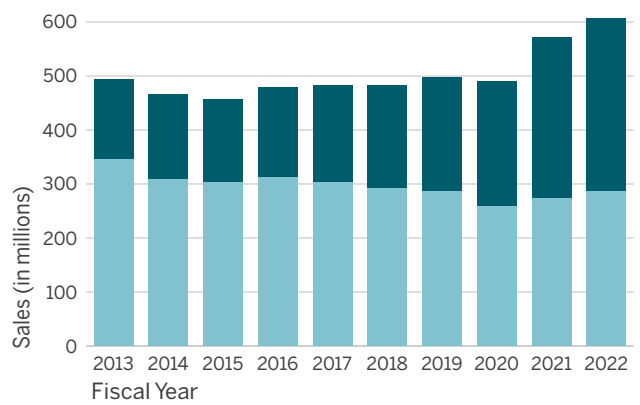
FISCAL YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Daily Draw Games	31.07%	31.62%	30.99%	28.80%	28.79%	27.26%	26.56%	29.28%	29.84%	28.78%
Monitor Games	28.11%	27.04%	25.99%	25.12%	25.04%	23.69%	22.67%	22.35%	21.91%	22.76%
Jackpot Games	13.16%	13.51%	11.79%	13.63%	10.70%	11.84%	13.34%	9.07%	9.79%	10.06%
Scratch-Off Games	27.67%	27.82%	31.01%	32.08%	35.04%	36.76%	36.98%	38.94%	38.04%	37.91%
ITLMs	-%	-%	0.22%	0.36%	0.43%	0.45%	0.44%	0.36%	0.40%	0.49%

Sales — Fiscal Years 2013 Through 2022 (continued)

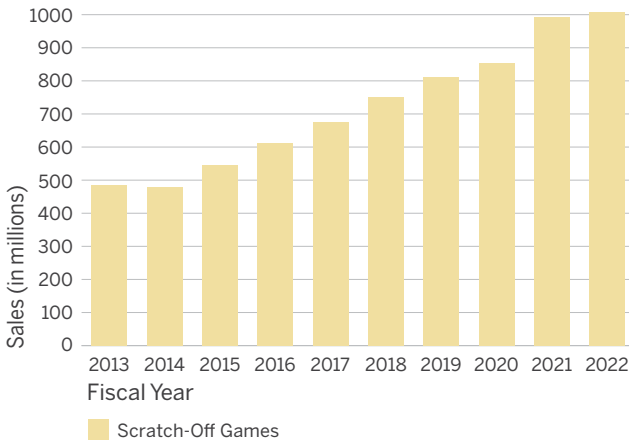
DAILY DRAW GAMES



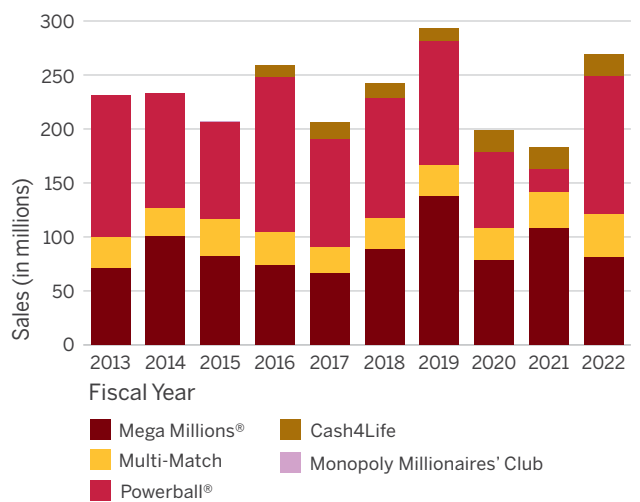
MONITOR GAMES



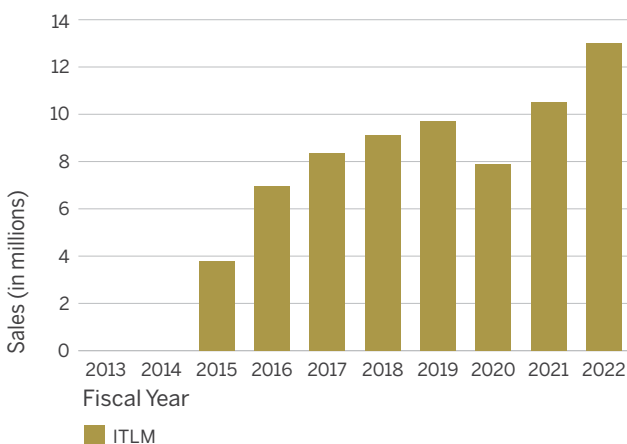
SCRATCH-OFF GAMES



JACKPOT GAMES

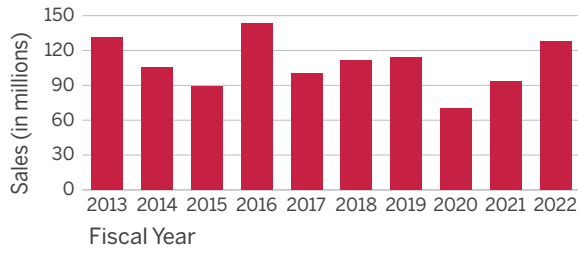


ITLM

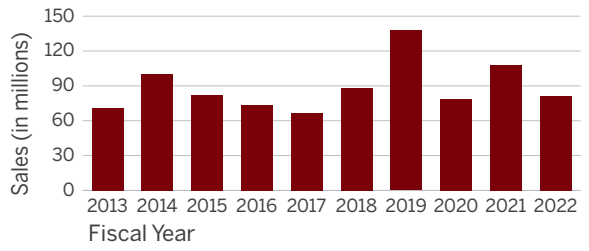


Sales — Fiscal Years 2013 Through 2022 (continued)

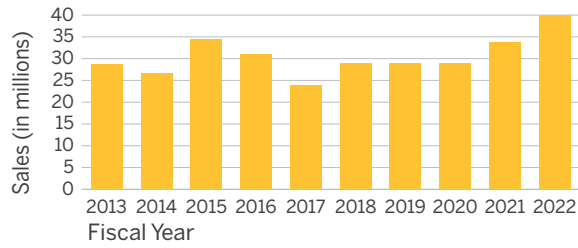
POWERBALL®



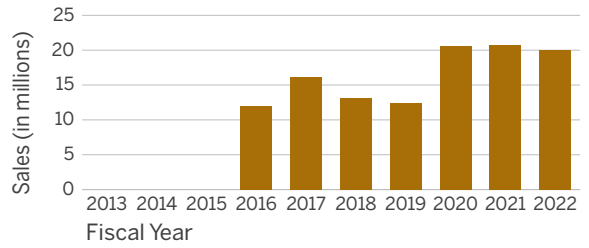
MEGA MILLIONS®



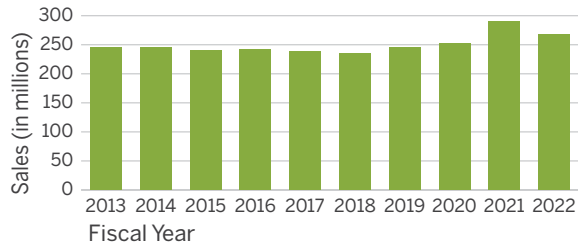
MULTI-MATCH®



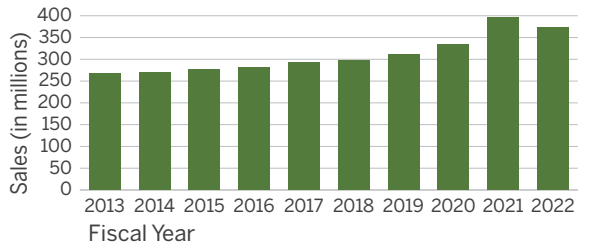
CASH4LIFE



PICK 3



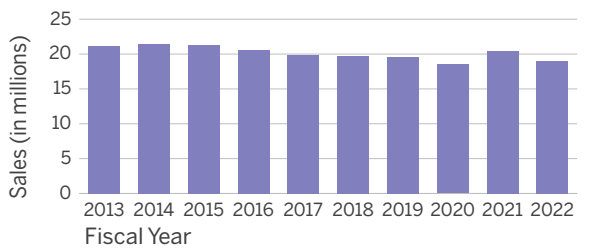
PICK 4



PICK 5

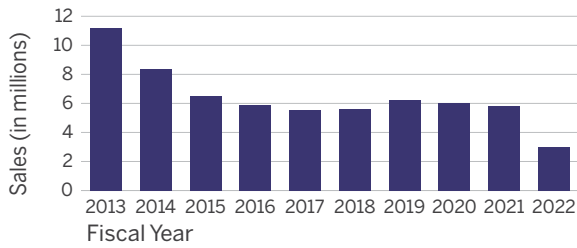


BONUS MATCH 5



Sales — Fiscal Years 2013 Through 2022 (continued)

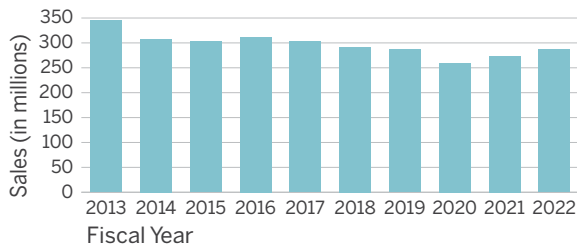
5 CARD CASH



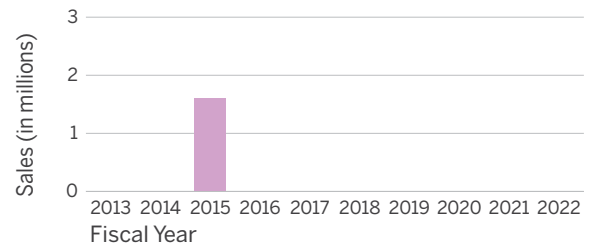
FAST PLAY



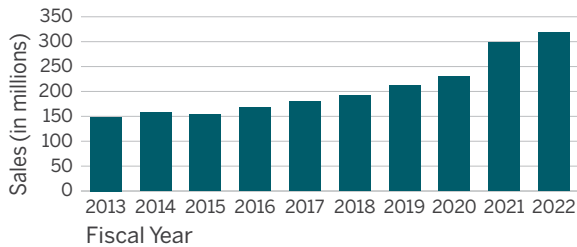
KENO



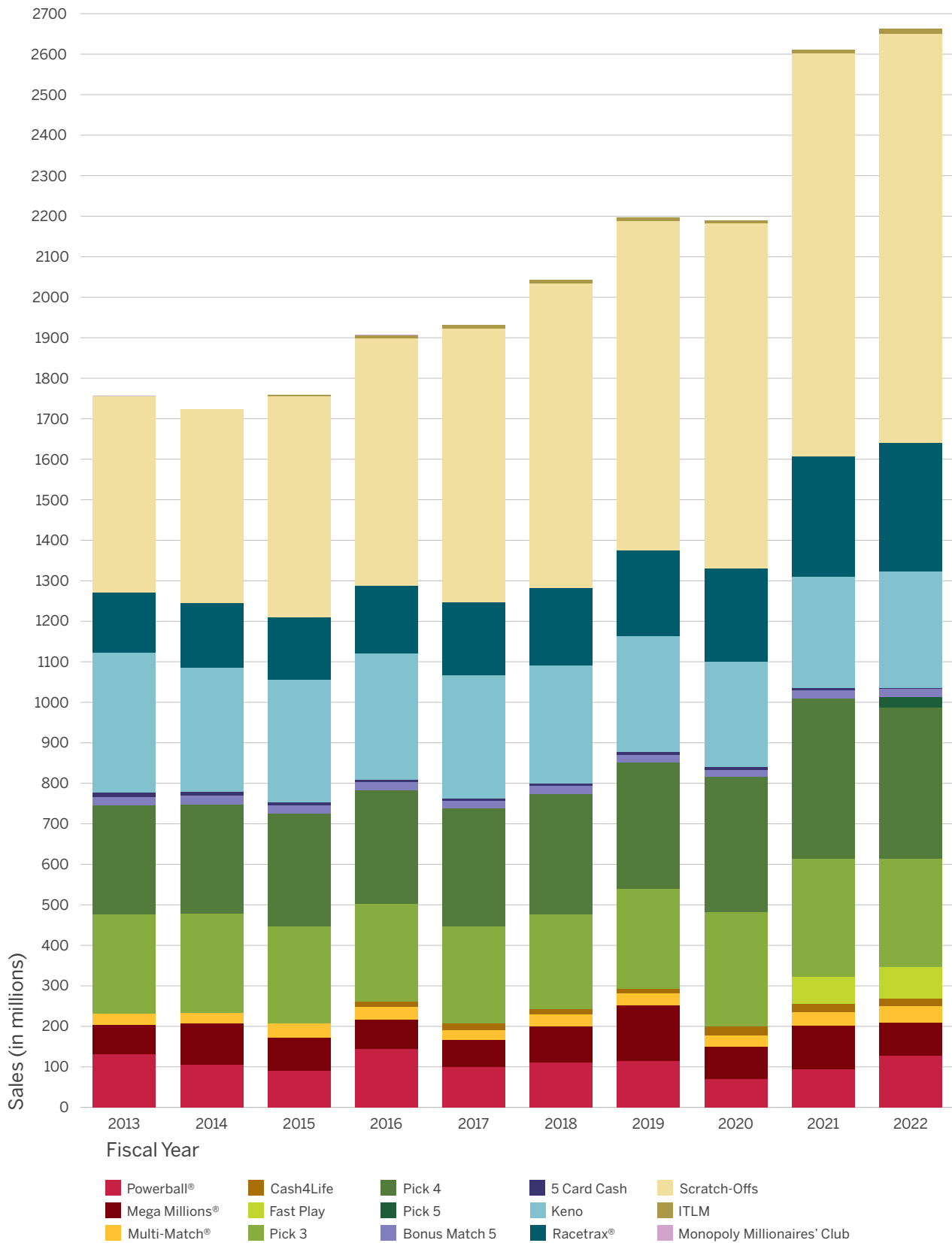
MONOPOLY MILLIONAIRES' CLUB



RACETRAX®



Sales — Fiscal Years 2013 Through 2022 (continued)



U.S. Lotteries Per Capita Sales — Fiscal Year 2022

Rank	State	Population (M)	Total Sales (\$M)*	Per Capita**
1	Massachusetts	7.0	5,834.9	835
2	Georgia	10.8	5,793.9	536
3	Michigan	10.1	4,882.4	486
4	South Carolina	5.2	2,253.6	434
5	Maryland	6.2	2,649.6	430
6	Florida	21.8	9,324.6	428
7	New York	19.8	8,178.1	412
8	New Jersey	9.3	3,778.3	408
9	Connecticut	3.6	1,452.0	403
10	Pennsylvania	13.0	5,131.2	396
11	North Carolina	10.6	3,887.1	368
12	Ohio	11.8	4,291.2	364
13	New Hampshire	1.4	504.4	363
14	Kentucky	4.5	1,480.4	328
15	Washington, D.C.	0.7	205.5	307
16	Virginia	8.6	2,618.1	303
17	Maine	1.4	385.8	281
18	Texas	29.5	8,296.9	281
19	Rhode Island	1.1	295.6	270
20	Illinois	12.7	3,396.3	268
21	Missouri	6.2	1,623.3	263
22	Indiana	6.8	1,703.1	250
23	Vermont	0.6	151.5	235
24	Delaware	1.0	230.7	230
25	California	39.2	8,865.8	226
26	Idaho	1.9	378.8	199
27	Arkansas	3.0	579.6	192
28	Arizona	7.3	1,368.4	188
29	Wisconsin	5.9	887.8	151
30	Mississippi	2.9	436.4	148
31	Colorado	5.8	826.9	142
32	West Virginia	1.8	242.8	136
33	Iowa	3.2	432.7	136
34	Minnesota	5.7	740.2	130
35	Louisiana	4.6	582.9	126
36	Washington	7.7	907.7	117
37	Kansas	2.9	326.1	111
38	Nebraska	2.0	202.5	103
39	Oregon	4.2	397.1	94
40	Oklahoma	4.0	350.3	88
41	South Dakota	0.9	75.3	84
42	Montana	1.1	71.9	65
43	New Mexico	2.1	136.9	65
44	Wyoming	0.6	25.6	44
45	North Dakota	0.8	29.2	38

Source: *La Fleur's Magazine, September/October 2022 Edition*

*FY22 Traditional Sales, excludes VLT revenue

**Subject to rounding.

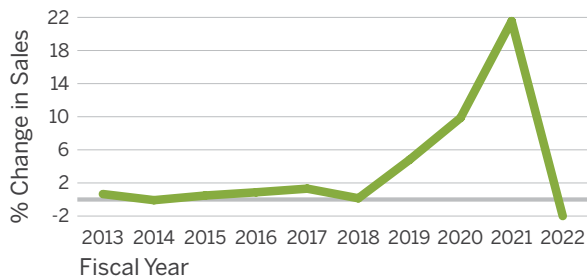
Fiscal year ends June 30 except New York (March 31), Texas (August 31) and Michigan (September 30).

The following Lottery was excluded: Tennessee.

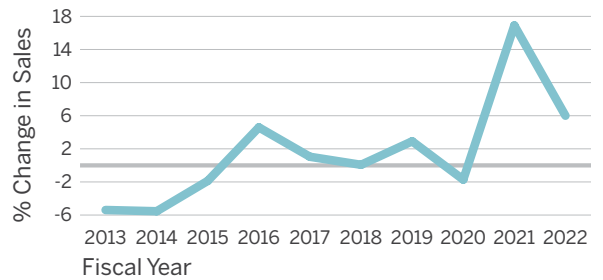
Percentage Change in Sales — Fiscal Years 2013 Through 2022

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Daily Draw Games	0.66%	-0.08%	0.10%	0.58%	1.31%	0.15%	4.79%	9.86%	21.55%	-1.68%
Monitor Games	-5.39%	-5.54%	-1.84%	4.59%	1.04%	0.07%	2.91%	-1.72%	16.90%	5.93%
Jackpot Games	2.99%	0.79%	-10.87%	25.13%	-20.44%	17.02%	21.21%	-32.28%	28.81%	4.69%
Scratch-Off Games	-4.14%	-1.28%	13.85%	11.95%	10.71%	10.95%	8.20%	4.96%	16.50%	1.62%
ITLM	-%	-%	-%	81.90%	20.75%	8.94%	5.81%	-18.51%	33.83%	24.77%
Total Sales	-2.16%	-1.83%	2.14%	8.22%	1.36%	5.76%	7.54%	-0.33%	19.24%	1.97%

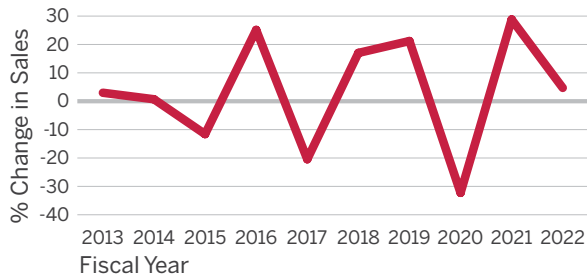
DAILY DRAW GAMES



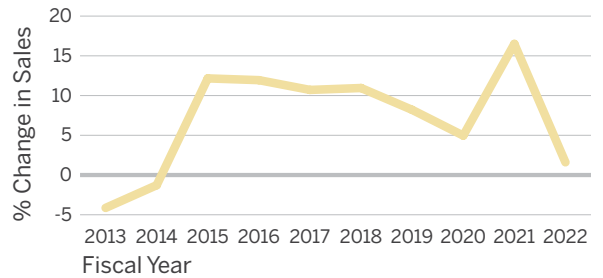
MONITOR GAMES



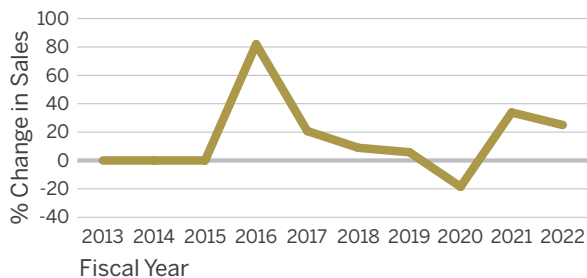
JACKPOT GAMES



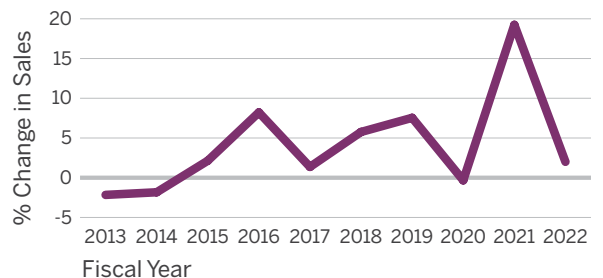
SCRATCH-OFFS



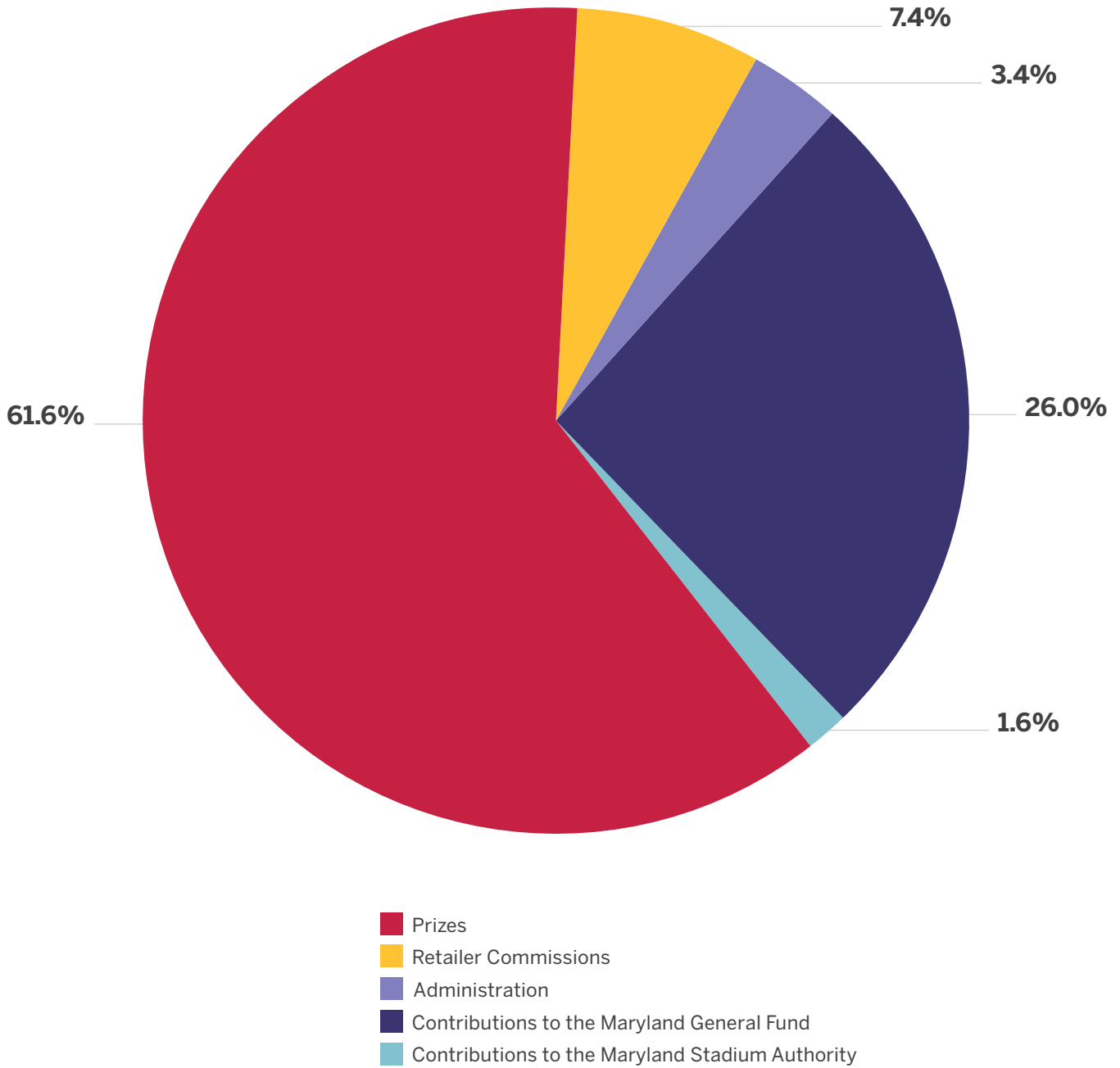
ITLM



TOTAL SALES



Expenses and Contributions — Cumulative for Fiscal Years 2013 Through 2022



Note: Cumulative Contributions for the fiscal years 2013 – 2022 for the following were less than 1% and were therefore not included in this graph: the Maryland Veterans Trust Fund, the International Racing Fund, the Michael Erin Busch Sports Fund, the Maryland Humanities Council, and Local Impact (HB532).

Lottery Contributions — Inception to Date

Fiscal Year	The State of Maryland General Fund	The Maryland Stadium Authority	Subdivisions of Maryland	Veterans Trust Fund	International Racing Fund	Michael Erin Busch Sports Fund	MD Humanities Council	HB 532 Local Impact Distributions	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

Lottery Contributions — Inception to Date (continued)

Fiscal Year	The State of Maryland General Fund	The Maryland Stadium Authority	Subdivisions of Maryland	Veterans Trust Fund	International Racing Fund	Erin Busch Sports Fund	Michael Busch Sports Fund	MD Humanities Council	HB 532 Local Impact Distributions	Total Contributions
2004	\$ 436,373,000	\$ 22,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 458,373,000
2005	455,863,000	21,235,000	-	-	-	-	-	-	-	477,098,000
2006	480,471,000	20,500,000	-	-	-	-	-	-	-	500,971,000
2007	473,119,000	21,000,000	-	-	-	-	-	-	-	494,119,000
2008	507,904,000	21,500,000	-	-	-	-	-	-	-	529,404,000
2009	473,206,260	20,000,000	-	-	-	-	-	-	-	493,206,260
2010	491,008,632	19,600,000	-	-	-	-	-	-	-	510,608,632
2011	499,393,853	20,000,000	-	-	-	-	-	-	-	519,393,853
2012	536,264,804	20,000,000	-	-	-	-	-	-	-	556,264,804
2013	525,960,121	19,265,000	-	-	-	-	-	-	-	545,225,121
2014	501,106,646	20,000,000	-	-	-	-	-	-	-	521,106,646
2015	506,492,648	20,000,000	-	34,267	-	-	-	-	-	526,526,915
2016	529,753,849	40,000,000	-	59,507	-	-	-	-	-	569,813,356
2017	483,832,419	40,000,000	-	70,173	1,000,000	-	-	-	-	524,902,592
2018	534,595,837	40,000,000	-	76,575	1,000,000	-	-	-	-	575,672,412
2019	552,375,065	40,000,000	-	78,023	1,000,000	-	-	-	-	593,453,088
2020	548,511,872	40,000,000	-	156,301	-	-	-	-	-	588,668,173
2021	631,718,854	35,207,978	-	214,326	-	-	298,630	-	-	667,439,788
2022	635,074,109	35,233,033	-	265,563	-	-	1,000,000	150,000	1,930,998	673,653,703
Total	\$ 17,701,186,969	\$ 894,437,011	\$ 31,253,000	\$ 954,735	\$ 3,000,000	\$ 1,298,630	\$ 150,000	\$ 1,930,998	\$ 18,634,211,343	\$ 18,634,211,343
TOTAL LIFETIME CONTRIBUTIONS										

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

Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022

FISCAL YEAR 2022

	Hollywood Casino	Ocean Downs Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	Horseshoe Casino	Total
Education Trust Fund	\$ 36,873,490	\$ 27,275,440	\$ 180,257,120	\$ 18,787,109	\$ 194,328,754	\$ 53,596,607	\$ 511,118,520
Casino	31,169,189	44,958,324	243,247,236	35,036,645	207,312,647	62,919,384	624,643,426
Horse Racing	5,610,980	5,957,553	34,981,840	1,475,028	33,154,593	9,612,558	90,792,552
Local Impact Grants	4,409,294	4,681,729	27,495,107	2,202,320	26,057,023	7,554,253	72,399,726
MLGCA	799,210	848,270	4,964,229	583,944	4,711,651	1,367,813	13,275,117
Small, Minority and Women-Owned Business	1,202,404	1,276,680	7,496,830	441,255	7,105,093	2,059,951	19,582,213
Total	\$ 80,064,567	\$ 84,997,996	\$ 498,442,361	\$ 58,526,303	\$ 472,669,761	\$ 137,110,567	\$ 1,331,811,554

FISCAL YEAR 2021

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

FISCAL YEAR 2020

	Hollywood Casino	Ocean Downs Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	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 and 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

Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022 (continued)

FISCAL YEAR 2019

	Hollywood Casino	Ocean Downs Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	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 and 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	Ocean Downs Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	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 and Women-Owned Business	357	1,593	7,653	1,348	9,844	3,506	24,300
General Fund	973,319	961,276	5,537,663	348,590	5,173,607	2,342,488	15,336,944
Total	\$ 64,902,194	\$ 64,148,772	\$ 369,483,659	\$ 46,532,616	\$ 345,300,900	\$ 156,308,642	\$ 1,046,676,783

FISCAL YEAR 2017

	Hollywood Casino	Ocean Downs Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	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 and 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

Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022 (continued)

FISCAL YEAR 2016

	Hollywood Casino	Ocean Downs Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	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 and 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	Ocean Downs Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	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 and 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

**Gross Terminal Revenue Distributions —
Fiscal Years 2013 Through 2022 (continued)**

FISCAL YEAR 2014

	Hollywood Casino	Ocean Downs Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	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 and 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

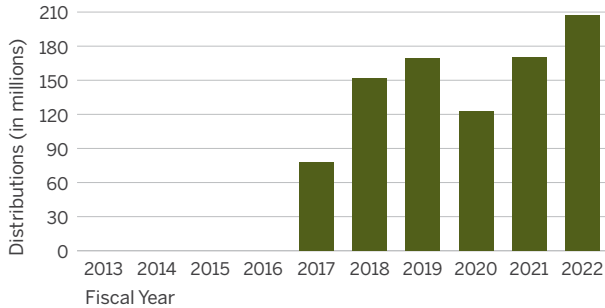
FISCAL YEAR 2013

	Hollywood Casino	Ocean Downs Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	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 and 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

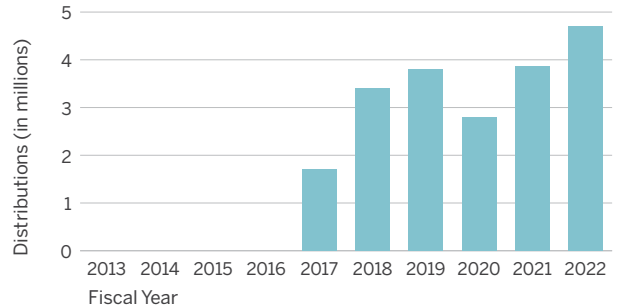
Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022 (continued)

MGM NATIONAL HARBOR

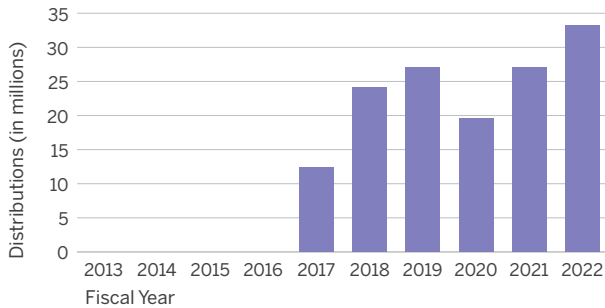
CASINO OPERATORS



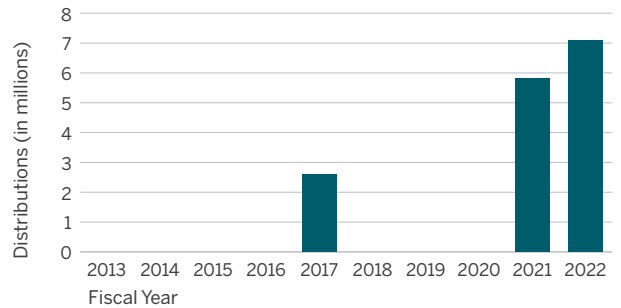
MLGCA



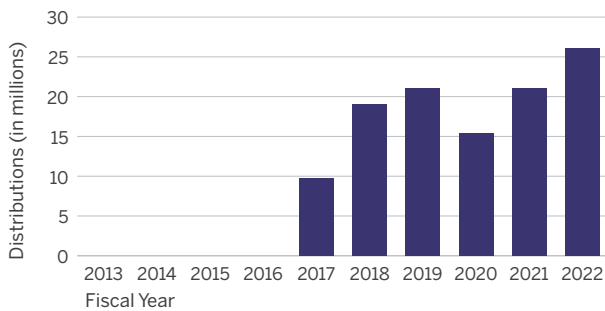
HORSE RACING



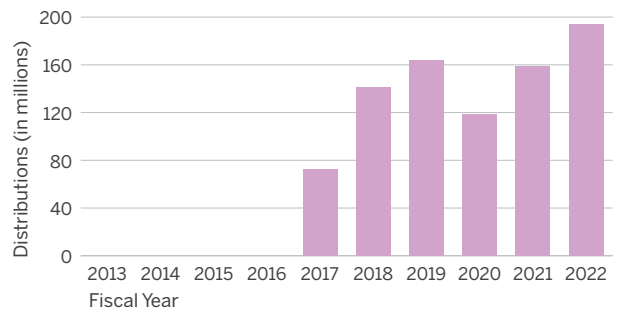
SMALL, MINORITY AND WOMEN-OWNED BUSINESS



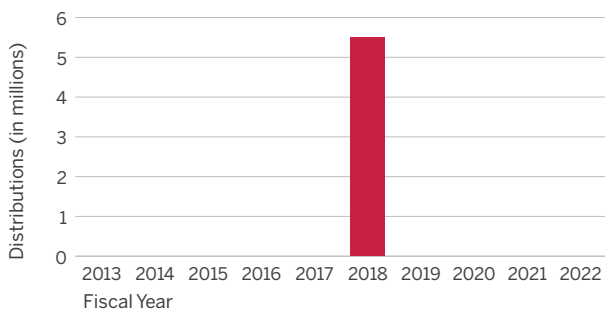
LOCAL IMPACT GRANTS



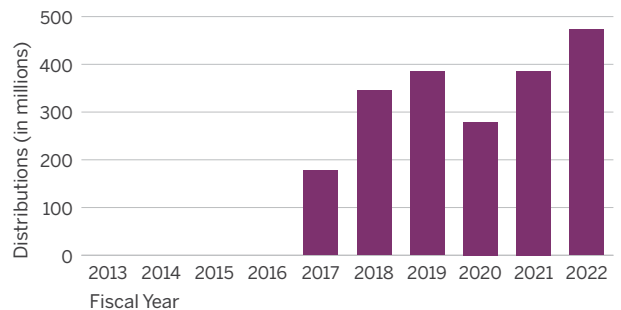
EDUCATION TRUST FUND



GENERAL FUND



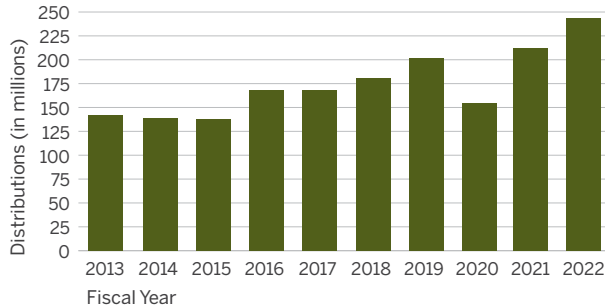
TOTAL VLT TRANSFERS



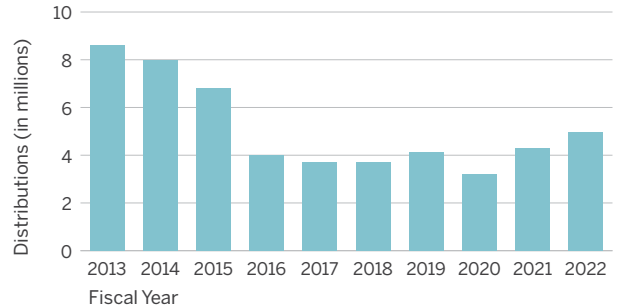
Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022 (continued)

LIVE! CASINO

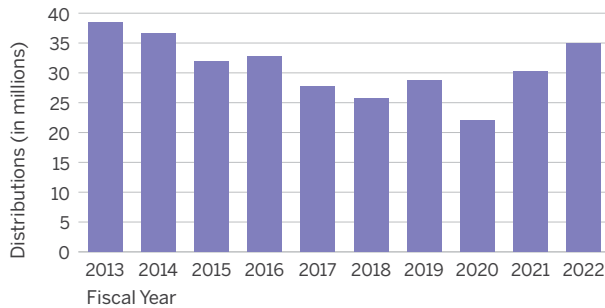
CASINO OPERATORS



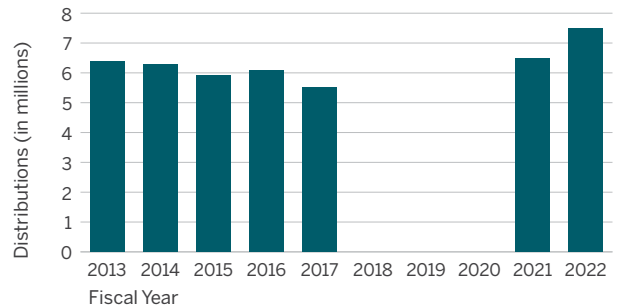
MLGCA



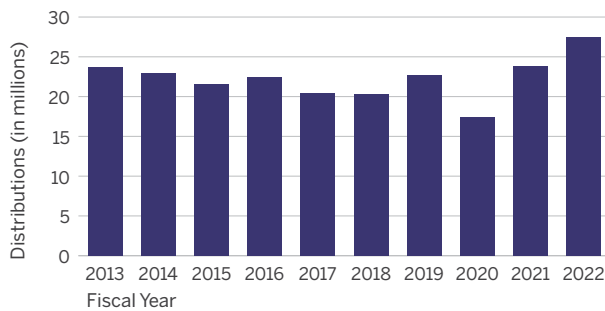
HORSE RACING



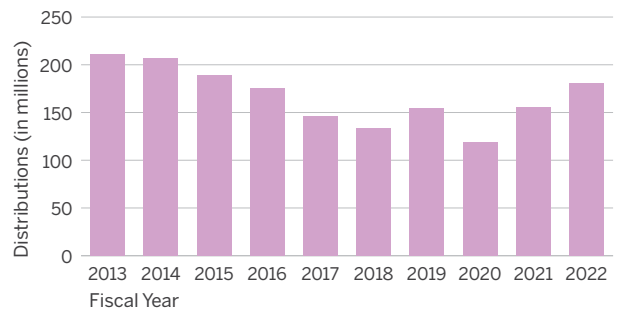
SMALL, MINORITY AND WOMEN-OWNED BUSINESS



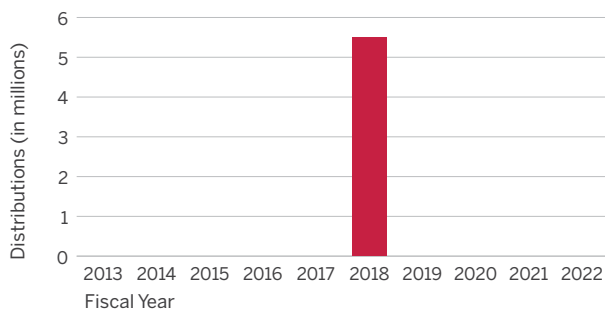
LOCAL IMPACT GRANTS



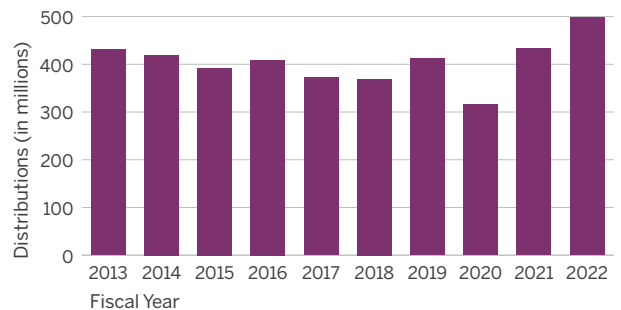
EDUCATION TRUST FUND



GENERAL FUND



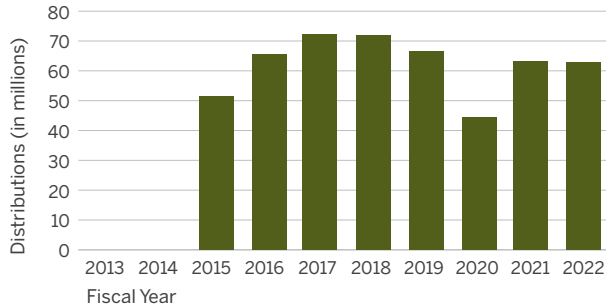
TOTAL VLT TRANSFERS



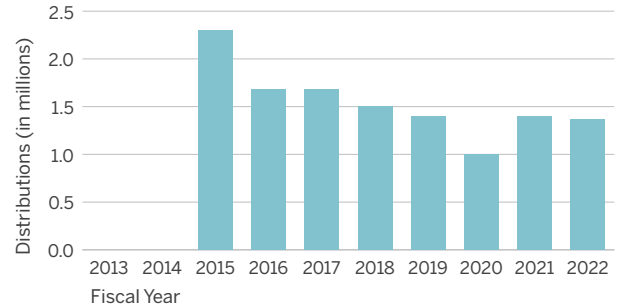
Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022 (continued)

HORSESHOE CASINO

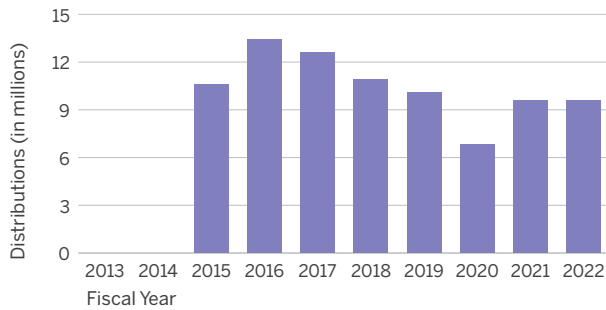
CASINO OPERATORS



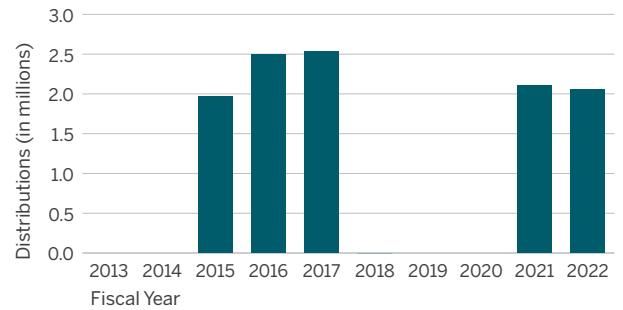
MLGCA



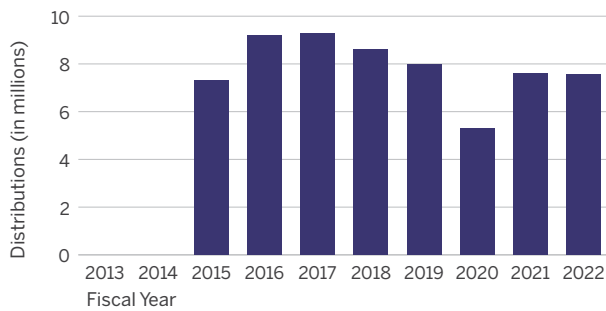
HORSE RACING



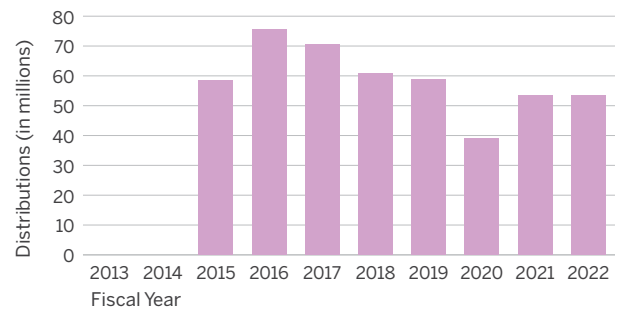
SMALL, MINORITY AND WOMEN-OWNED BUSINESS



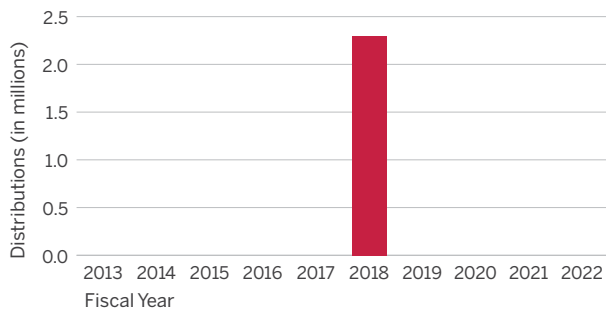
LOCAL IMPACT GRANTS



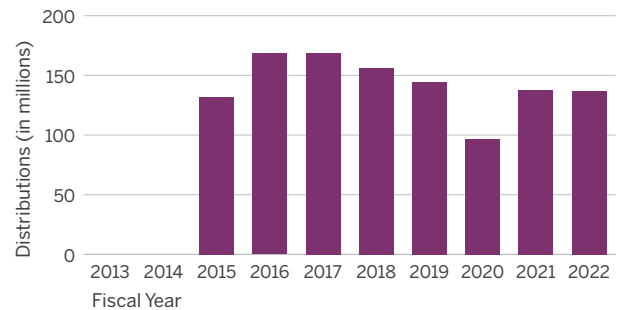
EDUCATION TRUST FUND



GENERAL FUND



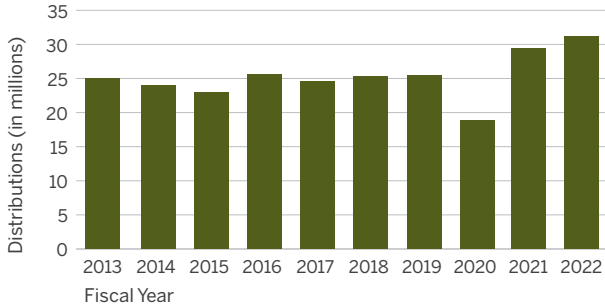
TOTAL VLT TRANSFERS



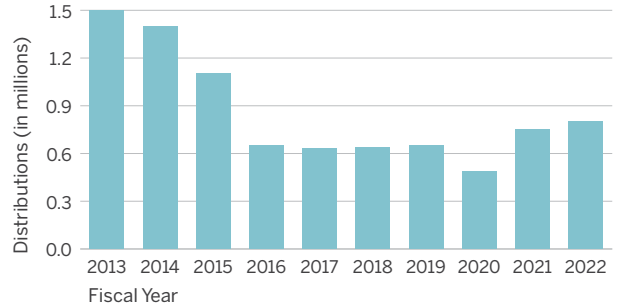
Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022 (continued)

HOLLYWOOD CASINO

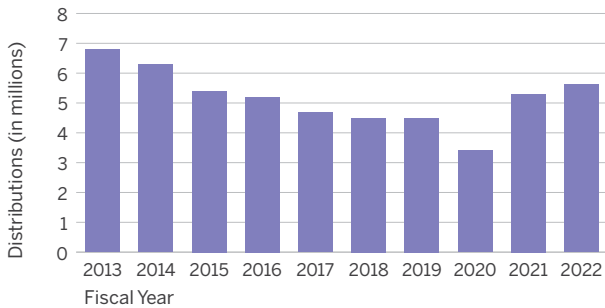
CASINO OPERATORS



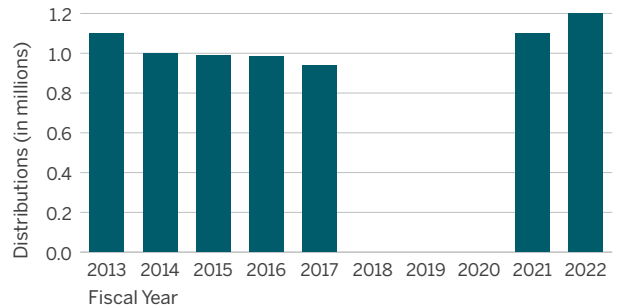
MLGCA



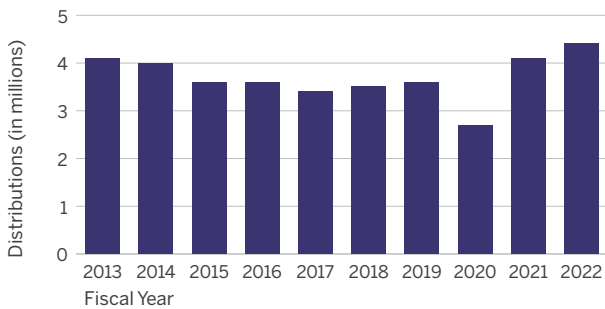
HORSE RACING



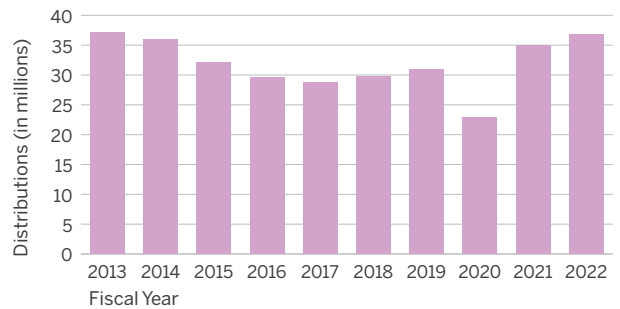
SMALL, MINORITY AND WOMEN-OWNED BUSINESS



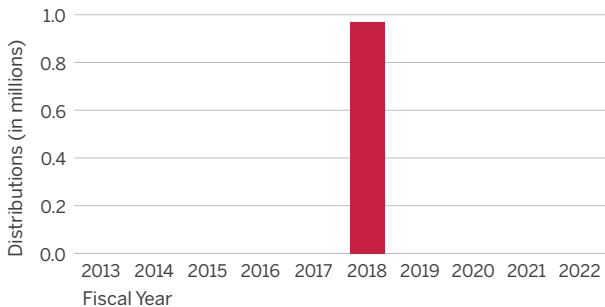
LOCAL IMPACT GRANTS



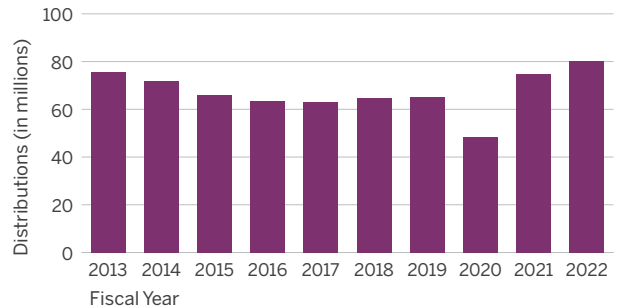
EDUCATION TRUST FUND



GENERAL FUND



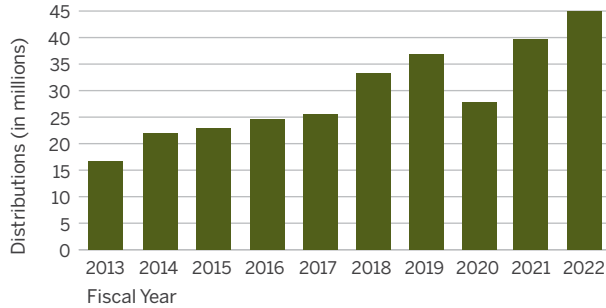
TOTAL VLT TRANSFERS



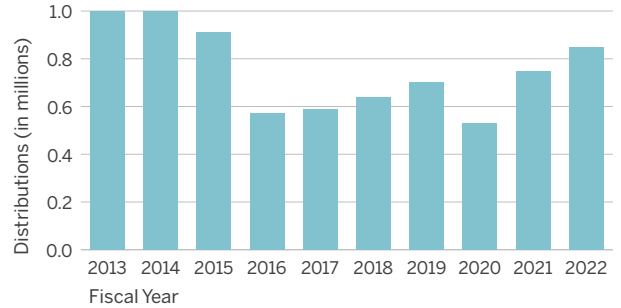
Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022 (continued)

OCEAN Downs CASINO

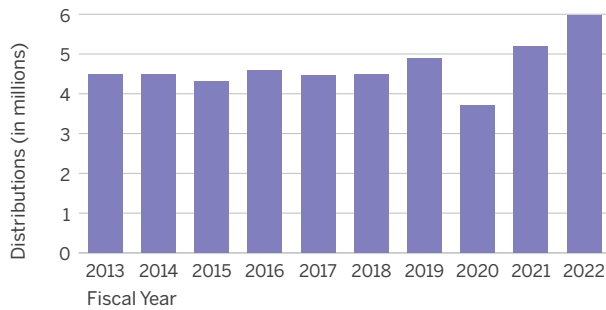
CASINO OPERATORS



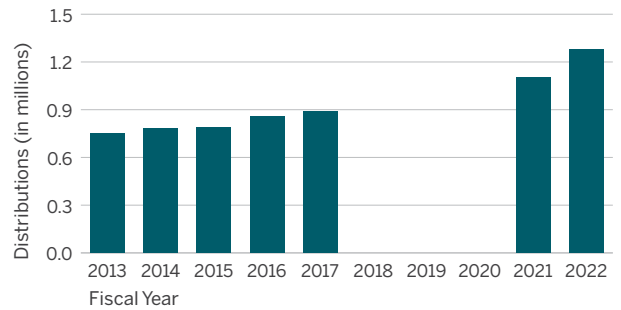
MLGCA



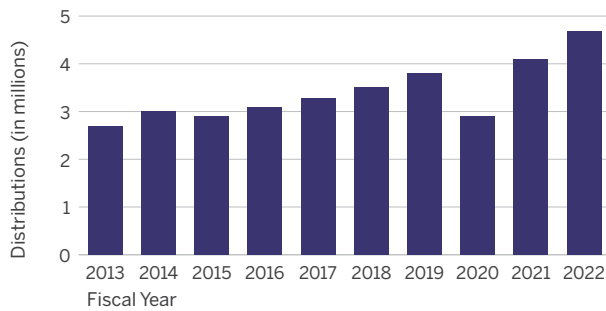
HORSE RACING



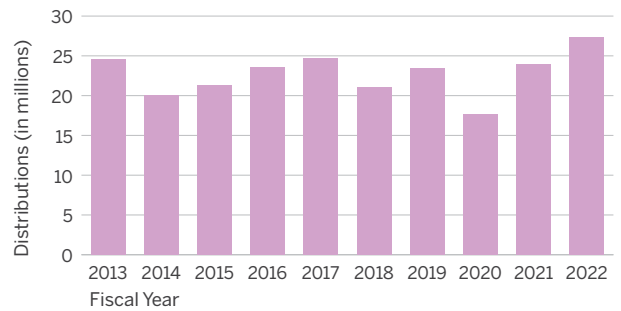
SMALL, MINORITY AND WOMEN-OWNED BUSINESS



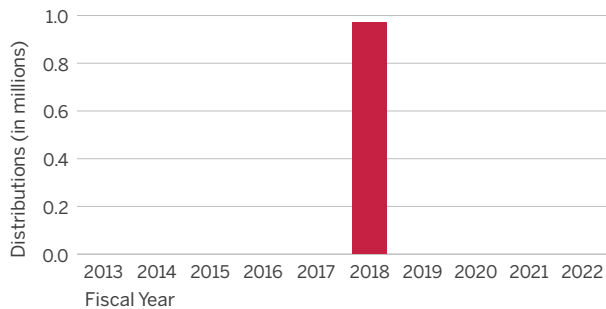
LOCAL IMPACT GRANTS



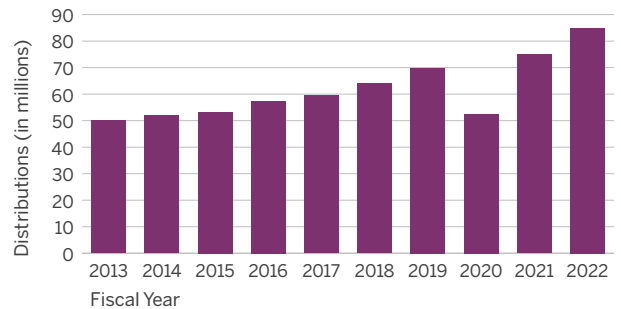
EDUCATION TRUST FUND



GENERAL FUND



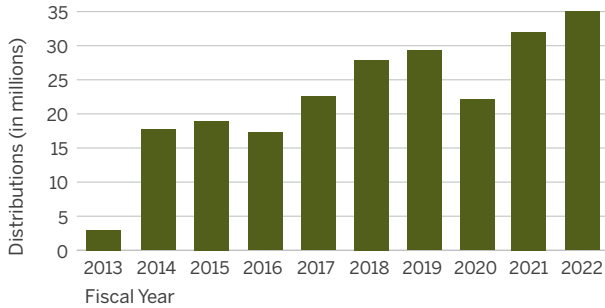
TOTAL VLT TRANSFERS



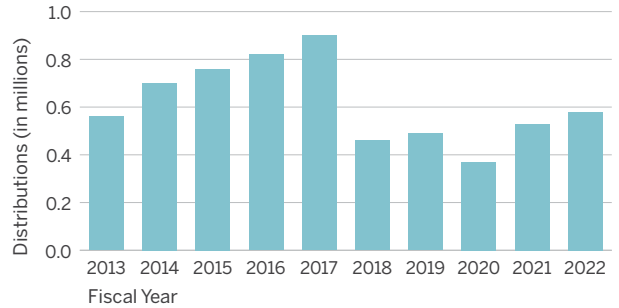
Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022 (continued)

ROCKY GAP CASINO

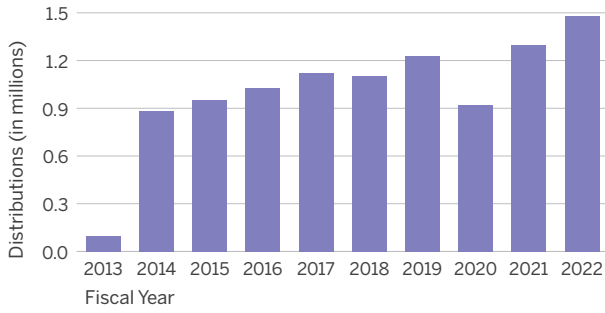
CASINO OPERATORS



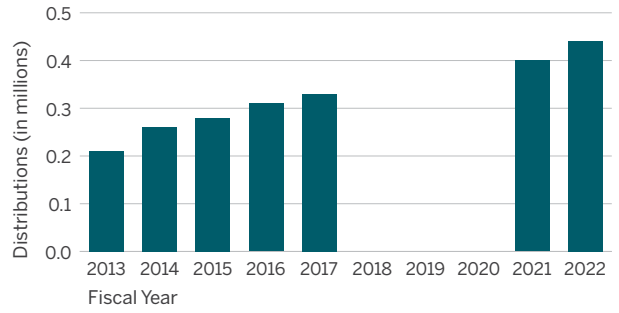
MLGCA



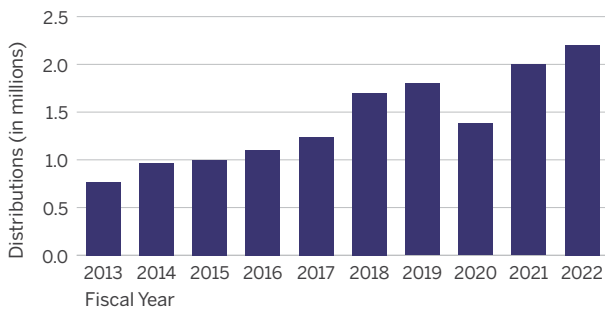
HORSE RACING



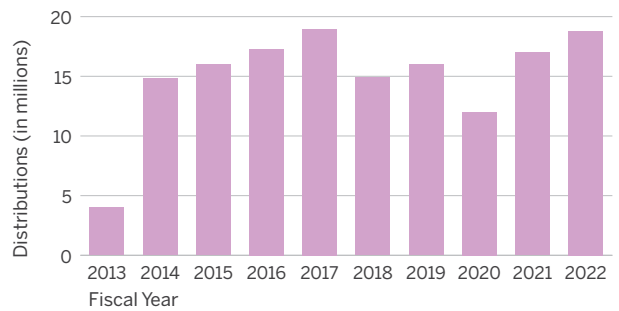
SMALL, MINORITY AND WOMEN-OWNED BUSINESS



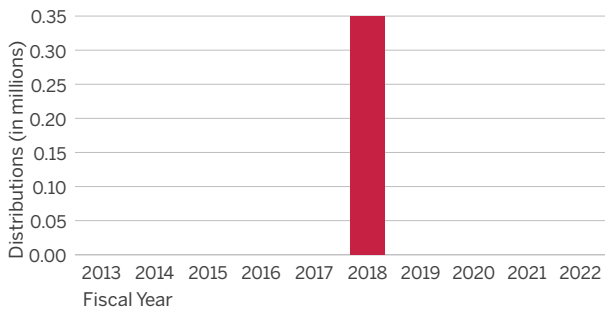
LOCAL IMPACT GRANTS



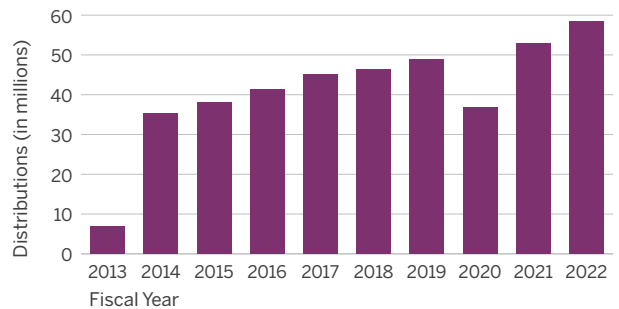
EDUCATION TRUST FUND



GENERAL FUND



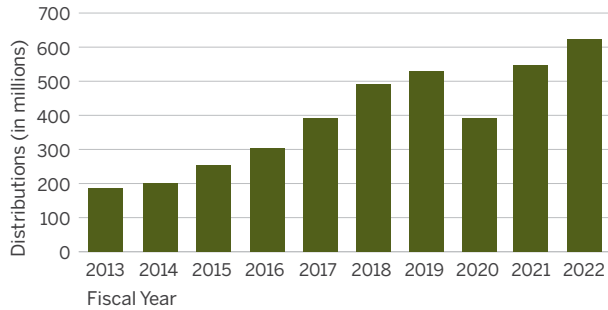
TOTAL VLT TRANSFERS



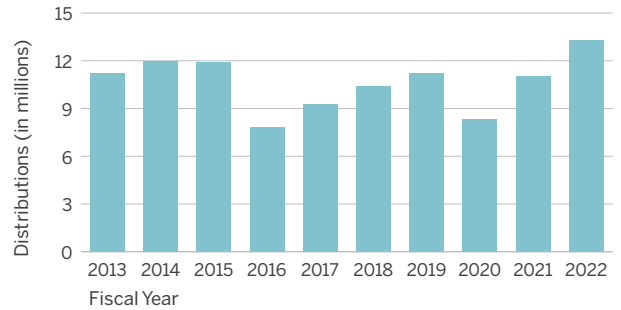
Gross Terminal Revenue Distributions — Fiscal Years 2013 Through 2022 (continued)

ALL CASINOS COMBINED

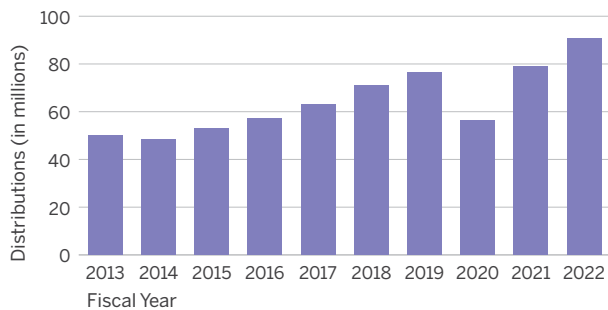
CASINO OPERATORS



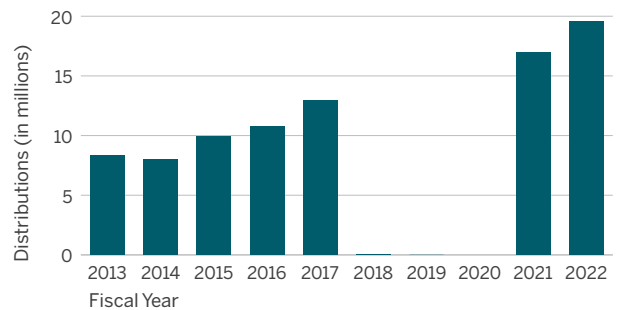
MLGCA



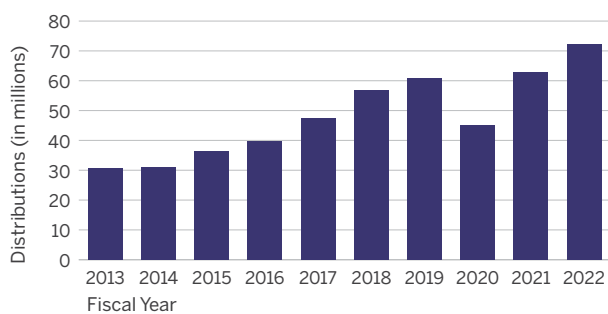
HORSE RACING



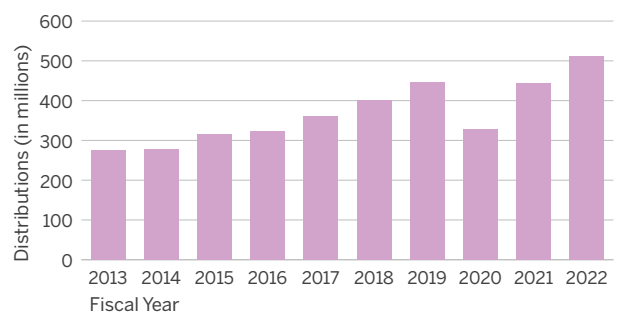
SMALL, MINORITY AND WOMEN-OWNED BUSINESS



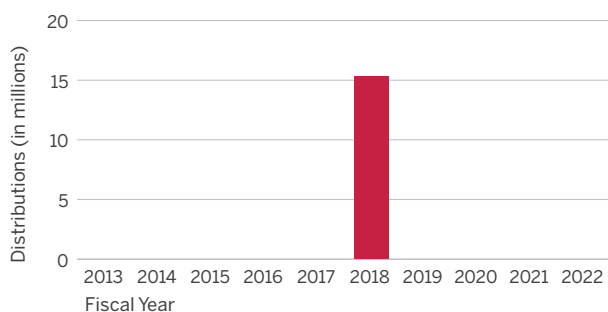
LOCAL IMPACT GRANTS



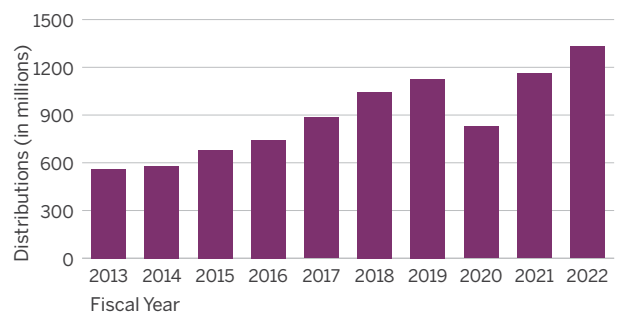
EDUCATION TRUST FUND



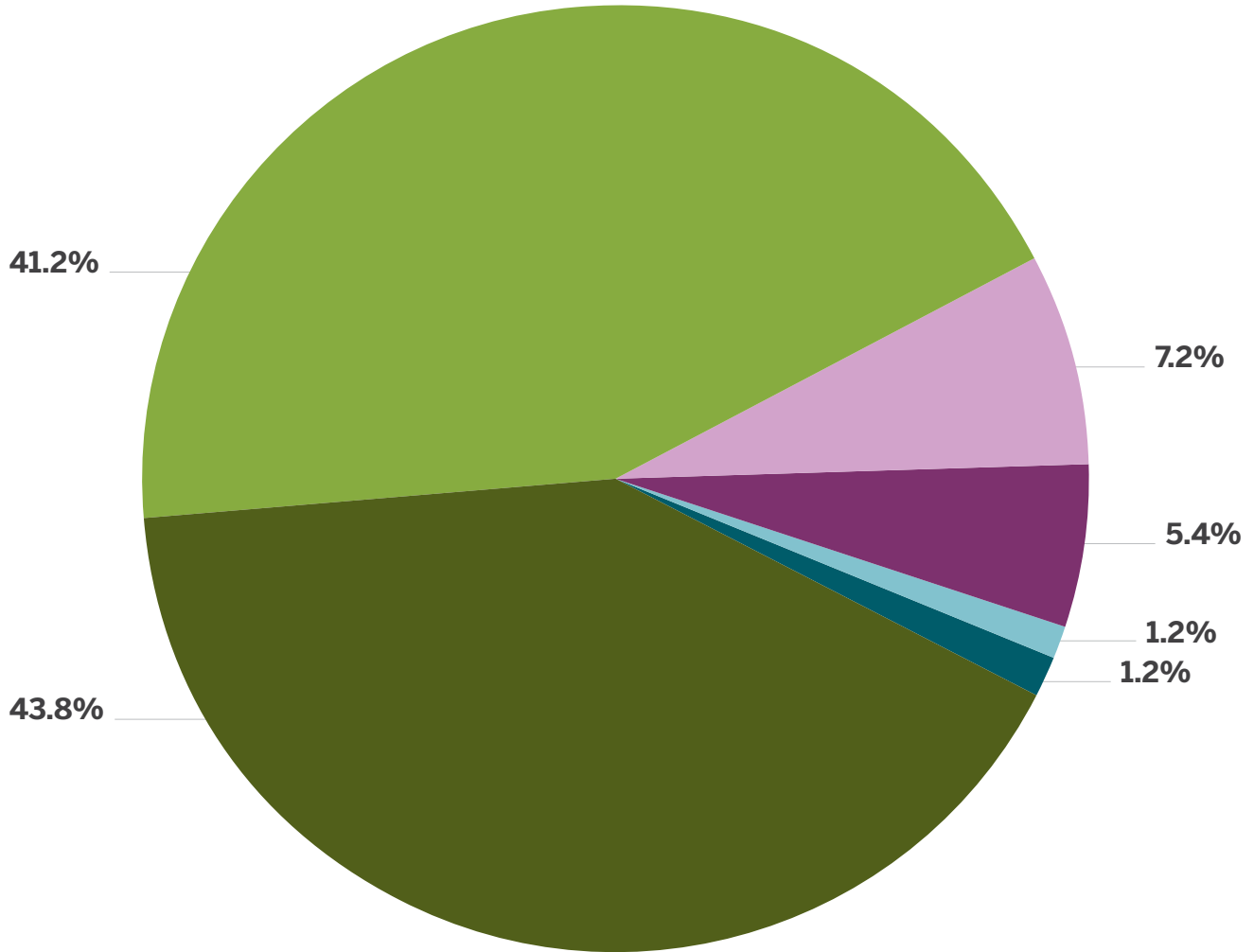
GENERAL FUND



TOTAL VLT TRANSFERS



Gross Terminal Revenue Distributions — Cumulative for Fiscal Years 2013 Through 2022



- Maryland Education Trust Fund
- Casino Operators
- Horse Racing
- Local Impact Grants
- Maryland Lottery and Gaming Control Agency
- General Fund and Small, Minority and Women-Owned Businesses

Table Game Revenue Distributions — Fiscal Years 2013 Through 2022*

FISCAL YEAR 2022

	Horseshoe Casino	Hollywood Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	Ocean Downs Casino	Total
Education Trust Fund	\$ 11,109,054	\$ 1,927,334	\$ 32,337,722	\$ 1,058,795	\$ 52,563,634	\$ 1,498,763	\$ 100,495,302
Casino	59,248,289	10,279,113	172,467,851	5,646,904	280,339,383	7,993,403	535,974,943
Local Jurisdictions	3,703,018	642,445	10,779,241	352,931	17,521,211	499,588	33,498,434
Total	\$ 74,060,361	\$ 12,848,892	\$ 215,584,813	\$ 7,058,630	\$ 350,424,229	\$ 9,991,753	\$ 669,968,678

FISCAL YEAR 2021

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

FISCAL YEAR 2020

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

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

Table Game Revenue Distributions — Fiscal Years 2013 Through 2022* (continued)

FISCAL YEAR 2017

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

FISCAL YEAR 2016

	Horseshoe Casino	Hollywood Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	Ocean Downs Casino	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	Live! Casino	Rocky Gap Casino	MGM National Harbor	Ocean Downs Casino	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	Live! Casino	Rocky Gap Casino	MGM National Harbor	Ocean Downs Casino	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

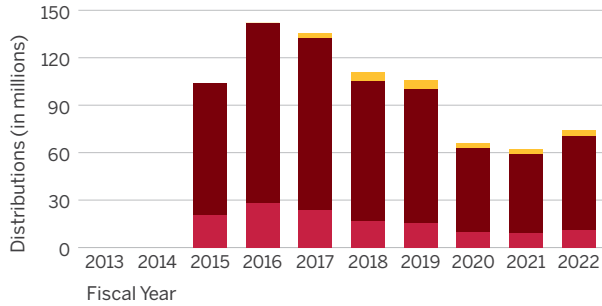
	Horseshoe Casino	Hollywood Casino	Live! Casino	Rocky Gap Casino	MGM National Harbor	Ocean Downs Casino	Total
Education Trust Fund	\$ -	\$ 1,191,443	\$ 8,323,862	\$ 92,254	\$ -	\$ -	\$ 9,607,559
Casino	-	4,765,772	33,295,447	369,016	-	-	38,430,235
Local Jurisdictions	-	-	-	-	-	-	-
Total	\$ -	\$ 5,957,215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

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

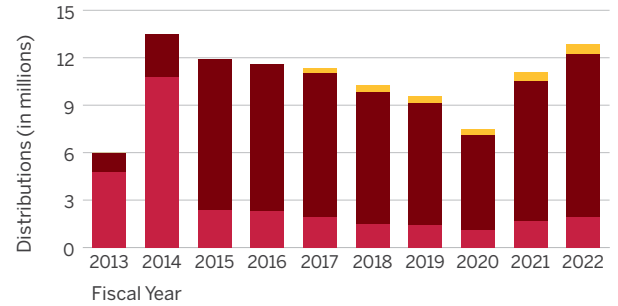
Table Game Revenue Distributions — Fiscal Years 2013 Through 2022* (continued)

TABLE GAME REVENUE DISTRIBUTIONS

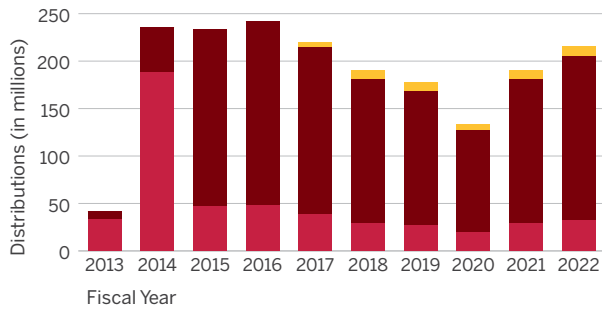
HORSESHOE CASINO



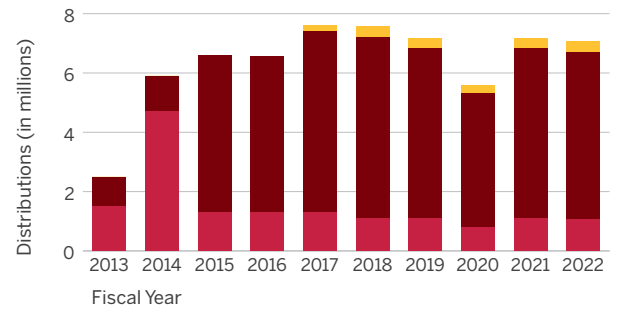
HOLLYWOOD CASINO



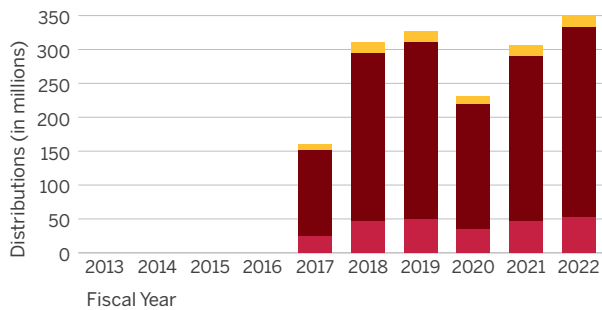
LIVE! CASINO



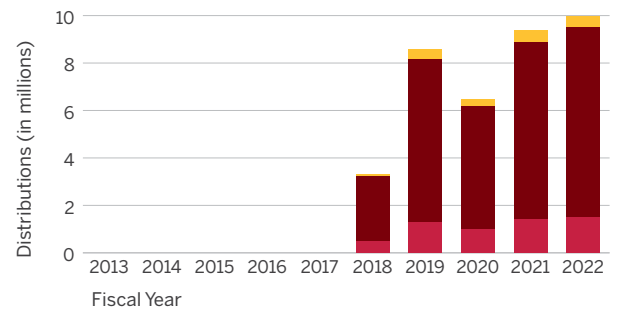
ROCKY GAP CASINO



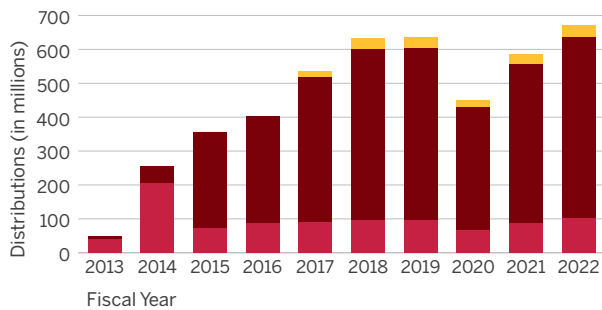
MGM NATIONAL HARBOR



OCEAN DOWNS CASINO



TOTAL



■ Education Trust Fund
 ■ Casino
 ■ Local Jurisdictions

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

Sports Wagering and Fantasy Competitions

Retail Licensees	Handle	Prizes Paid	Hold %	Other Deductions	Taxable Win	Contributions to the State
MGM National Harbor	\$ 52,284,189	\$ 47,186,545	9.7%	\$ 134,826	\$ 4,962,819	\$ 744,994
Live! Casino	78,853,899	69,758,582	11.5%	193,826	8,901,491	1,335,224
Horseshoe Casino	26,636,355	23,171,954	13.0%	66,253	3,398,148	509,722
Ocean Downs Casino	7,447,738	6,315,123	15.2%	18,467	1,114,147	167,122
Hollywood Casino	9,538,839	8,675,181	9.1%	23,640	840,018	126,003
Total	\$ 174,761,019	\$155,107,385	11.2%	\$ 437,011	\$ 19,216,623	\$ 2,883,065

SPORTS WAGERING DEFINITIONS

Handle: Amount players wagered, including promotional wagers provided by sportsbooks*

Prizes: Winnings paid to players

Hold %: Percentage of the handle remaining after prizes are paid

Other Deductions: Includes federal excise tax and loss carryforward

Taxable Win: Amount remaining after sportsbooks pay winners and deduct promotional play and other amounts

Contributions to the State: 15% of the taxable win, contributed to the Blueprint for Maryland's Future Fund

*Sportsbooks did not provide any promotional play amounts in FY2022. All amounts for FY2022 were paid play.

SPORTS WAGERING FY2022 FACTS & FIGURES

- Five retail sportsbooks operated during FY2022. All five opened in December 2021.
- Expired sports wagering prizes are contributed to the Problem Gambling Fund and totaled \$132,415 in FY2022.
- Sports wagering licensees pay a license fee every five years. In FY2022, net license fees totaled \$10,188,129.25 and were distributed to:
 - Blueprint for Maryland's Future Fund: \$9,688,129.25
 - Sports Wagering Assistance Fund: \$500,000

FANTASY COMPETITION FY2022 FACTS & FIGURES

The operators of fantasy competitions (including daily fantasy sports) contribute 15% of their revenue to the Blueprint for Maryland's Future Fund. In FY2022, total fantasy competition revenue was \$17,075,872, distributed as follows:

- Operators' Share: \$14,514,491 (85%)
- Blueprint for Maryland's Future Fund: \$2,561,381(15%)

Retailers, Population, and Sales by Region

FISCAL YEAR 2022

	Allegany County	Anne Arundel County	Baltimore County	Calvert County	Caroline County	Carroll County	Cecil County	Charles County
# of Retailers	51	381	668	69	31	129	90	136
% of Total Retailers	1.32%	9.93%	17.42%	1.79%	0.80%	3.36%	2.34%	3.54%
Population	67,729	590,336	849,316	93,928	33,386	173,873	103,905	168,698
% of Total Population	1.21%	10.56%	15.20%	1.68%	0.60%	3.11%	1.86%	3.02%
% of Sales	0.75%	10.55%	19.39%	1.85%	0.62%	2.51%	1.67%	4.54%

	Dorchester County	Frederick County	Garrett County	Harford County	Howard County	Kent County	Montgomery County	Prince George's County
# of Retailers	37	164	34	176	161	26	397	581
% of Total Retailers	0.96%	4.26%	0.90%	4.59%	4.20%	0.67%	10.35%	15.13%
Population	32,489	279,835	28,702	262,977	334,529	19,270	1,054,827	955,306
% of Total Population	0.58%	5.01%	0.51%	4.71%	5.99%	0.34%	18.87%	17.09%
% of Sales	0.72%	3.20%	0.30%	4.16%	3.40%	0.26%	11.93%	23.48%

	Queen Anne's County	St. Mary's County	Somerset County	Talbot County	Washington County	Wicomico County	Worcester County	Baltimore City
# of Retailers	63	100	48	67	156	140	134	548
% of Total Retailers	1.64%	2.60%	1.25%	1.74%	4.05%	3.66%	3.49%	14.29%
Population	50,798	114,468	24,584	37,626	154,937	103,980	53,132	576,498
% of Total Population	0.91%	2.05%	0.44%	0.67%	2.77%	1.86%	0.95%	10.32%
% of Sales	0.88%	2.96%	0.52%	0.67%	2.18%	1.93%	1.53%	14.24%

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2021

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

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

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

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2020

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

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

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

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2019

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

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

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

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2018

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

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

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

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2017

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

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

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

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2016

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

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

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

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2015

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

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

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

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2014

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

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

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

Retailers, Population, and Sales by Region (continued)

FISCAL YEAR 2013

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

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

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

Ratio of Outstanding Debt by Type — Fiscal Years 2013 Through 2022

Fiscal Year	Capital Leases	Percentage of Annual Lottery Sales
2013	\$ 1,780,253	0.10%
2014	600,149	0.00%
2015	–	0.00%
2016	–	0.00%
2017	–	0.00%
2018	–	0.00%
2019	–	0.00%
2020	–	0.00%
2021	–	0.00%
2022	–	0.00%

Fiscal Year	VLT Capital Leases	Percentage of Gross Terminal Revenue
2013	\$ 29,242,927	5.22%
2014	16,880,000	2.91%
2015	60,714,472	8.90%
2016	48,284,425	6.51%
2017	35,667,968	4.02%
2018	–	0.00%
2019	–	0.00%
2020	–	0.00%
2021	–	0.00%
2022	–	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 2013 Through 2022

Fiscal Year	Statewide Population⁽¹⁾	Statewide Personal Income⁽¹⁾ (expressed in thousands)	Statewide Per Capita Personal Income⁽¹⁾	Unemployment Rate⁽²⁾
2013	5,920,461	\$ 311,095	\$ 52,546	6.6%
2014	5,955,756	320,928	53,885	5.8%
2015	5,985,008	336,428	56,212	5.0%
2016	6,004,556	348,600	58,056	4.3%
2017	6,025,384	359,647	59,689	4.0%
2018	6,040,226	370,347	61,313	3.8%
2019	6,053,126	379,934	62,767	3.5%
2020	6,057,454	415,937	68,665	8.6%
2021	6,050,432	423,545	70,002	6.2%
2022	6,050,432	423,545	70,002	6.2%

Sources:

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

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

Lottery Employees — Fiscal Years 2013 Through 2022

Number of Employees (includes contractual)

As of June 30	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Agent Administration	5	5	5	5	5	5	5	4	4	3
Commissioners*	7	7	7	7	7	6	7	7	7	7
Communications	25	24	23	23	22	24	24	22	28	23
Customer Service	10	10	10	10	9	9	9	7	8	9
Executive	9	9	9	9	8	8	8	7	7	7
Facilities	4	4	5	5	5	5	6	5	6	6
Finance, Budget & Procurement and Special Projects	23	24	22	24	17	21	21	18	16	15
Information Technology	18	21	21	16	16	16	16	18	18	18
Scratch-Off Ticket Warehouse	7	6	7	7	7	7	7	7	9	11
Legal Services	8	8	8	8	7	7	6	6	6	6
Personnel	4	4	3	3	3	3	3	4	3	3
Product Development & Creative Services	12	13	15	12	11	11	11	9	9	9
Sales	60	61	56	60	59	61	61	59	57	63
Security	8	8	8	8	8	8	8	8	8	8
Gaming, Sports Wagering & Fantasy**	94	124	128	141	145	146	146	138	132	132
Total	294	328	327	338	329	337	338	319	318	320

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

**Fantasy Competitions has been operating under the regulation of the Agency since FY 2021. Sports Wagering was implemented in FY 2022.

Operating Indicators — Fiscal Years 2013 Through 2022**Percentage of Lottery Administrative Expenses to Sales**

Fiscal Year	Sales	Administrative Expenses	Percentage of Administrative Expenses to Sales
2013	1,756,119,267	54,699,834	3.11%
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	3.48%
2018	2,042,794,337	70,366,608	3.44%
2019	2,196,908,499	79,793,722	3.63%
2020	2,189,768,013	77,743,420	3.55%
2021	2,611,150,070	92,242,247	3.53%
2022	2,662,703,825	94,935,530	3.57%

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

Capital Assets, Net Information — Fiscal Years 2013 Through 2022

Fiscal Year	Lottery Equipment	Data Processing Equipment	Office Equipment	Leasehold Improvements	VLTs	Total Capital Assets
2013	838,476	–	–	–	22,987,684	23,826,160
2014	–	–	–	–	10,525,562	10,525,562
2015	1,026,010	–	–	–	60,730,078	61,756,088
2016	817,330	–	–	–	47,900,001	48,717,331
2017	608,650	–	–	–	35,126,668	35,735,318
2018	399,970	–	–	–	–	399,970
2019	191,290	–	–	–	–	191,290
2020	–	–	–	–	–	–
2021	–	–	–	–	–	–
2022	–	–	–	–	–	–

Right-of-Use Assets, Net Information — Fiscal Years 2013 Through 2022

Fiscal Year	Machinery and Equipment	Office and Warehouse Space	Total Right-of-Use Assets
2013	–	–	–
2014	–	–	–
2015	–	–	–
2016	–	–	–
2017	–	–	–
2018	–	\$ 5,447,589	\$ 5,447,589
2019	\$ 7,500,948	4,315,791	11,816,739
2020	6,366,817	3,150,784	9,517,601
2021	5,080,485	1,950,109	7,030,594
2022	3,755,029	711,168	4,466,197

THIS PAGE INTENTIONALLY BLANK

THIS PAGE INTENTIONALLY BLANK

